YIT

yitgroup.com

Annual Review 2022

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YIT 2022

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Nuppu, Bratislava, Slovakia

Better living environments sustainably

We create sustainable and attractive cities and living environments for our customers and society. In growing cities, we build, develop and renovate homes, public premises and business premises that have long lifespans and are highly functional. We also build infrastructure to facilitate smooth mobility and transport for people.

Sustainability is an integral element of our strategy. We promote sustainability throughout the value chain with regard to environmental responsibility, social responsibility and corporate governance. We focus particularly on climate change mitigation, occupational safety and responsible procurement.

We employ around 5,000 professionals in nine countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania, the Czech Republic, Slovakia and Poland. Our revenue in 2022 was EUR 2.4 billion. YIT Corporation's shares are listed on Nasdaq Helsinki.

YIT 110

We have been building better living environments for 110 years. ***Watch our history video and learn more about YIT's journey.***

Geographical distribution of revenue

EUR MILLION

Finland
Revenue: 1,831
Personnel: ~3,600

Scandinavia
Revenue: 125
Personnel: ~200

Baltic countries
Revenue: 241
Personnel: ~800

Central European countries
Revenue: 206
Personnel: ~400

- Housing
- Business Premises
- Infrastructure
- Property Development

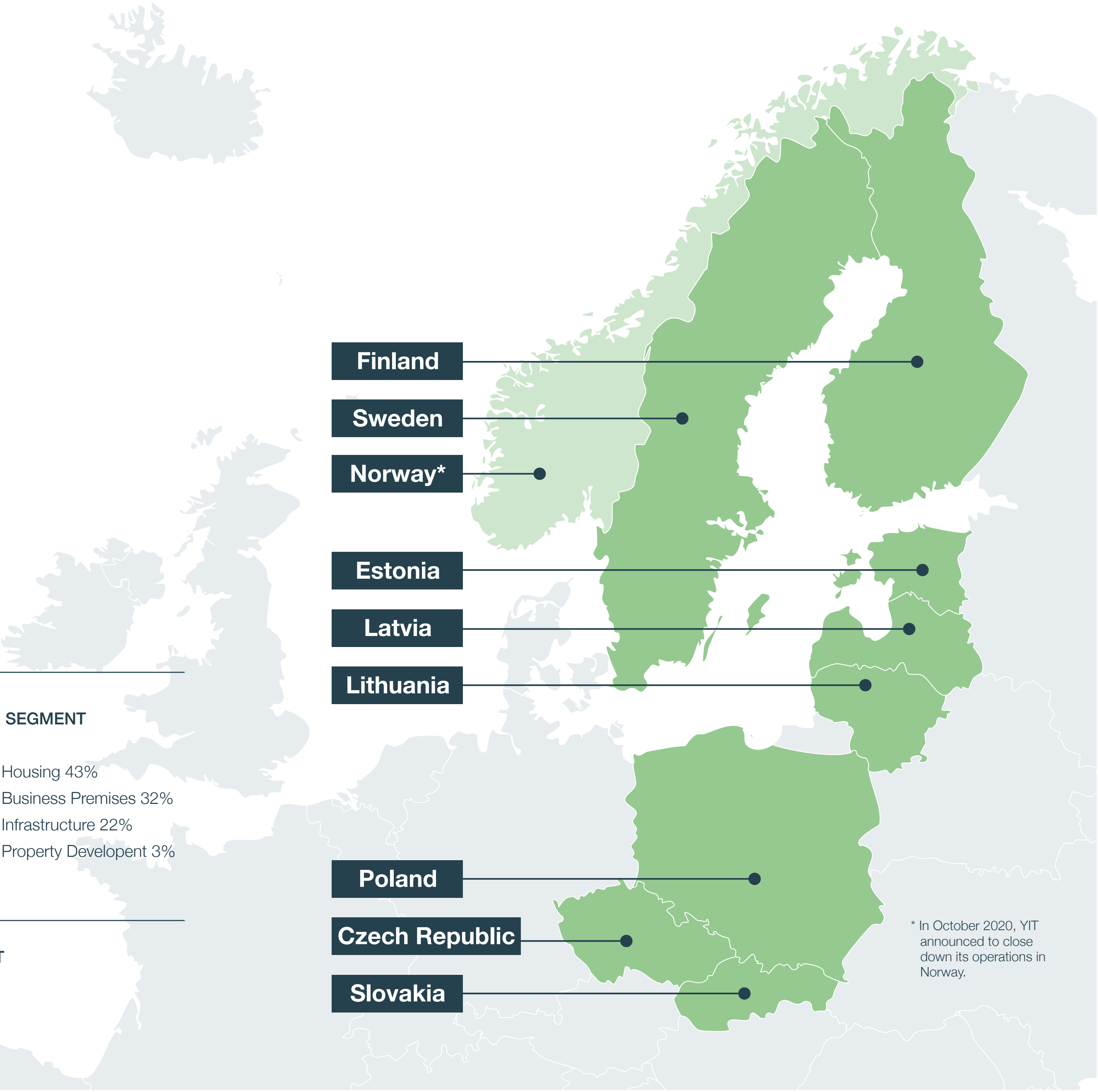
SHARE OF REVENUE PER SEGMENT

REVENUE

2.4
EUR billion in 2022

ADJUSTED OPERATING PROFIT

110
EUR million in 2022



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

Our services

Housing

We build highly functional and sustainable homes and living environments in growing cities. We provide the framework for easy and convenient housing that is aligned with the principles of sustainable development.
Read more

Business Premises

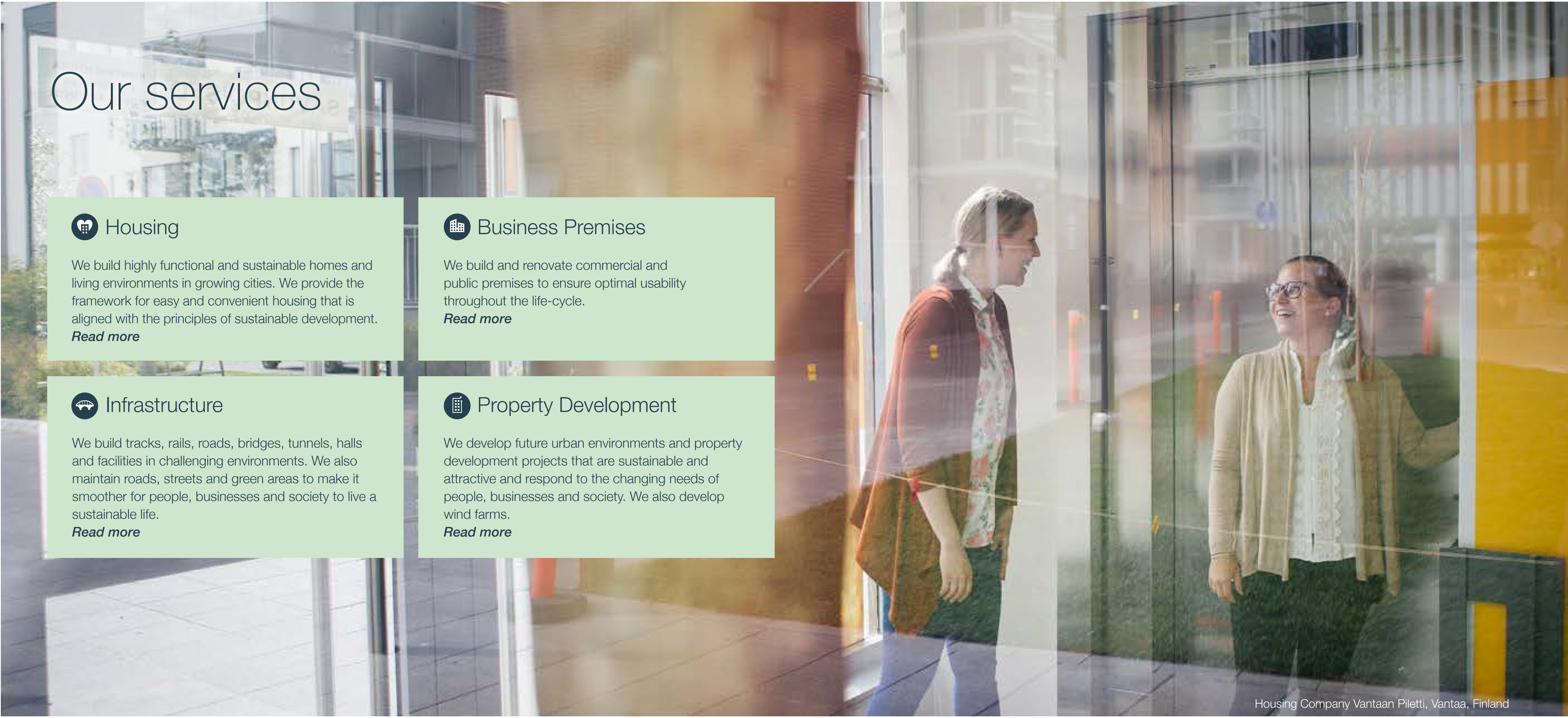
We build and renovate commercial and public premises to ensure optimal usability throughout the life-cycle.
Read more

Infrastructure

We build tracks, rails, roads, bridges, tunnels, halls and facilities in challenging environments. We also maintain roads, streets and green areas to make it smoother for people, businesses and society to live a sustainable life.
Read more

Property Development

We develop future urban environments and property development projects that are sustainable and attractive and respond to the changing needs of people, businesses and society. We also develop wind farms.
Read more



Housing Company Vantaan Piletti, Vantaa, Finland

CEO's review: Determined work to progress strategy

During the year 2022, we made progress in multiple areas. We focused on strategy execution, improved our productivity, and advanced decisively towards our sustainability ambitions. Thanks for the achievements are due to the entire YIT team, whose efforts and professionalism ensured the successful implementation of the strategy.

In 2022, our Group adjusted operating profit increased to EUR 110 million compared to EUR 85 million in 2021. Furthermore, our adjusted operating profit margin improved to 4.6% compared to 3.2% in 2021. We improved our profitability by increasing operational efficiency and achieved productivity gains from our existing operating model and enhanced project management.

In the Housing segment, our performance was impacted by the weakening market. Despite the market, we continued our determined work to develop new functional and sustainable homes and living environments. We were able to fulfil our customers' needs and again achieved high customer satisfaction. We renewed our number one position in the annual EPSI-Rating survey for the largest member companies of the Confederation of Finnish Construction Industries RT, in which customers rated YIT as the best in its industry. This is the result of long-term work and reflects our personnel's commitment to customer focus.

In the Business Premises and Infrastructure segments, we progressed in improving our profitability. Both segments executed their strategies according to our plans. Our determined and thorough work to enhance our project management delivered us productivity gains.

We also sharpened our tendering, by successfully focusing on projects where we can add the most value for our customers. In the Property Development segment, we continued to drive forward our real estate developments, while also strengthening our portfolio in wind power and renewable energy.

One of the key events of the year was the sale of YIT's businesses in Russia. The strategic review of the Russian businesses was originally initiated in November 2021, and then accelerated after Russia's invasion of Ukraine in early 2022. The sale was finalised in challenging conditions, which led to a weaker financial outcome than originally anticipated. After the sale, we were able to fully focus on our strategy and core businesses.

At the end of 2022, we set an ambitious goal at carbon-neutral construction by updating our climate targets and creating a carbon roadmap to reduce emissions. We aim to be carbon neutral in our own operations by 2030, and we commit to cutting at least 30% of our value chain emissions

Ranta-Tampella, Tampere, Finland

by 2030. I am proud of our high level of ambition, but also of the conrete steps we have taken so far.

We have already reduced the emissions from our own operations by over 55% compared to the reference year 2019. We have also taken an important step in reducing our value chain emissions, by starting to use low-carbon hollow-core slabs in housing production in our major markets in Finland. We are decisive in our sustainability actions, with a focus on measures that we estimate will have the biggest impact on the entire industry.

The market environment in 2022 was challenging. Construction material cost inflation was at a high level at the start of the year, and then accelerated even further following the geopolitical turmoil. In the second half of the year, the market environment abruptly weakened as high overall inflation, rapid interest rate hikes, and the energy crisis led to increased cautiousness among households and investors.

The strong headwinds from the market are expected to persist into 2023. Here at YIT, we continue our decisive actions to mitigate the impacts, and we will accelerate the implementation of our strategy to improve our performance and competitiveness, both in the short and long term.

When I started as President and CEO of YIT at the end of 2022, I wanted to learn about our personnel's views to better understand the situation of the company and people's experiences of it. I launched a survey asking, among other things, what we can be proud of at YIT, where we can improve, and how we can continue to be as attractive an employer as possible.

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We aim to be carbon neutral in our own operations by 2030.

More than 1,500 YIT employees responded to the survey, and we received over 5,200 individual responses. I was pleased to see that the majority of our employees are optimistic about the future and opportunities of YIT. The responses reflected a constructive attitude and a willingness to develop YIT amid change and even difficult times. This gives us an excellent basis for building our company's future and ensuring that we continue to be a leading construction company and an example of quality and sustainable construction across our operating countries. I am confident in YIT's potential as we move towards the next phase of our strategy implementation.

I would like to thank our personnel for their contribution to YIT's success, and our customers, partners and shareholders for their trust in YIT.

Heikki Vuorenmaa
President and CEO

Highlights 2022

A significant step towards low-carbon construction

We took a step towards low-carbon construction and switched to using low-carbon hollow-core slabs in our production. Low-carbon hollow-core slabs by Consolis Parma have been deployed in the construction of apartment buildings by our units in the Helsinki metropolitan area and the Uusimaa region, and we will gradually expand their use across Finland.

A unique rock tunneling alliance project for heat recovery from seawater

Helen selected YIT and the Spanish company ACCIONA as alliance partners for a tunnel system in a seawater heat recovery project under construction in Salmisaari, Helsinki Finland. Work on the development stage of the project, which will support carbon-neutral heat production, began in autumn 2022.

Nokia's new business premises in Oulu

We are building new office, laboratory and production premises for Nokia's Oulu unit in Finland. The premises will combine high technology and sustainability, and flexible future ways of working will be taken into account in their planning. The total floor area of the project is almost 55,000 sq.m. The contract started in May 2022 and the work is scheduled to be completed during 2025.

Top spot in customer satisfaction in new residential construction

Our customer satisfaction was rated as the highest in the construction industry (78.1) in EPSI-Rating's Uudisasuntorakentaminen 2021 (Construction of new residential units) survey, which is conducted annually by the Confederation of Finnish Construction Industries RT and its largest members. We have now been ranked in the top three for five consecutive years.

The most ideal construction industry employer in Universum's Student and Professionals Survey

We continued to perform very well in Universum's surveys of university-educated professionals and students in 2022 in Finland: engineering students ranked YIT as the most ideal construction industry employer for the fourth consecutive time, and engineering professionals ranked YIT as the most ideal construction industry employer for the third straight year.

Blominmäki wastewater treatment plant won an award for innovative construction engineering

The Blominmäki wastewater treatment plant built by YIT won the RIL Award 2022. The award is given out by the Finnish Association of Civil Engineers. Built in Espoo Finland, the wastewater treatment plant treats wastewater from approximately 400,000 residents. It is projected that some 150,000 cubic metres of wastewater will flow through the plant by 2040.

YIT sold its share in an award-winning office property in Slovakia

YIT and the Czech real estate investor group RSJ Investments cooperated in the development and renovation of an old factory building and the adjacent machine shop into a modern office property located in Bratislava's central business district. Representing the peak of the industrial architecture of the 20th century, the building originally served as a spinning mill. It was completed in 1910 and soon became the largest industrial plant in Bratislava. The building was later registered as a national cultural monument.
YIT sold its 50% share of the Pradiareň 1900 project company, which owned the property.

The first schools and a day care centre were completed under the Espoo school construction project

The first three schools and a day care centre were completed in Espoo, Finland under a new Public Private Partnership model. Over 2,200 pupils started their term in the new schools in the autumn, and the day care centre has capacity for nearly 170 children. The versatile premises feature geothermal heating and provisions for solar panels. The share of renewable energy use is over 20%. Under the procurement model, YIT is responsible for the design, construction and maintenance of the schools. Perkkaa and Pohjois-Tapiola school buildings received four stars in the Finnish RTS environmental certification system.

Pradiareň 1900, Bratislava, Slovakia

Executing our strategy in a changing business environment

We have continued to execute our strategy in an exceptionally volatile business environment. To ensure the consistent execution of our strategy with regard to our selected strategic priorities – focus, productivity and ESG – we developed a method for monitoring our progress towards our goals at the monthly level and making improvements to our operations as necessary.

We are now conducting our business with an even greater focus and selecting our projects with care. We focus on projects that enable us to leverage our competencies to maximise the added value for our customers. In the Housing business, we create highly functional and sustainable homes and living environments. Our Infrastructure and Business Premises segments focus on the controlled implementation of new and ongoing projects in a situation characterised by challenging cost inflation. In Property Development, we look after our assets and promote project development. One excellent example of this is our strong portfolio of wind power projects in the preliminary survey and permit stages.

We invested in the basic pillars of industrial construction, namely takt time production based on the Lean approach, and increasing our use of prefabricates, which enabled us to improve our productivity.

Sustainability is at the core of our strategy, and climate change mitigation is an essential aspect of sustainability. We updated our climate targets and created an ambitious carbon roadmap for reducing emissions. Our updated targets are in line with the Paris Climate Agreement, which means we will do our part to limit global warming to less than 1.5°C by the end of the century.

Our goal is to be carbon-neutral by 2030 in our own operations (Scope 1 and 2). In addition, we are committed to cutting value chain emissions (Scope 3) by at least 30% by 2030. The reference year for the emission targets is 2019.

Sustainability builds a strong foundation for our operations

EMISSIONS FROM OWN OPERATIONS (SCOPE 1 & 2)

9%

59,524 SAFETY OBSERVATIONS

> 100% increase

ESG is one of our three strategic priorities and it encompasses everything we do. In 2022, we updated our material sustainability themes, which guide our ESG efforts and cover environmental issues, social responsibility and corporate governance. The eight themes are as follows: We enable sustainable lifestyles for our customers; Reducing the environmental impacts of our own operations; Occupational safety; Compliance with good corporate governance and preventing corruption and the grey economy; Protecting biodiversity; Employee competence development; Respecting human rights; and Responsible subcontracting and procurement.

We reviewed the EU taxonomy alignment of our business activities and identified key development areas with regard to our operations and products. During the year, we made changes to the design principles and guidelines of our projects to increase our taxonomy alignment. We will continue these development efforts in the coming years. We invested in ESG development by allocating more resources particularly to environmental responsibility and the development of ESG data, reporting and processes to ensure that we can respond even better to changing regulatory requirements and the expectations of our customers, existing employees and potential employees. Our goal is to be an ESG leader in our industry.

Environment

We updated our climate targets and the carbon roadmap that supports them and extends to 2030. In the autumn, we took a significant step towards reducing emissions by switching to low-carbon hollow-core slabs in the Helsinki metropolitan area and Uusimaa units of our Housing segment. This decision will enable us to reduce the material-based emissions of individual residential construction projects by as much as 8%. In the near future, we will expand this policy to cover our residential construction operations across Finland and include new categories of concrete products.

We are taking purposeful steps towards carbon neutrality in our own operations. Green electricity now accounts for 89% of our total electricity consumption. We also took steps to phase out fossil fuels, particularly in Finland and Sweden. The measures we took enabled us to reduce the emissions from our own operations by 9% compared to the previous year.

The trial runs of the Jokeri Light Rail in Helsinki and Espoo, Finland, started ahead of schedule.

Watch the video of the Jokeri Light Rail construction.

Social responsibility

In line with our strategy, we promoted social responsibility throughout our supply chain. We continued to focus on preventing work-related exploitation and grey economy phenomena.

At our construction sites in Finland, we require all workers from outside the EU, EEA and Switzerland to have the right of employment and residence granted by the Finnish authorities. During the year under review, we inspected the right to work of 749 persons and took action to address any observed deviations. Launched in late 2021, this practice has proved to be effective.

We provided summer jobs and internships for 822 young people in Finland, offering them a path to the construction industry. Of those who completed our trainee feedback survey in the summer, 99% were willing to recommend YIT as an employer to their acquaintances. In a survey conducted by Universum, we were ranked as the ideal construction industry employer by engineering professionals. We also took the top spot in Universum's Student Survey for the fourth consecutive time. Our goal is to maintain our position as the most attractive employer in our industry.

WORK PERMIT INSPECTIONS AT CONSTRUCTION SITES
749

In the area of occupational safety, our proactive indicators developed favourably, but the trend for the number of accidents and our accident frequency rate gave cause for concern. We will continue our long-term efforts to develop safety culture throughout the industry.

Corporate governance

We have a zero tolerance policy regarding the grey economy and misconduct. In addition, we aim to continuously improve the transparency of our operations. Online training on our updated Code of Conduct was completed by 80% of our direct employees.

We developed our reporting to improve transparency and analysed the EU taxonomy alignment of nearly 300 individual projects. In the coming years, we will focus significantly on improving our ESG reporting and management, which will help us prepare for the requirements stipulated by the EU's CSRD Directive and future ESG reporting standards.

We took decisive action to address suspected incidents of misconduct. The number of internal investigations into suspected malpractice and misconduct in 2022 amounted to 37 (27). Of the investigations, 3 led to criminal proceedings, the termination of contract, the termination of employment or a procurement ban. We increased the number of supplier audits and made nearly 7,000 contract audits related to the legislation governing contractors' obligations in our supply chain.

Report of the Board of Directors

Mikonkatu 7 property renovation, Helsinki, Finland

Letter from the Chairman of the Board: We accelerated strategy implementation and improved profitability

In 2022, YIT made significant progress in implementing its strategy. We increased our productivity and improved project management. In line with our strategy, we invested in sustainability. As the operating environment changed dramatically, we took steps to accelerate the implementation of our strategy and improve the profitability of our business.

The implementation of YIT's strategy progressed steadily during 2022. We sharpened the focus of our business in all segments. We withdrew from all activities in Russia after completing the sale of our businesses in May 2022.

We had already launched a strategic review of our business in Russia during the previous year. When Russia invaded Ukraine in February 2022, this process was further accelerated. The sale of the business was successfully completed in a difficult situation, allowing YIT to focus fully on its core businesses and strategy implementation. The sale was the right decision for customers, personnel and the company in a difficult situation.

We increased our productivity and improved project management in line with our targets. We focused our activities on the projects that enable us to leverage our competencies to maximise the added value for our customers. Supported by efficiency actions, we were able to increase our adjusted operating profit compared to last year in every quarter in 2022, despite the challenging market conditions.

WE CONTINUED OUR DETERMINED WORK TO PROGRESS SUSTAINABILITY

Sustainability is at the core of YIT's strategy and therefore regularly on the Board's agenda. YIT worked resolutely to progress sustainability during the year.

Already in 2021, we were the first Finnish construction company to commit to the Science Based Targets initiative (SBTi) to limit global warming to 1.5°C in line with the Paris Agreement. In December 2022, we published our updated climate targets and an ambitious roadmap to achieve them. The carbon roadmap contains four sets of measures that cover the entire construction life cycle from sales and design management to procurement and site operations.

In terms of its own operations, YIT has already succeeded in reducing emissions by more than 55% compared to 2019 by transitioning to renewable electricity with guarantees of origin. Carbon neutrality also requires switching over to carbon neutral energy sources for our fleet and for the heating and cooling of our own properties. We urge our partners in the supply chain to contribute to achieving substantial emission reductions. The roadmap further covers developing the personnel's environmental expertise and updating the company's decision-making and incentives system criteria.

We took a significant step towards low-carbon construction and switched to using low-carbon hollow-core slabs, developed together with Consolis Parma, in our housing production in the main markets in Finland. In addition, we were able to reduce our fuel consumption and replace fossil fuels with bio fuels.

The transition to a green economy requires sustainable construction, renewable energy and responsibility from all of us in our everyday lives. YIT is involved in many areas to enable the green transition, from developing wind power, to building energy efficient homes and sustainable modes of transport.

We will increase the use of geothermal heating in residential buildings, harness solar energy and strengthen our capabilities in wind power project development. At the end of 2022, YIT had a significant wind power development portfolio of around 2,900 MW of project opportunities in the preliminary study phase and approx. 550 MW of projects in the permitting phase.

As an urban developer, we create lively, sustainable and attractive urban environments. YIT masters large and complex projects. Construction and renovation are often part of a broader venture, which may include project design and planning, participation in zoning and leasing of premises.

We are present in major cities in Finland, Sweden and Central Eastern Europe, where we develop vibrant urban environments in prime locations through large and challenging projects. Thanks to our multidisciplinary expertise, we have the ability to deliver even the most complex projects.

We focused our activities on the projects that enable us to leverage our competencies to maximise the added value for our customers.

I believe we can contribute to sustainable urban living by combining our strong urban development and construction expertise with our leadership in making the green transition a reality. Our position offers us significant business opportunities both domestically and internationally.

TAKING STEPS TO ACCELERATE CHANGE IN A CHALLENGING ENVIRONMENT

As the year progressed, the market situation began to weaken, which affected demand especially in the housing market, a key market for YIT. In this changed market, we took steps to accelerate the implementation of our strategy and improve profitability.

YIT's Board of Directors appointed Heikki Vuorenmaa as President and CEO of YIT Corporation in November, and he took up his position at the end of 2022. I warmly thank Markku Moilanen for his time as CEO. Under Markku's leadership, we built a strong foundation, improved operational productivity and developed our operating model towards more independent business segments.

Heikki knows YIT from his previous role as Head of the Paving segment and member of the Group Management Team. Under his leadership, we aim to accelerate the implementation of our strategy and improve our performance. Heikki's previous experience in change management and productivity improvement will drive YIT forward on our change journey.

In a changing environment, it is important to ensure that all segments are competitive and that YIT is in a position to actively participate in any restructuring that may arise as a result of industry transformation.

ACTIVITIES OF THE BOARD IN 2022

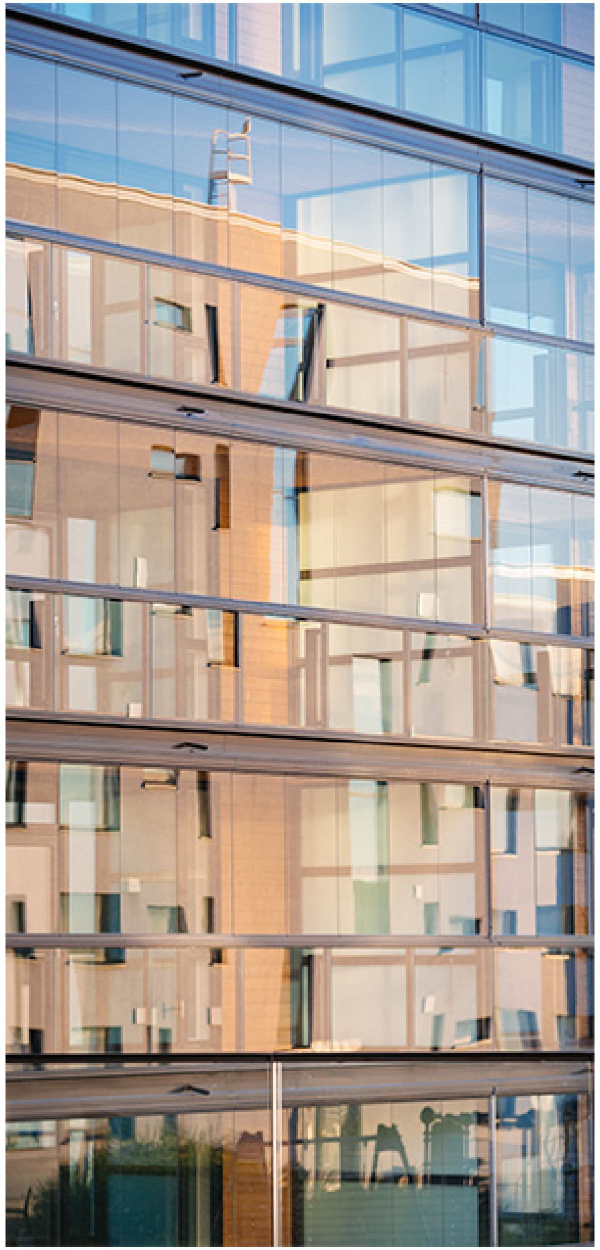
The 2022 Annual General Meeting was held in March with special arrangements. 227 shareholders were represented at the meeting, representing 120,445,085 shares and votes. During 2022, the Board met a total of 16 times, the Audit Committee and the Personnel Committee six times each, and the Investment and Project Committee nine times.

In the Board's work, key themes were about managing the impact of the geopolitical situation, accelerating the implementation of the strategy, as well as the selection of a new CEO. We also renewed the composition of the Board and strengthened its competencies with new capabilities.

YIT's Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.18 per share be paid for 2022. Our strategic targets include an annually growing dividend per share and the dividend proposal is in line with this target.

On behalf of the entire Board, I would like to thank our shareholders and customers for their trust and YIT's entire personnel for their outstanding work during the year. I am confident that despite the challenging operating environment, the YIT team has the ability to further accelerate the implementation of the strategy and the courage to find new opportunities for sustainable success.

Harri-Pekka Kaukonen
Chairman of the Board



Merenkulkijanranta, Helsinki, Finland

Strategy

STRATEGY IMPLEMENTATION IN A CHANGING OPERATING ENVIRONMENT

The implementation of the strategy announced by YIT in November 2021 progressed according to plan, even as the business environment was changing rapidly. The strategy is based on YIT's mission of creating better living environments, and the objective is to be the most reliable partner to all stakeholders, delivering predictable, market-leading results. 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 ensure the consistent implementation of strategy, YIT developed a monitoring method that supports the three strategic priorities: Focus, Productivity and ESG. The achievement of targets is ensured by means of monthly monitoring. YIT now has a more focused approach to its business and a more selective approach to its projects. The Group concentrates on projects in which its competence creates the highest added value for customers. YIT's diverse business model provides protection against market turbulence.

The Group's renewal, which began in 2021, continued in 2022. YIT increased the efficiency of its operating model to build an even more customer-oriented organisation and improve cost-competitiveness.

YIT seeks to improve efficiency by increasing the prefabrication rate and effectively managing its supply chain. This includes investing in the basic pillars of industrial construction, namely takt time production based on lean construction. YIT also focuses on the development of risk and project management. These measures are aimed at a significant increase in productivity during the strategy period, and efficiency improvements have already been achieved.

THE BUSINESS SEGMENTS FOCUS ON THEIR KEY COMPETENCE AREAS

In 2022, YIT completed the sale of its Russian businesses. By finalising the transaction, the company withdrew from all of its operations in Russia. The sale enables YIT to focus on its strategy and core businesses. In the Housing segment, YIT creates highly functional and sustainable homes and living environments. YIT has continued to apply a cautious and selective approach to new apartment start-ups, for example, by requiring higher reservation rates before start-ups. The Business Premises segment and the Infrastructure segment progressed in their transformations, focusing on their existing and carefully selected new projects in challenging business conditions marked by construction material cost inflation. The Business Premises segment continued to build and renovate commercial and public spaces to ensure the optimal usability of buildings over their life cycle. YIT earns stable long-term revenue from life cycle projects, such as the Gesterby school centre and the Vääksy lower and upper secondary school, which provides protection against market fluctuations.

The Infrastructure segment builds transport connections, networks and plants to facilitate smoother and more sustainable living. One example of this is the alliance for implementing a tunnel system for the seawater heat recovery project in Helsinki's Salmisaari district. YIT is one of Helen's two alliance partners in the project. In Property Development, YIT manages its investments and the comprehensive development of commercial and hybrid projects. One excellent example of this is the company's strong portfolio of wind power projects in the preliminary survey and permit stages.

TOWARDS CARBON NEUTRAL CONSTRUCTION

Sustainability is at the core of YIT's strategy and a key element of all of the Group's business operations. An essential part of sustainability is mitigating climate change. YIT updated its climate targets in 2022 and created a carbon roadmap for reducing emissions. The updated targets are in line with the Paris Agreement. The agreement aims to limit global warming to less than 1.5°C by the end of the century.

In its own operations (Scope 1 and 2), YIT's goal is to be carbon neutral by 2030. YIT is committed to cutting value chain emissions (Scope 3) by at least 30% by 2030. The reference year is 2019, the year that preceded the COVID-19 pandemic.

In addition, YIT promotes its ESG objectives throughout its supply chains and requires its suppliers to observe the same standards concerning the environment, society and governance. YIT aims for more transparency in its supply chain by advancing supplier collaboration and developing supplier auditing practices. YIT believes that this will help set new standards for the industry as a whole.

FINANCIAL TARGETS

YIT measures 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 Group operating profit margin target is based on the individual segments' operating profit margin targets. The Group takes a moderate view towards 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.

Operating environment

In the year under review, YIT's operating environment was marked by high inflation in construction material costs and increased cautiousness among households and investors.

Construction material prices were already at a high level in the beginning of 2022 following global logistics problems and significantly increased demand in the previous year. Inflation in construction material costs then accelerated even further following Russia's invasion of Ukraine and the geopolitical turmoil that followed. Supply chains for some construction materials were also affected, but YIT managed to keep its construction sites open and its material availability at a good level by utilising alternative materials and new supply chains.

As the year progressed, high overall inflation, rapid interest rate hikes, and the energy crisis led to increased cautiousness among households and investors. The impact was especially apparent in the housing market, where demand and market activity fell abruptly from previous high levels.

HOUSING MARKET

In the first quarter of the year, demand for housing was at a strong level. However, the demand started to fall sharply as the year progressed and uncertainty in the market increased. During the second half of the year, high inflation, rising interest rates and the energy crisis burdened demand significantly in all of YIT's operating regions.

In Finland, the general consumer confidence fell to historically low levels, which impacted demand for housing. Demand on the investor side also weakened as a result of the uncertain macroeconomic outlook and rising interest rates Financing with housing company loans was challenging throughout the year due to the cautiousness of banks.

In Baltic and Central Eastern European countries, the cautiousness among both consumers and investors similarly increased as a result of inflation and higher interest rates. Delays in the planning permission processes of authorities somewhat subsided compared to the previous year.

REAL ESTATE MARKET

In Finland, public sector demand remained at a stable level throughout the year. Demand was supported by several projects in the planning and bidding phase. Increased uncertainty and higher construction costs somewhat slowed down customers' decision-making, but only a few projects were postponed. On the investor side, demand weakened towards the end of the year as rising interest rates put upward pressure on yields. Rising interest rates also increased project financing costs.

In Baltic and Central Eastern European countries, demand remained moderate. In the first half of the year, the planning and development of some projects was temporarily postponed as construction material availability became more challenging. As the year progressed, construction material and labour availability improved, and market activity was supported by growing private sector demand for new business premises.

INFRASTRUCTURE MARKET

In Finland, public sector demand remained at a moderate level with several projects in the planning and bidding phase. Private sector demand is driven by industrial construction and the transition towards renewable energy. The increased uncertainty led to the postponement of projects in some specific instances, but overall, the market was stable.

In Sweden, demand was very strong throughout the year, driven by several public sector infrastructure projects and private industrial investments. Competition for projects remained intense.

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

Financial development

REVENUE

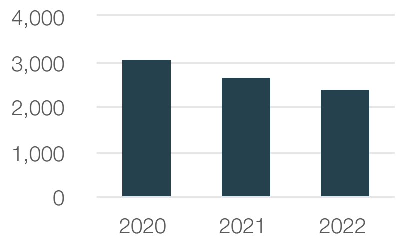
YIT's revenue decreased to EUR 2,403 million (2,652). The decrease is mainly related to the lower number of apartment completions and lower sales in Housing. Revenue remained stable in Business Premises and Infrastructure, but decreased in Property Development where the comparative period was supported by the Lestijärvi wind farm sale.

RESULT

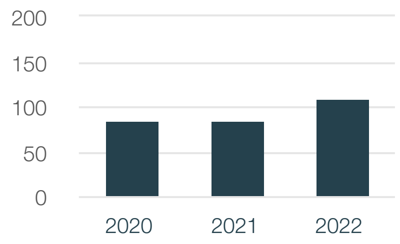
YIT´s adjusted operating profit increased to EUR 110 million (85), and the adjusted operating profit margin improved to 4.6% (3.2). Higher profitability reflects stabilising underlying performance in Business Premises and Infrastructure, and productivity gains from the existing operating model and enhanced project management. Increased construction material costs had a negative impact on margins. In Housing, profitability was also negatively impacted by the lower number of apartment completions and lower sales, while an impairment related to a development project burdened profitability in Property Development.

YIT's operating profit was EUR 102 million (56). The adjusting items amounted to EUR 8 million (29). Adjusting items were mainly related to merger-related fair value allocations. The result for the period amounted to EUR -375 million (4) and the earnings per share amounted to EUR -1.82 (0.00). The result was impacted by the result of EUR -438 million from the discontinued operations following the sale of YIT's businesses in Russia. The result for the period for continuing operations amounted to EUR 63 million (6) and the earnings per share for continuing operations amounted to EUR 0.28 (0.01).

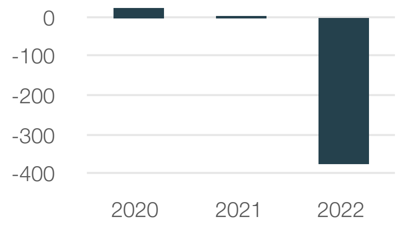
REVENUE (MEUR)



ADJUSTED OPERATING PROFIT (MEUR)



RESULT FOR THE PERIOD INCLUDING DISCONTINUED OPERATIONS (MEUR)



Nuppu, Bratislava, Slovakia

CASH FLOW AND FINANCIAL POSITION

During 2022, YIT's operating cash flow after investments amounted to EUR -281 million (288), burdened by increased capital employed as a result of lower sales in Housing. The cash flow from plot investments was EUR -138 million (-124) and the cash flow from investments to associated companies and joint ventures was EUR -26 million (-29). Net finance costs amounted to EUR 28 million (34). The net finance costs were positively impacted by fair value changes in interest rate derivatives.

At the end of the period, interest-bearing debt amounted to EUR 831 million (751) and net interest-bearing debt to EUR 569 million (303). Net interest-bearing debt included IFRS 16 lease liabilities of EUR 207 million (234), as well as housing company loans of EUR 230 million (106) related to unsold apartments.

Gearing ratio was 64% (30) and equity ratio 36% (40). Equity decreased to EUR 883 million (1,017) due to a negative result from discontinued operations. Net debt/adjusted EBITDA ratio was 4.2 (2.1*) and interest cover ratio 7.1 (3.5).

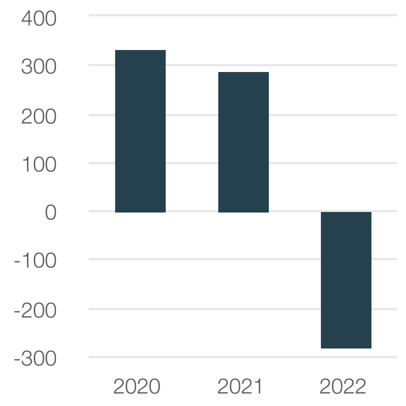
During the period, YIT agreed on a one-year extension of its EUR 50 million term loan by utilising its contractual option. The new maturity date for the facility is in March 2024. YIT also agreed on a one-year extension of its EUR 300 million revolving credit facility by utilising its one-year extension option. The new maturity date for the facility is in June 2025.

Cash and cash equivalents decreased to EUR 206 million (389), and YIT had undrawn overdraft facilities amounting to EUR 32 million (32). Furthermore, a committed revolving credit facility of EUR 300 million (300) was completely undrawn, and unutilised and committed housing company and project loan limits related to apartment projects were EUR 222 million (336).

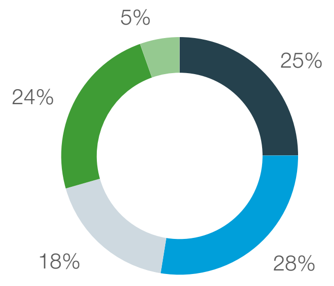
Capital employed increased to EUR 1,443 million (1,142, continuing operations) at the end of the period. The increase was primarily the result of lower sales in Housing.

** The comparability is affected by the sale of Russian businesses. Comparative period's figure for December 31, 2021 has not been restated.*

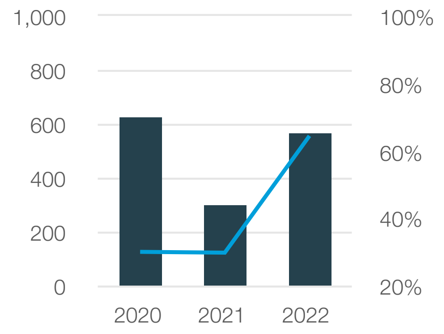
OPERATING CASH FLOW AFTER INVESTMENTS (MEUR)

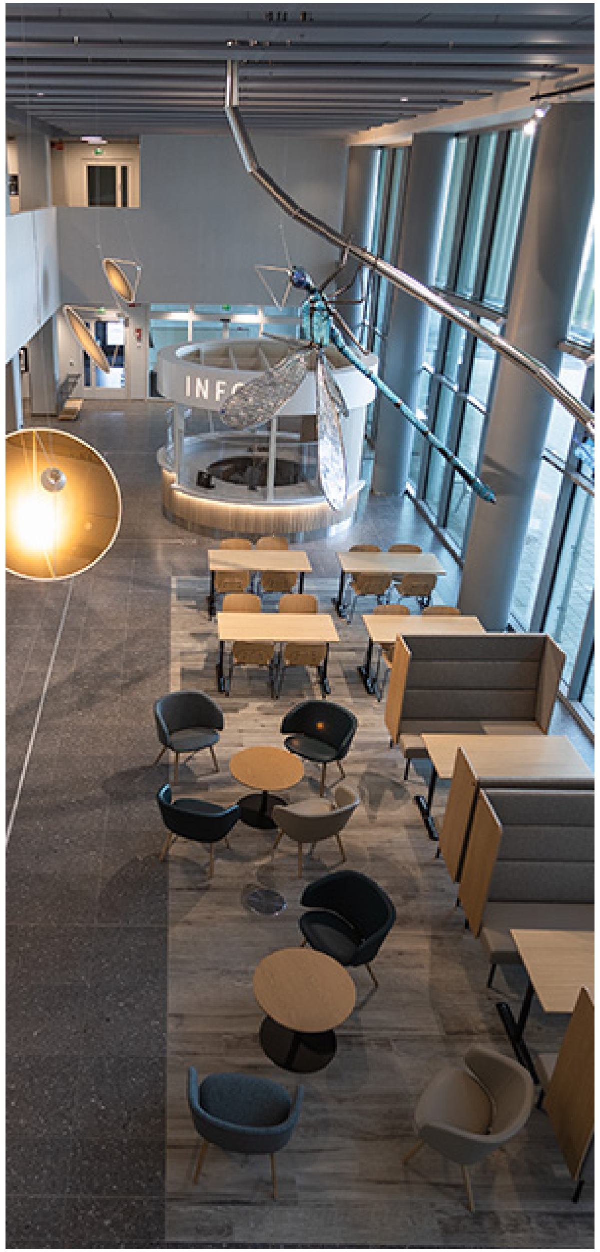


INTEREST-BEARING DEBT PORTFOLIO



NET INTEREST-BEARING DEBT AND GEARING





The H Building of the Vaasa Central Hospital, Vaasa, Finland

INVESTMENTS AND DIVESTMENTS

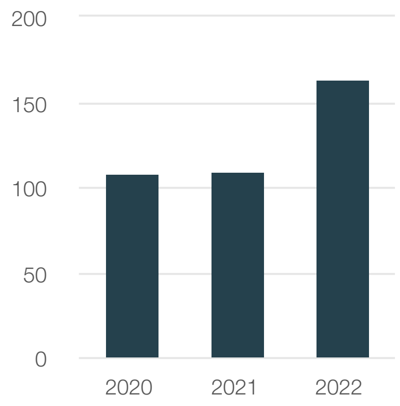
Gross capital expenditure was EUR 19 million (32), or 0.8% of revenue (1.2), of which EUR 14 million (22) was leased. Investments in plots were EUR 163 million (110) and investments in leased plots EUR 3 million (16). The total plot reserve at the end of the quarter was EUR 716 million (748).

ORDER BOOK

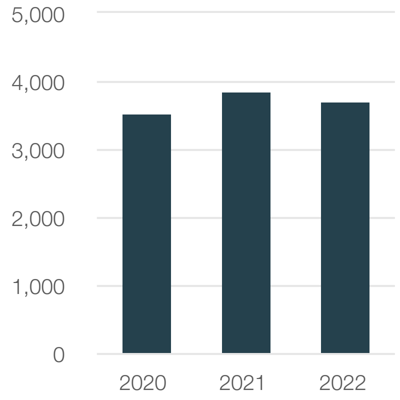
Order book decreased to EUR 3,702 million (3,847). The order book decreased in Infrastructure and remained stable in other segments. At the end of the period, 72% of the order book was sold (83%).

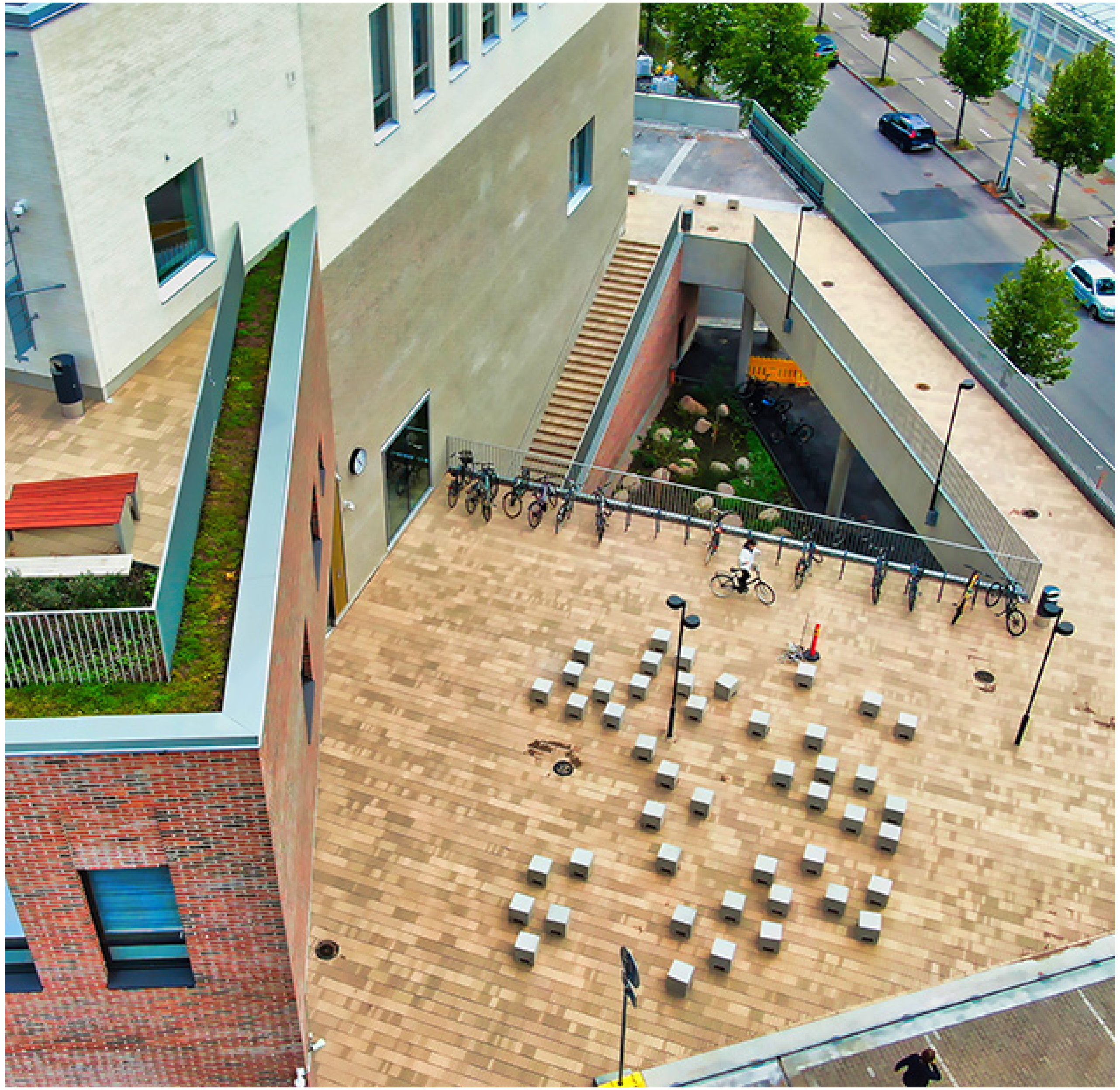
Numerous projects were added to YIT's order book during the year, the most significant of which were the construction of Vääksy upper secondary and high school, the construction of the Tuultenristi office building, the renovation of Maistraatinportti business centre, Tampere tramway phase II B, building of Nokia's new facilities in Oulu, the construction of the Keilaniemenranta underground parking facility, construction of over 300 rental apartments for the OP-Rental Yield fund, the first phase of construction at Seinäjoki station, the renovation of the property at Aleksanterinkatu 13 in Helsinki, the detailed design and construction of a new A++ energy class bicycle factory for Pon.Bike, and the construction of a residential apartment building for Auratum Asunnot.

INVESTMENTS IN PLOTS (MEUR)



ORDER BOOK (MEUR)





Vuosaari Upper Secondary School, Helsinki, Finland

Businesses

YIT had four reportable business segments in 2022: Housing, Business Premises, Infrastructure and Property Development.

HOUSING

Revenue decreased to EUR 1,075 million (1,281), impacted by the lower number of apartment completions resulting from a lower number of start-ups during the COVID-19 pandemic, and lower sales. Adjusted operating profit decreased to EUR 90 million (109), impacted by lower sales and increased construction material costs. The comparative period was negatively impacted by a write-down of EUR 8 million in non-strategic plots.

BUSINESS PREMISES

Revenue remained stable at EUR 807 million (787). Adjusted operating profit increased to EUR 20 million (11), supported by the sale of two self-developed projects during the second quarter. The transformation of the business progressed according to plans, although the increased construction material costs had a negative impact on margins.

INFRASTRUCTURE

Revenue remained stable at EUR 539 million (544). Adjusted operating profit increased to EUR 6 million (-39). The transformation of the business progressed successfully, but profitability was negatively impacted by certain legacy low-margin projects and increased construction material costs. The comparative period was negatively impacted by margin reductions of EUR 37 million, as Infrastructure strategy and projects were thoroughly analysed, and certain legacy projects were reassessed.

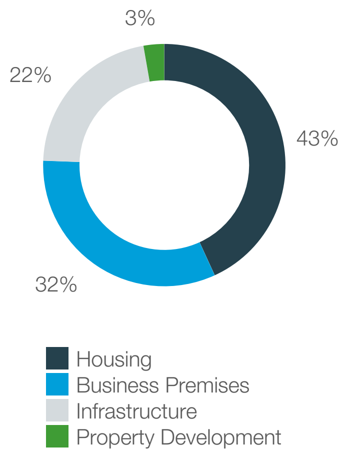
PROPERTY DEVELOPMENT

Revenue decreased to EUR 69 million (91). Adjusted operating profit decreased to EUR 0 million (18), burdened by an impairment related to a development project. The comparative period was supported by a positive impact of EUR 48 million from the sale of Lestijärvi wind farm, but negatively impacted by write-downs of EUR 25 million.

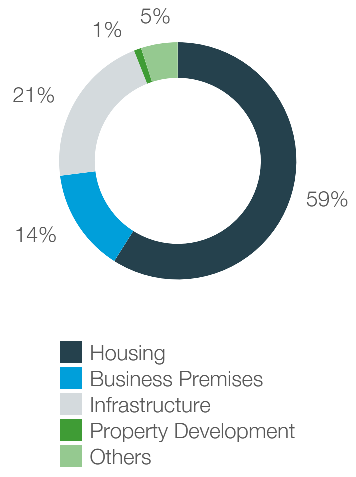
DISCONTINUED OPERATIONS

On 30 May 2022, YIT announced it had completed the sale of its businesses in Russia to Etalon Group PLC. The total transaction price was EUR 71 million and the debt-free purchase price EUR 30 million. Net cash impact was EUR -14 million. YIT classified the operations that are part of the transaction as assets held for sale and has reported them as discontinued operations in the first quarter of 2022. The January–December result for discontinued operations was EUR -438 million (-2). The result was impacted by the impairment booked in the first quarter following the held for sale classification of the Russian operations and the booking of the accumulated RUB/EUR translation difference in the second quarter.

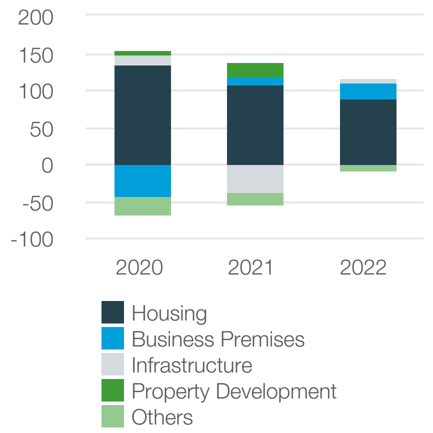
REVENUE PER SEGMENT



PERSONNEL BY SEGMENT



ADJUSTED OPERATING PROFIT PER SEGMENT (MEUR)



Research and development

YIT's research and development activities were implemented in 2022 in accordance with the Group's strategic priorities. The Group's research and development investments amounted to EUR 15 million (24), which corresponds to 0.6% (0.8) of revenue. The investments include internal resource allocation and consulting as well as technology investments.

DEVELOPMENT ACTIVITIES DRIVEN BY YIT'S STRATEGIC PRIORITIES

Instead of being guided by the previous separate development programmes, YIT's development activities in 2022 were driven by the strategic priorities of Focus, Productivity and ESG. As part of the Group operating model deployed at the beginning of 2022, a new operating model was also established for managing development activities. The aim was to shift development efforts closer to business activities.

FOCUS

Development activities were focused on promoting selected development projects as well as enhancing sales and the customer experience. The development of digital solutions for the customer interface was promoted by, for example, the digital **YIT Plus Studio service**, which enables the visualisation and ordering of customer-specific changes to apartments. In connection with the Group's brand update, YIT also implemented a customer-oriented and sustainability-focused brand update effort in the Housing business. Digital channels were used extensively in the launch. The development of a new customer relationship management system began at the end of the year.

PRODUCTIVITY

YIT invested in enhancing its project management and monitoring capabilities by increasing capabilities and by using analytics. Industrial construction aimed at improved productivity and shorter lead times was promoted in all of the Group's business segments. Takt time production, which supports the lean methodology, and the more precise work planning and logistics were implemented in a number of projects. **YIT's Smart Building concept** was developed further, incorporating new AI-driven functionality and features that improve energy efficiency, for example. At the Parkano school, implemented using the life cycle model, an educational lobby display for pupils was piloted, allowing pupils to monitor the property's energy consumption and their own impact on it.

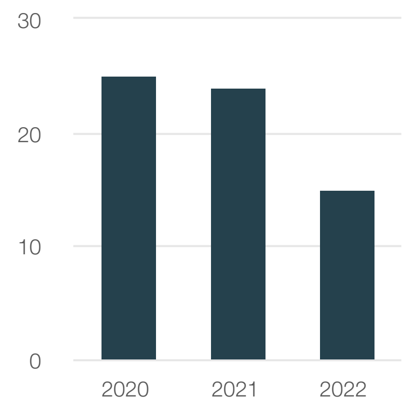
ESG

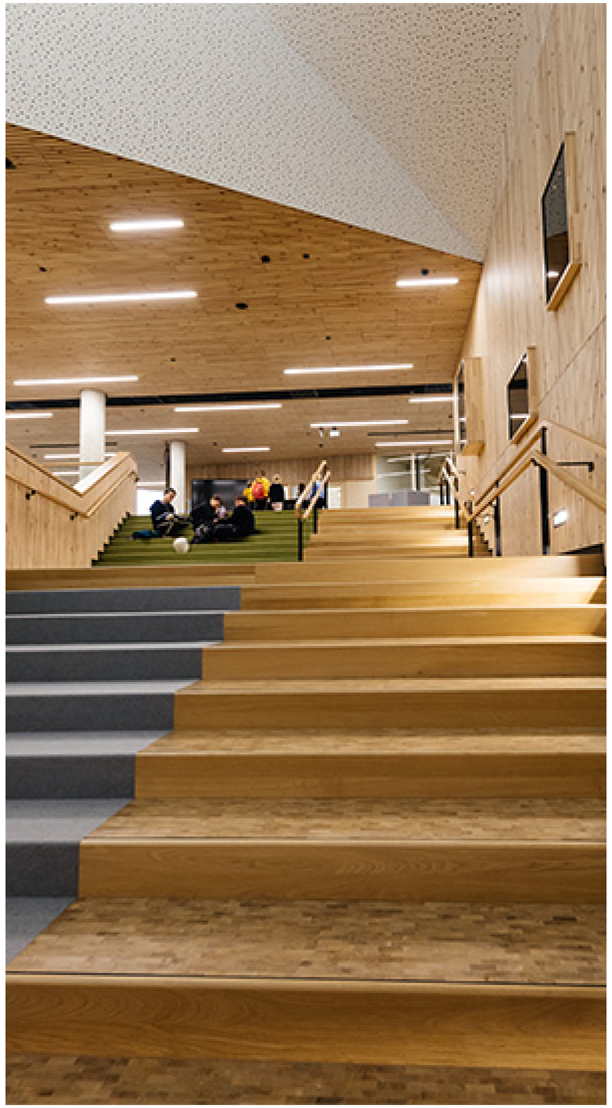
YIT published updated sustainability themes, climate targets and a carbon roadmap during the year. A significant step was taken with regard to the carbon roadmap as YIT started using low-carbon hollow-core slabs in its residential production in Finland. The hollow-core slabs were developed in collaboration with Consolis Parma and had been previously piloted by YIT. In addition, the share of properties with geothermal heating was increased among YIT's residential start-ups. ESG reporting, emission calculation and project planning capabilities were promoted in various ways, including the development of the EU taxonomy reporting process and system, and incorporating ESG criteria into YIT's updated design guidelines. The reporting of energy and waste data was developed further. Processes related to inspecting the right of employment and residence of subcontractors' employees at YIT's construction sites were developed further.

OTHER RESEARCH AND DEVELOPMENT ACTIVITIES

In financial management development, YIT continued to harmonise financial and forecasting practices and systems. The second pilot of financial management systems was put into production in Finland. The development of the Group's core data management also continued.

RESEARCH AND DEVELOPMENT INVESTMENTS (MEUR)





Keravanjoki multipurpose building, Kerava, Finland

Sustainability

Sustainability is one of YIT's three strategic priorities. This section describes sustainability issues that are significant to YIT's stakeholders and presents YIT's non-financial information.

BUSINESS MODEL

YIT's mission is to create better living environments. It builds functional and sustainable homes and living environments in growing cities. YIT also develops, builds and renovates schools, hospitals, commercial and public facilities and infrastructure. As a developer and builder of better living environments, YIT plays an important role in developing emission-free solutions for the built environment and enabling sustainable and smooth living for its customers.

YIT's four reporting segments are Housing, Business Premises, Infrastructure and Property Development. YIT operates in nine countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania, Czech Republic, Slovakia and Poland. In October 2020, YIT announced that it would close down its business in Norway.

YIT's reportable segments are described in more detail in the notes to the consolidated financial statements, **Segment information.**

IMPACT OF BUSINESS OPERATIONS ON PEOPLE, THE ENVIRONMENT AND SOCIETY

YIT's key stakeholders include customers, personnel, shareholders, investors, partners, cities, municipalities, the public administration, civil society and non-governmental organisations. YIT aims to enable diverse dialogue with stakeholder representatives at events and through various communication channels, as well as by participating in and conducting surveys. For example, the "*Rakkaudella rakennetut kaupungit*" (Cities built with love) event was organised in 2022, and the Sustainable Urban Environments Barometer was conducted for the fifth time. During 2022, YIT enabled 26 good deeds for non-profit organisations in the 100 Good Deeds programme. Stakeholder expectations and communication channels are discussed in more detail on YIT's website under **Stakeholder collaboration**.

The company systematically assesses the impacts of its business operations on people, the environment and society. In 2022, environmental impacts were evaluated particularly in connection with EU taxonomy analyses and by conducting a human rights impact assessment. These impact assessment efforts will continue in 2023 with the assessment of impacts on biodiversity.

YIT's business has significant and long-lasting effects on the surrounding society. YIT's biggest impact on 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 that can be even centuries long, sustainable design and operations are highly relevant to the impacts of YIT's operations with regard to climate change, for example.

The positive environmental impacts of the company's operations include, for example, sustainable and long-lasting living environments built for customers, regional conversion projects, and the development and use of new products and services that promote sustainability. YIT's negative environmental impacts arise from the use of raw materials, other materials and land areas, as well as energy consumption, and the resulting greenhouse gas emissions. In addition, waste is generated as a by-product of the Group's operations.

YIT is a significant taxpayer and creates value for its shareholders through dividends and growth in market capitalisation. In addition, the company's business operations have direct and indirect employment effects. In Finland, YIT's construction sites employ at best nearly 6,000 people every day, including subcontractors' employees. The construction industry and YIT also employ a large number of foreign workers. Negative impacts on people are possible in long procurement chains with regard to both material purchasing and subcontracting.

SUSTAINABILITY MANAGEMENT

YIT's Board of Directors approves sustainability-related strategic objectives, monitors risk management and decides on compensation and benefits related to sustainability. At the operational level, sustainability is managed by the President and CEO, the Group Management Team, business unit directors and the Executive Vice President in charge of ESG issues.

The framework for sustainability management is established by YIT's eight material sustainability themes, for which targets are set and actions are planned for achieving the targets during the strategy period 2022–2025. YIT has also set science-based short-term and long-term climate targets and is seeking to have the targets validated in accordance with the Science Based Targets (SBT) initiative. Progress towards climate targets and occupational safety targets is reported to the company's Board of Directors on a regular basis. Sustainability targets are also incorporated into the compensation and benefits of the personnel. More information is provided in the chapter **"Compensation and benefits"**.

Sustainability is part of YIT's management system. The Group's ISO 14001 environmental management system, ISO 45001 occupational health and safety management system and ISO 9001 quality management system are certified in Finland, Sweden, Norway, Estonia, Lithuania and the Czech Republic. The Group also has a certified ISO 50001 energy management system in Latvia.

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.

The identification and management of risks related to the environment, climate change, personnel, sustainable procurement, human rights, corruption and the grey economy take place as part of the strategy and annual planning process ,and as part of risk management at the segment level and in projects. The company's Board of Directors and its Audit Committee oversee risk management, including sustainability risks. Risks and risk management are discussed in more detail in the chapter **Risk and risk management**.

The *YIT Code of Conduct* sets out the guiding principles of YIT's sustainable operations. It is complemented by the *Sustainability Policy*, which is approved by the Board of Directors, and the *Environmental Principles*, *Supplier Code of Conduct*, *HR Principles* and *Occupational Health and Safety Principles*, which are approved by the Group Management Team.

The *YIT Code of Conduct* lays 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 in all circumstances throughout the YIT organisation. Everyone at YIT has an obligation to report any suspected violations. Violations of the *Code of Conduct* principles always lead to appropriate consequences. The *Sustainability Policy* guides the Group's operations in relation to the environment and people, as well as ethics and corporate governance.

YIT is committed to supporting the achievement of the UN Sustainable Development Goals (SDGs). The most relevant SDGs for YIT's operations are:

5. Gender equality
6. Clean water and sanitation
7. Affordable and clean energy
8. Decent work and economic growth
11. Sustainable cities and communities
12. Responsible consumption and production
13. Climate action
15. Life on land
16. Peace, justice and strong institutions.

The UN SDGs are used in the assessment of YIT's sustainability impacts and in determining YIT's material themes of sustainability.

MATERIAL SUSTAINABILITY THEMES

YIT's material sustainability themes are determined through stakeholder engagement. The material sustainability themes were updated in 2022 based on the results of a stakeholder questionnaire conducted in 2021. The selection of the material themes takes into account the significance of each theme to the stakeholders and YIT, and the characteristics of the construction sector. The construction industry is labour-intensive and characterised by land use and long procurement chains. These attributes were taken into account in assessing the significance of YIT's sustainability impacts. The material themes cover environmental, social and governance topics Targets and action plans are established for each topic.The connections between the sustainability themes and promoting the UN SDGs were also recognised in selecting YIT's material sustainability themes.

Prior to 2022, the sustainability themes were most recently updated in 2018. In the update to the themes carried out in 2022, the realisation of human rights and the protection of biodiversity were introduced as new separate themes.

YIT's material sustainability themes are the following:

1. We enable a sustainable lifestyle for our customers
2. Reducing environmental impact of own operations
3. Occupational safety
4. Good governance and preventing corruption and grey economy
5. Safeguarding biodiversity
6. Promoting competence development of our personnel
7. Respecting human rights
8. Responsible subcontracting and procurement

The Group Management Team approved eight sustainability themes that guide YIT's sustainability efforts during the period 2022–2025. The targets, measures and progress related to each of YIT's material sustainability themes – and their links to the UN SDGs – are described in the table on the next page.

Tampere light rail, Tampere, Finland

SUSTAINABILITY TARGETS, MEASURES AND PROGRESS IN 2022

THEME	TARGET	ACTIONS AND PROGRESS IN 2022	STATUS
1. We enable a sustainable lifestyle for our customers	We offer sustainable, EU taxonomy-aligned projects with high-level environmental certifications to our customers Increase the amount of geothermal heating in residential projects	1 building completed with LEED Gold certification or better 4 buildings completed with four star RTS environmental rating 177 M€ EU taxonomy aligned revenue 11 residential projects with geothermal heating started in 2022	
2. Reducing environmental impact of own operations	Update climate targets CO_2 emissions from own operations (Scope 1 and 2): net zero by 2030 Sorting rate of construction waste % > 80	Updated climate targets and carbon neutrality roadmap published Scope 1 and 2 emissions -9% vs 2021 Emission intensity 13,8 tCO2e / revenue MEUR (13,5) CO_2 emissions per sqm of self-developed projects: 8 kgCO2e/m2/a (9) Sorting rate in Finland 75% in 2022 (77%) No mixed waste construction site pilots 12 pcs	
3. Occupational safety	*Managemement walks and talks* 12 pcs / director / year Successful COVID-19-Exit Safe working environment, combined lost time accident frequency cLTIF <10,5	Management walks and talks > 100% Construction sites operating as usual, smooth transition to hybrid work Combined lost time accident frequency cLTIF 13,3	
4. Good governance and preventing corruption and grey economy	All YIT employees complete YIT Code of Conduct e-learning Improving accessibility of YIT Ethics Channel.	*Code of Conduct III* training completed by 80 % of personnel *YIT Sustainability policy* updated 37 reported suspected cases of misconduct, of which 3 led to measures Harmonisation of whistleblowing channel accessibility across all operating countries	
5. Safeguarding biodiversity	Safeguarding biodiversity through both project-specific measures and group-wide actions	Safeguarding biodiversity elevated as one of YIT's material sustainability themes	
6. Promoting competence development of our personnel	Leadership competence secured: at least 200 employees in supervisory positions trained Introductory briefings: new employees' attendance 75% Young people: 600 trainees Working environment: trainee feedback (recommendation index) > 80%	184 supervisors trained New employees' attendance in introductory briefings 58% 822 trainees Trainee feedback (recommendation index) 99%	
7. Respecting human rights	Regular assessment of human rights impacts and development actions based on assessment results Increase awareness to recognise the signs of work-related exploitation and what to do if you suspect you have encountered work-related exploitation	Human rights impact assessment and development of due diligence procedures accordingly Information distributed on the signs of work-related exploitation, YIT Ethics Channel and other support services as a poster at construction sites in Finland Survey of foreign workers carried out	
8. Responsible subcontracting and procurement	Transition to low-carbon construction materials. Scope 3 emissions -30% by 2030 compared to year 2019 Improve transparency in the supply chain >99% of inspected workers outside EU, EEA or Switzerland have a valid residence and work permit	Decision to take low-carbon hollow-core concrete slabs into use in residential projects in Helsinki metropolitan area and Uusimaa region Number of supplier audits 50 Audits related to the contractor's obligations were conducted on 102 projects in Finland, which included reviewing 6852 subcontracting agreements 749 work permit inspections for non-EU, EEA or Switzerland nationals completed, thereof 21 deviations with appropriate actions taken	

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.

ENVIRONMENT

The key areas of environmental responsibility that are managed as part of YIT's operations include climate change mitigation, the continuous improvement of material efficiency and waste sorting, protecting biodiversity, and enabling more sustainable lifestyles for customers.

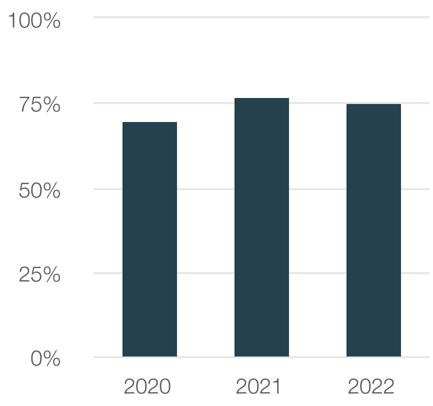
The company's operations have visible impacts on the environment through its alteration, the use of natural resources and the long life cycle of products. YIT aims to reduce its negative impacts, both in its own operations and with regard to finished products and the supply chain. Positive impacts are achieved by, for example, reducing the life cycle emissions of buildings and through the construction of buildings and infrastructure in accordance with environmental certificates. The biggest impacts of YIT's own operations arise from energy consumption and waste. The materials used in construction also play a significant role in the reduction of carbon dioxide emissions. YIT seeks to reduce its negative environmental impacts by improving operational efficiency, as well as by introducing lower-carbon materials and more energy-efficient solutions. The company aims to enable the circular economy by improving waste sorting and through the recovery and reuse of materials.

YIT's environment-related principles are set out in the YIT *Code of Conduct*, the *Supplier Code of Conduct*, the *Sustainability Policy* and YIT's *Environmental Principles*. YIT has incorporated the promotion of emission reduction targets into the long-term remuneration of the Group's management. Environmental responsibility indicators have been used as KPIs for long-term share-based incentive schemes since 2021. Starting from 2023, they will also be incorporated into the KPIs of project incentives for all new projects.

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. During the year under review, YIT determined which parts of its business operations are aligned with the EU taxonomy, and assessed how project management can be developed in such a way as to better fulfil the criteria of the taxonomy in the future. A more detailed account of taxonomy reporting is provided in the chapter **"EU taxonomy"** in this Annual Review.

YIT continued to take measures during the year to improve the sorting and recycling of waste. In 2022, the amount of waste generated in YIT's operations was 60,000 metric tonnes (67,000), resulting in a slight decrease in waste emissions compared to the previous year. Despite the efficiency measures, the sorting rate in Finland remained at 75% (77%). The appropriate sorting of waste enables the recycling of materials and, thereby, promotes the circular economy. In 2022, YIT piloted the concept of a construction site that generates no mixed waste in 12 projects. The pilots gathered information on how high-quality recycled materials can be ensured through the forward planning of sorting, as well as training and guidance. In the pilot at the Asemanmäki multistorey car park, for example, careful planning and sorting led to the rate of mixed waste falling to just 1%.

SORTING RATE (FINLAND)



The use of the mobile tool and reporting platform for environmental observations, which were first deployed in 2021, continued during the year under review. Over 700 environmental observations were made during the year. The more systematic utilisation of environmental observations will be developed further in 2023.

Construction has significant impacts on biodiversity through the natural resources used in construction materials and land use. YIT strives to take into account the conservation of biodiversity and species in the planning of projects and during the construction phase at construction sites. Safeguarding biodiversity was identified in 2022 as one of YIT's material themes of sustainability. Company-level targets and measures related to this theme will be established in 2023.

During the year under review, 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.

Sorting at the housing company Helsingin Birger's construction site.

CLIMATE CHANGE

In 2022, YIT continued to work on climate change mitigation. Construction materials and energy consumption during the use of buildings are the largest sources of emissions in the life cycle of a building. Emissions during construction account for approximately 6 per cent of a building's total life cycle emissions. Proportionally, the share of emissions during construction are largest in infrastructure projects.

In 2019, YIT set a climate target of halving the greenhouse gas emissions of its own operations by 2030, using 2019 as the baseline. This target has already been accomplished. Transitioning to renewable electricity in Finland was one of the factors in achieving the target. The other climate targets set in 2019 were partially met. Emissions from self-developed projects have been calculated from 2020 onwards, but decisions on halving the emissions of self-developed projects and offering carbon neutral heating in YIT's projects are not yet fully reflected in the results.

YIT published new, more ambitious climate targets and a carbon roadmap in December 2022 and will seek validation of the Science Based Targets initiative for climate targets during 2023.

YIT's new climate targets are as follows:

- Carbon neutrality in YIT's own operations (Scope 1 & 2) by 2030
- Cutting value chain emissions (Scope 3) by 30% by 2030, using 2019 as the baseline

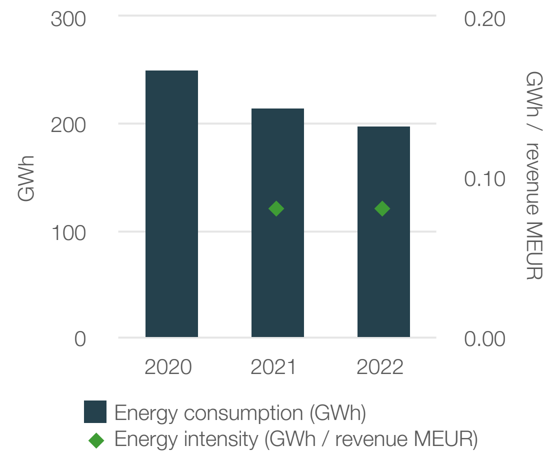
The achievement of the climate targets is supported by YIT's carbon roadmap for 2022–2030. The carbon roadmap includes actions in four areas: 1. Sustainable living environments and products, 2. Carbon neutrality in own operations, 3. Design management & supply chain engagement, and 4. Sustainable ways of working. Scope 3 emission calculation was also promoted in 2022, which is a key development area for the management of emission reductions.

In 2022, YIT reduced the emissions of its own operations by 9% compared to the previous year. YIT's energy consumption decreased slightly from the previous year, while the energy intensity remained on the same level and emission intensity increased slightly to 13,8 tCO2e / revenue MEUR (13,5). In 2022, green electricity was used at most of YIT's construction sites in Finland, Sweden, Lithuania, Latvia and Estonia. The share of renewable energy was 89% (92) of YIT Group's total energy consumption. The life cycle emissions caused by materials used in self-developed projects decreased slightly to 8 kgCO2 e/m2/a (9).

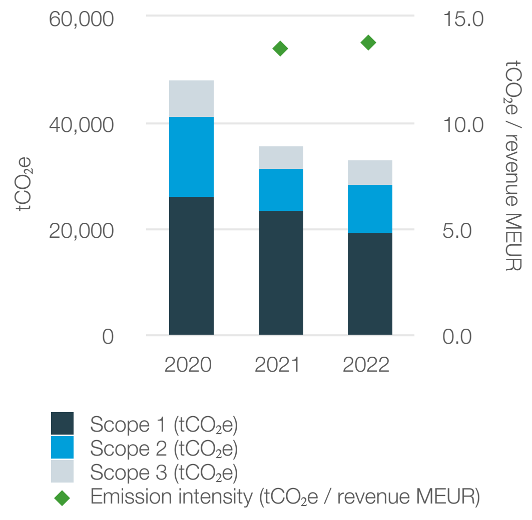
Concrete accounts for more than 50% of the material-based emissions of a residential building, followed by technical building systems and steel structures as the next largest emission sources. Progress was made in the reduction of Scope 3 material emissions by transitioning to low-carbon hollow-core slabs in residential projects in the Helsinki metropolitan area and Uusimaa. In the first phase, the agreement covers the production of residential buildings by YIT's units in the Helsinki metropolitan area and Uusimaa. The plan is to gradually expand the agreement thereafter to cover all of YIT's residential construction operations in Finland. Hollow-core slabs are the largest single source of emissions among construction products. YIT is also seeking ways to switch to lower-carbon alternatives for other construction materials. During the year under review, lower-carbon concrete was also piloted for the first time in cast-in-place construction.

Segment-specific measures to reduce emissions at different stages of the life cycle were taken. In the Housing segment, geothermal heat was used in the development of 11 properties. The life cycle greenhouse gas emissions from heating, cooling and hot water in geothermal projects are 49% lower than in conventional district heating projects. Emissions during construction can also be reduced by deploying geothermal heat during the construction stage. In the infrastructure segment, emissions from transport were reduced, for example in projects that used a method to recycle process water from tunnel excavation.

ENERGY CONSUMPTION AND INTENSITY



GREENHOUSE GAS EMISSION INTENSITY



Greenhouse gas emissions (tCO_2e)	2020	2021	2022
Scope 1	26,437	23,801	19,683
Scope 2 (market-based)	15,241	7,728	8,851
Scope 2 (location-based)	22,863	15,902	16,410
Total (Scope 1 and 2)	**41,678**	**31,530**	**28,535**
Scope 3 (waste)	6,301	4,158	4,122
Scope 3 (business flights)	446	200	498
Scope 3 total	6,747	4,358	4,620
Total (Scope 1, 2 and 3)	**48,425**	**35,888**	**33,155**
Biogenic emissions (Scope 1)	449	693	1,352
Biogenic emissions (Scope 3)	232	33	478

Emissions for 2021 and 2020 have been recalculated due to the sale of business in Russia.

YIT – roadmap towards carbon neutral construction 2022–2030

2022 | 2023 | 2024 | 2025 | 2026–2030 | Objective 2030

			Roadmap 2022–2030	Objective 2030
1	Sustainable living environments and products	The buildings we construct become more sustainable and increasingly energy efficient. We increase the EU taxonomy alignment in our project portfolio.	LEED Gold or equivalent in self-developed projects; Design management tools; Low-carbon energy solutions and Smart Building development; Biodiversity guidance; Sustainable business and product concepts	Product portfolio meeting customer expectations
2	Carbon neutrality in own operations	We purchase only certified green electricity, replace fossil fuels with renewable energy and transition gradually to fully electric equipment fleet. We improve on material and energy efficiency, and recycling in operations.	100% green electricity; Replace fossil fuels with biofuels; Zero emission fleet; Carbon neutral heating and cooling of own buildings; Material efficiency, construction waste recycling; Circular solutions	Net Zero for own operations (Scope 1–2)
3	Design management & supply chain engagement	We will gradually transition to low-carbon building materials, starting from concrete and steel categories. We collaborate with architects, designers and providers, and increase the weight of sustainability criteria in selecting partners.	Low-carbon concrete products; New technologies; Low-carbon steel; New technologies; Material use optimisation; Supplier management and partnerships; Other low-carbon materials; Updated sustainability criteria	Value chain emissions (Scope 3) -30% vs. 2019
4	Sustainable ways of working	We develop our personnel's environmental competences and increase the weight of sustainability criteria in remuneration and project selection. We improve the quality of environmental data, reporting and tools.	Environmental competence development of personnel; Update remuneration criteria; Sustainability criteria in project selection; Emission data development; Emission accounting and reporting development	Sustainability integrated into business processes

SUSTAINABILITY OF PRODUCTS AND SERVICES

YIT aims to develop its products and services in a low-emission direction. Finland's first zero-emission Prisma hypermarket was built in Sastamala by YIT and completed in 2022. In construction, the choices with the most significant environmental impact are made in the design stage. In 2022, tools and methods were developed in the Housing and Property Development segments, for example, to guide more environmentally friendly choices and decisions starting from the design stage. The environmentally friendly use of buildings is also enabled by the development of smarter and more energy-efficient properties. Managing a property's energy and water 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. In 2022, the Business Premises segment tested the AI-assisted YIT Smart Building solution to reduce the electricity consumption of ventilation at Workery+ Vallila, with good results.

YIT is a minority investor in Nuuka Solutions, through which it aims to drive the development of the real estate sector towards more sustainable solutions. YIT organised a hackathon in 2022 to find new environmentally friendly, bio-sourced and biodegradable materials that effectively bind dust particles during the surface treatment of gravel roads. The Hackathon was organised by the Jyväskylä University of Applied Science's Bioeconomy Business Accelerator, BioPaavo, together with Kasvu Open. The winning team was Montinutra Oy with an ecological solution for utilising forest industry side streams.

YIT utilises various environmental certificates to support design and construction. LEED Gold certification, at a minimum, will be sought for six business premises projects launched in 2022. The Martti Talvela Campus in Juva became the first property in Finland to achieve a four-star RTS environmental rating. A four-star rating in the RTS environmental classification system is also sought for the Kamppi Health and Well-being Centre project in central Helsinki and the project to build a new school centre in Gesterby. The Blominmäki wastewater treatment plant won the RIL Award in 2022. Environmental considerations were taken into account in the project in various ways, including the use of a water recycling system in the excavation phase, producing concrete on site, recycling soil and aggregates, and using waste concrete instead of virgin mineral aggregates. The CEEQUAL project Arbetstunnel Högdalen in Sweden was completed with an excellent CEEQUAL rating. Preparations for BREEAM In-Use certification also began in 2022 .

Projects completed in 2022 with an environmental certificate

Name	Certificate
Vahdontien Yrityskeskus Koy	BREEAM – Very good
Sockenplan etapp 1-project	CEEQUAL
Arbetstunnel Högdalen	CEEQUAL
Savilahti kampus	Joutsenmerkki
K3 North	LEED – Silver
VT4	LEED – Silver
Järvenpää Bulevardikortteli office	LEED – Gold
Pohjois-Tapiola school	RTS-ympäristöluokitus – ****
Perkkaa school and youth centre	RTS-ympäristöluokitus – ****
Nauriskaski school	RTS-ympäristöluokitus – ****
Nöykkiönniitty daycare centre	RTS-ympäristöluokitus – ****


Blominmäki wastewater treatment plant, Espoo, Finland

EU TAXONOMY

The EU has set a target of carbon neutrality by 2050. This goal is supported by the classification system for sustainable economic activities, known as the EU taxonomy. It turns the EU's climate and environmental objectives into criteria for determining the sustainability of business. The current classification system for sustainable economic activities covers the sectors that are significant with regard to climate change in terms of representing over 80% of Europe's CO2 emissions and having the greatest potential to enable the EU's green transition towards carbon neutrality. In 2022, 84% of YIT's business operations (revenue performance indicator table, A. taxonomy-eligible activities) were within the scope of the classification system of the EU taxonomy. In 2021, the corresponding share was 85%.

The EU has set technical screening criteria for determining whether an economic activity contributes substantially to climate change mitigation and climate change adaptation, as well as "does not significantly harm" (DNSH) criteria for all six of the EU's environmental objectives. The four other environmental objectives concern the sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. The technical screening criteria for the other environmental objectives are still being prepared.

In 2021, YIT reported its taxonomy-eligible revenue, operating expenditure and capital expenditure in accordance with the requirements stipulated by Commission Delegated Regulation (EU) 2021/2139 and the Taxonomy Regulation (EU) 2020/852. Starting from the financial year 2022, YIT's reporting was expanded to be activity-specific and to cover taxonomy alignment. In 2022, YIT conducted an analysis, focusing on its major businesses, of the extent to which YIT's operations meet the technical screening criteria with regard to contributing substantially to climate change mitigation and adaptation while causing no significant harm to any of the other environmental objectives. In addition, YIT ensured that the minimum social safeguards set out in the taxonomy, concerning human rights, corruption, taxation and fair competition, are met at the company level.

YIT began preparing for the EU taxonomy in 2021 by analysing the fulfilment of the technical screening criteria in pilot projects with the aim of producing information on the extent to which the criteria of the EU taxonomy are met in YIT's projects. YIT continued its work on the taxonomy in 2022 by establishing a separate development project and working groups for the minimum social safeguards, technical screening criteria, financial analysis and reporting, and process development. During 2022, YIT developed a taxonomy analysis methodology, key interpretations and a taxonomy analysis and reporting tool. Next, the technical development areas will be incorporated into the business segments' management system, project design and construction processes.

ASSESSMENT OF TAXONOMY ELIGIBILITY AND ALIGNMENT

YIT has assessed the technical requirements of the taxonomy on a project-specific basis to establish an accurate picture of the fulfilment of the technical screening criteria. YIT's economic activities were defined only for customer agreements that generate external revenue for the Group, i.e. projects, to avoid double counting. With regard to taxonomy eligibility, the approach to the analysis was the same as in the reporting for 2021, and the analysis was focused on the Group's major businesses, including the Housing segment and all business operations in Finland and Sweden.

In examining taxonomy-aligned (A.1) activities, the projects were selected on the basis of the materiality of each individual project's revenue with regard to the Group's business operations in Finland and Sweden. The projects were analysed and the technical information was compared to the criteria for substantial contribution. Following the analysis, it was ensured that a project that meets the criteria for substantial contribution does no significant harm to the five other environmental objectives and that the minimum social safeguards are met at the company level.

Based on the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, guidelines and procedures related to various stages of the human rights due diligence process were reviewed and a human rights impact assessment was carried out. The policies, principles and measures associated with the minimum safeguards are described in more detail in the following chapters of this Annual Review: Human rights, Responsible sourcing, Anti-corruption and the grey economy, Fair competition, and Responsible tax practices. YIT's interpretation is that the minimum safeguards are met. However, in YIT's view, the Final Report on Minimum Safeguards published by the EU Platform on Sustainable Finance in October 2022 is open to interpretation as to when the human rights due diligence process can be considered to be adequate. YIT will continue to develop its due diligence procedures further in 2023.

During the course of the taxonomy analysis, YIT made a few key interpretations with regard to the technical screening criteria. In instances involving uncertainty regarding the interpretation of the technical screening criteria and where compliance with the criteria could not be confirmed, YIT has reported the project in question in category A.2 as taxonomy eligible. With regard to climate change adaptation (DNSH 2 criterion), YIT has identified the material risks associated with its business operations in Finland, which may be significant at the individual project level. After this, risks were assessed on a project-specific basis. The analysis was also utilised in project-specific climate risk assessments for operations in Sweden. With regard to the transition to a circular economy (DNSH 4 criterion), YIT's interpretation concerning the fulfilment of the "prepared for reuse, recycling and other material recovery" requirement is based on the proportion of YIT's waste that is sorted in YIT's operations and for which reuse, recycling and other material recovery can be ensured. In infrastructure construction projects where several parties are responsible for sections of the project, only the share for which YIT has business responsibility is reported for each project section for the criteria that are applicable on an operator-specific basis.

THE KEY PERFORMANCE INDICATORS AND THEIR CALCULATION PRINCIPLES

YIT's taxonomy-aligned (A.1 in the classification system) revenue amounted to EUR 177 million, corresponding to 7% of the total revenue for 2022. Of the revenue, EUR 16 million was derived from taxonomy category 4.3. (Electricity generation from wind power) and EUR 161 million was derived from taxonomy category 6.14. (Infrastructure for rail transport). Taxonomy-aligned revenue is reported on a project-specific basis, meaning that all of the criteria for the taxonomy category in question are met for the project. YIT's infrastructure construction services cover the construction of railways and water supply infrastructure, as well as wind farm development and contracting. The revenue reported in taxonomy category 4.3. is related to contracting for a wind farm developed and sold by YIT. Of the projects in taxonomy category 5.3. (Construction, extension and operation of waste water collection and treatment), a significant proportion meets the criteria for contributing substantially to climate change adaptation and other technical screening criteria but, according to the notice published by the European Commission in December 2022, YIT cannot report taxonomy-aligned revenue for those projects. YIT's view is that the EU taxonomy has not, in this respect, taken into account the role of the construction industry in enabling climate change adaptation. Some of YIT's residential construction projects in taxonomy category 7.1. (Construction of new buildings) meet the criteria for substantial contribution. However, certain technical DNSH criteria were not met for these projects, or the fulfilment of the criteria could not be confirmed due to ambiguities concerning interpretation, and they are consequently not reported in taxonomy-aligned revenue.

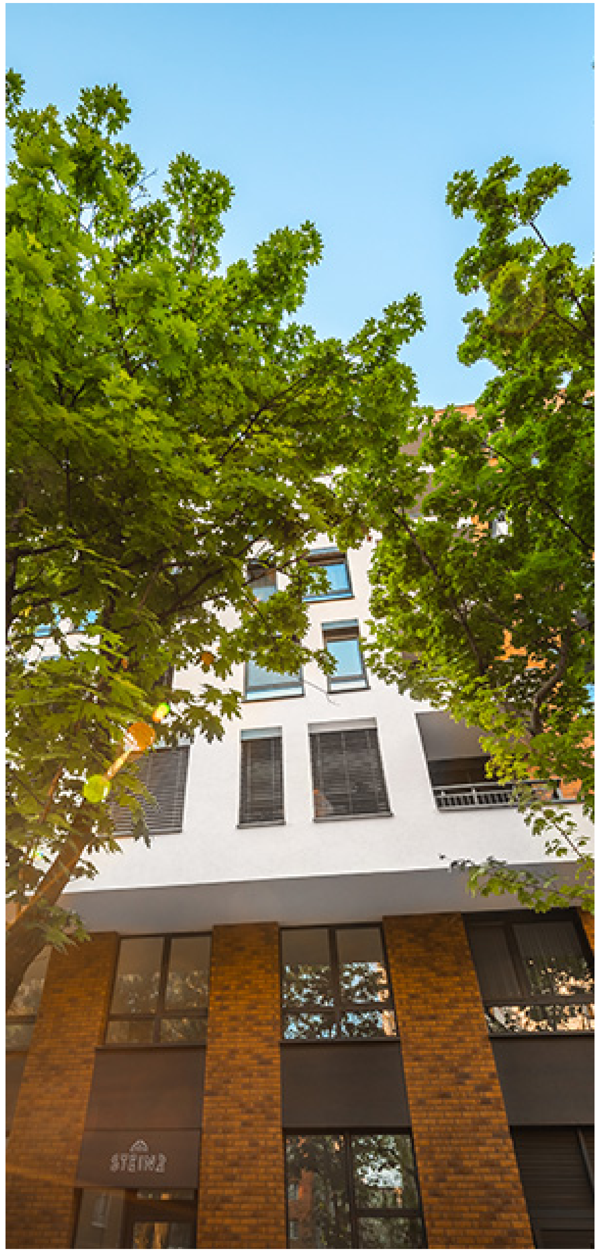
YIT's taxonomy-eligible (taxonomy-eligible activities A.2) revenue for 2022 amounted to EUR 1,837 million, corresponding to 76% of total revenue. Most of this was derived from activities in category 7.1. (Construction of new buildings) and 7.2. (Renovation of existing buildings). YIT's non-eligible share of revenue was EUR 388 million (EUR 386 million), corresponding to 16% (15%) of revenue. Non-eligible activities (B) include, for example, all of the Infrastructure segment's road-related activities, as taxonomy eligibility would require demonstrating that the road infrastructure is dedicated to the operation of zero tailpipe CO2 emission vehicles. The maintenance activities concerning real estate premises implemented as life cycle projects are reported entirely as non-eligible activities. All business activities and projects excluded from the analysis of taxonomy eligibility are reported as non-eligible activities (B).

Revenue is a central key performance indicator in assessing the sustainability of YIT's business from the perspective of the EU taxonomy. The definition of revenue in the EU taxonomy corresponds to the items presented in revenue in YIT's consolidated income statement, the accounting policies for which are described in more detail under "Customer contracts" in the notes to the consolidated financial statements. YIT has projects for which revenue is recognised over time as well as projects for which revenue is recognised at a point in time. The projects for which revenue is recognised at a point in time are primarily self-developed projects in which construction has been completed at the time of revenue recognition, and the technical taxonomy analysis is therefore final. For projects for which revenue is recognised over time, the actual outcomes for all of the technical screening criteria are not yet final. Instead, they are based on the information available on the reporting date. Consequently, the estimates may change over the course of a given project. In the event of a change in an estimate, the taxonomy status of the project will be updated accordingly. No retrospective adjustments to previously reported figures are made in such cases.

In accordance with the EU taxonomy definition of capital expenditure, the items that YIT has included in total capital expenditure include additions in intangible and tangible assets, as well as additions in right-of-use assets, including potential additions to the items in question resulting from business combinations. YIT's total capital expenditure in accordance with the taxonomy definition of the capital expenditure indicator amounted to EUR 19 million in 2022 (EUR 32 million), most of which was attributable to leased and owned machinery and equipment. Of the total capital expenditure, EUR 5 million was directly related to taxonomy activity 7.7 Acquisition and ownership of buildings, which is reported only as taxonomy-eligible in category A.2. The remaining share of capital expenditure has been allocated to taxonomy-eligible and taxonomy-aligned proportions for different activities using a revenue-based method. The allocation has been made using the activity-specific proportions of the revenue indicator directly, as capital expenditure cannot be obtained on a project-specific basis. The capital expenditure according to the taxonomy definition is not material for YIT in terms of the euro amount and with regard to the nature of YIT's business. The reconciliation, with references to the notes to the consolidated financial statements, is presented below after the capital expenditure table.

In accordance with the EU taxonomy definition of operating expenditure, YIT's total operating expenditure consists of research and development expenditure recognised as expenses, direct expenses associated with building renovations and the day-to-day maintenance of tangible fixed assets, and expenses associated with short-term leases and leases for which the underlying asset is of low value. YIT's total operating expenditure in accordance with the taxonomy definition of the operating expenditure indicator amounted to EUR 64 million in 2022 (EUR 56 million). A significant proportion of the total operating expenditure is attributable to expenses associated with short-term leases and leases for which the underlying asset is of low value. The allocation into the taxonomy-eligible and taxonomy-aligned proportions has been made using the activity-specific shares of the revenue indicator directly, as operating expenditure cannot be obtained on a project-specific basis. The operating expenditure according to the taxonomy definition are not material for YIT in terms of the euro amount and with regard to the nature of YIT's business. The item amounts cannot be directly derived from the notes to the consolidated financial statements because the taxonomy definition of operating expenditure does not fully correspond to specific items in the financial statements.

On 25 April 2022, YIT published restated financial figures for 2021 reflecting the operating model change impact to segment reporting and sale of the YIT's operations in Russia. Consequently, the EU taxonomy revenue and operating expenditure indicators have also been restated for the comparative period 2021. As the consolidated statement of financial position for the comparative period was not restated, the sale of Russian operations had no effect on the capital expenditure indicator.



Stein2, Bratislava, Slovakia

Revenue

				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)										
ECONOMIC ACTIVITIES	Codes	Absolute revenue	Proportion of revenue	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of revenue, 2022	Taxonomy-aligned proportion of revenue, 2021	Category (enabling activity)	Category (transitional activity)
		EUR Million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. ELIGIBLE ACTIVITIES																				
A.1 Eligible Taxonomy-aligned activities																				
Electricity generation from wind power	4.3.	16	1%	100%	—						Y	Y	Y	Y		Y	1%			
Infrastructure for rail transport	6.14.	161	7%	100%	—						Y	Y	Y	Y	Y	Y	7%		E	
Revenue of eligible Taxonomy-aligned activities (A.1)		**177**	**7%**	**100%**	**—**											**Y**	**7%**			

ECONOMIC ACTIVITIES	Codes	Absolute revenue	Proportion of revenue	Substantial contribution criteria: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	DNSH criteria (Does Not Significantly Harm): Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of revenue, 2022	Taxonomy-aligned proportion of revenue, 2021	Category (enabling activity)	Category (transitional activity)
		EUR Million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A.2. Eligible not Taxonomy-aligned activities																				
Electricity generation from wind power	4.3.	1	0%													Y				
Electricity generation from hydropower	4.5.	3	0%													Y				
Transmission and distribution of electricity	4.9.	3	0%													Y				
Storage of thermal energy	4.11.	1	0%													Y				
Production of heat/cool using waste heat	4.25.	0	0%													Y				
Construction, extension and operation of water collection, treatment and supply systems	5.1.	0	0%													Y				
Construction, extension and operation of waste water collection and treatment	5.3.	85	4%													Y				
Infrastructure for personal mobility, cycle logistics	6.13.	3	0%													Y				
Infrastructure for rail transport	6.14.	13	1%													Y				
Infrastructure enabling low carbon water transport	6.16.	0	0%													Y				
Construction of new buildings	7.1.	1,581	66%													Y				
Renovation of existing buildings	7.2.	146	6%													Y				
Revenue of eligible not Taxonomy-aligned activities (A.2)		**1,837**	**76%**													**Y**				
Total (A.1 + A.2)		**2,014**	**84%**													**Y**				
B. NON-ELIGIBLE ACTIVITIES																				
Revenue of non-eligible activities (B)		**388**	**16%**																	
Total (A + B)		**2,403**	**100%**																	

The total revenue reported in Total (A+B) row reconciles with the revenue line item in YIT's consolidated financial statements.

Capital Expenditure (CapEx)

				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)										
ECONOMIC ACTIVITIES	Codes	Absolute CapEx	Proportion of CapEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx, 2022	Taxonomy-aligned proportion of CapEx, 2021	Category (enabling activity)	Category (transitional activity)
		EUR Million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A. ELIGIBLE ACTIVITIES																				
A.1 Eligible Taxonomy-aligned activities																				
Electricity generation from wind power	4.3.	0	1%	100%	–						Y	Y	Y	Y		Y	1%			
Infrastructure for rail transport	6.14.	1	5%	100%	–						Y	Y	Y	Y	Y	Y	5%		E	
CapEx of eligible Taxonomy-aligned activities (A.1)		**1**	**6%**	**100%**	**–**											**Y**	**6%**			

ECONOMIC ACTIVITIES	Codes	Absolute CapEx	Proportion of CapEx	Substantial contribution criteria: Climate change mitigation	Substantial contribution criteria: Climate change adaptation	Substantial contribution criteria: Water and marine resources	Substantial contribution criteria: Circular economy	Substantial contribution criteria: Pollution	Substantial contribution criteria: Biodiversity and ecosystems	DNSH criteria (Does Not Significantly Harm): Climate change mitigation	DNSH criteria (Does Not Significantly Harm): Climate change adaptation	DNSH criteria (Does Not Significantly Harm): Water and marine resources	DNSH criteria (Does Not Significantly Harm): Circular economy	DNSH criteria (Does Not Significantly Harm): Pollution	DNSH criteria (Does Not Significantly Harm): Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of CapEx, 2022	Taxonomy-aligned proportion of CapEx, 2021	Category (enabling activity)	Category (transitional activity)
		EUR Million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A.2. Eligible not Taxonomy-aligned activities																				
Electricity generation from wind power	4.3.	0	0%													Y				
Electricity generation from hydropower	4.5.	0	0%													Y				
Transmission and distribution of electricity	4.9.	0	0%													Y				
Storage of thermal energy	4.11.	0	0%													Y				
Production of heat/cool using waste heat	4.25.	0	0%													Y				
Construction, extension and operation of water collection, treatment and supply systems	5.1.	0	0%													Y				
Construction, extension and operation of waste water collection and treatment	5.3.	1	3%													Y				
Infrastructure for personal mobility, cycle logistics	6.13.	0	0%													Y				
Infrastructure for rail transport	6.14.	0	0%													Y				
Infrastructure enabling low carbon water transport	6.16.	0	0%													Y				
Construction of new buildings	7.1.	9	50%													Y				
Renovation of existing buildings	7.2.	1	5%													Y				
Acquisition and ownership of buildings	7.7.	5	24%													Y				
CapEx of eligible not Taxonomy-aligned activities (A.2)		**16**	**82%**													**Y**				
Total (A.1 + A.2)		**17**	**88%**													**Y**				
B. NON-ELIGIBLE ACTIVITIES																				
CapEx of non-eligible activities (B)		**2**	**12%**																	
Total (A + B)		**19**	**100%**																	

Reconciliation of total CapEx to consolidated financial statements 2022

Item	EUR million	Reference
Additions to tangible assets	5	Note 14. Property, plant and equipment
Additions to intangible assets	0	Note 15. Other intangible assets and goodwill
Additions to right-of-use assets	14	Note 16. Leases
Total Capital Expenditure	**19**	

Operating Expenditure (OpEx)

				Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)										
	Codes	Absolute OpEx	Proportion of OpEx	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx, 2022	Taxonomy-aligned proportion of OpEx, 2021	Category (enabling activity)	Category (transitional activity)
ECONOMIC ACTIVITIES		**EUR Million**	**%**	**%**	**%**	**%**	**%**	**%**	**%**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**Y/N**	**%**	**%**	**E**	**T**
A. ELIGIBLE ACTIVITIES																				
A.1 Eligible Taxonomy-aligned activities																				
Electricity generation from wind power	4.3.	0	0%	100%	—						Y	Y	Y	Y		Y	0%			
Infrastructure for rail transport	6.14.	4	6%	100%	—						Y	Y	Y	Y	Y	Y	6%		E	
OpEx of eligible Taxonomy-aligned activities (A.1)		**5**	**8%**	**100%**	—											**Y**	**8%**			

ECONOMIC ACTIVITIES	Codes	Absolute OpEx	Proportion of OpEx	Substantial contribution criteria: Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	DNSH criteria (Does Not Significantly Harm): Climate change mitigation	Climate change adaptation	Water and marine resources	Circular economy	Pollution	Biodiversity and ecosystems	Minimum safeguards	Taxonomy-aligned proportion of OpEx, 2022	Taxonomy-aligned proportion of OpEx, 2021	Category (enabling activity)	Category (transitional activity)
		EUR Million	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T
A.2. Eligible not Taxonomy-aligned activities																				
Electricity generation from wind power	4.3.	0	0%													Y				
Electricity generation from hydropower	4.5.	0	0%													Y				
Transmission and distribution of electricity	4.9.	0	0%													Y				
Storage of thermal energy	4.11.	0	0%													Y				
Production of heat/cool using waste heat	4.25.	0	0%													Y				
Construction, extension and operation of water collection, treatment and supply systems	5.1.	0	0%													Y				
Construction, extension and operation of waste water collection and treatment	5.3.	2	3%													Y				
Infrastructure for personal mobility, cycle logistics	6.13.	0	0%													Y				
Infrastructure for rail transport	6.14.	0	0%													Y				
Infrastructure enabling low carbon water transport	6.16.	0	0%													Y				
Construction of new buildings	7.1.	42	66%													Y				
Renovation of existing buildings	7.2.	4	6%													Y				
OpEx of eligible not Taxonomy-aligned activities (A.2)		**49**	**77%**													**Y**				
Total (A.1 + A.2)		**54**	**84%**													**Y**				
B. NON-ELIGIBLE ACTIVITIES																				
OpEx of non-eligible activities (B)		**10**	**16%**																	
Total (A + B)		**64**	**100%**																	

SOCIAL RESPONSIBILITY AND PERSONNEL

Committed and competent people are key to YIT's operations. The company's values – *Respect, Cooperation, Creativity* and *Passion* – are reflected in caring for personnel. Employee health, safety, well-being and competence development are at the core of YIT's social responsibility and human resource management. The objective is to enable winning teams through trust in the personnel and by creating a positive spirit.

YIT VALUES

Respect

- We care about our customers and personnel
- We look for environmentally sustainable solutions

Cooperation

- We are open and share knowledge
- We involve and partner to succeed

Creativity

- We trust and build a positive spirit
- We empower people to innovate and challenge

Passion

- We aim high with quality, expertise and results
- We work ethically and keep our promises

YIT aims to be an attractive employer that takes good care of its personnel in all circumstances. The goal is for YIT to have the most qualified and suitable employees, irrespective of age, gender, race or nationality.

YIT's *Code of Conduct* describes the way YIT operates in accordance with shared values and rules. YIT's Human Resources Principles that guide the company's actions with regard to personnel-related issues are also based on YIT's values. The operating practices related to the management of health and safety are described in YIT's Occupational Health and Safety principles.

YIT's Group Management Team sets out the Group's occupational safety and HR targets concerning areas such as employee satisfaction, personnel turnover and occupational safety, and monitors their achievement. The businesses are responsible for the implementation of development plans in accordance with HR targets. The HR organisation supports the businesses and coordinates development projects and business processes.

In January–December 2022, the Group employed an average of 5,207 people (5,581), of whom 3,816 (4,015) worked in Finland. In reporting the number of personnel, YIT uses the number of persons present in employment relationships. This also includes employees in a fixed-term employment relationship and trainees. Personnel turnover was 13.8 % (16.0 %). The personnel turnover rate for employees resigning on their own initiative was 9.2% (8.8 %).

Personnel expenses in 2022 totalled EUR 352 million (351).

The year began under an organisational structure aligned with the new operating model. In the early part of the year, travel and in-office work were still restricted due to the COVID-19 pandemic. Over the course of the year, YIT transitioned to a permanent hybrid work model for white-collar employees. The model provides flexible opportunities for remote and in-office work. Operations at construction sites continued under an on-site work model without significant disruptions.

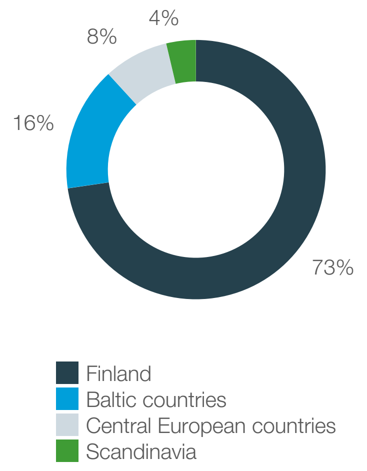
During the year, the company defined its strategic HR priorities in accordance with the new strategy. The strategic HR priorities for the coming years include *Attracting, retaining and developing people.* Professionals in the field of engineering ranked YIT as the most attractive employer in the construction industry in the Universum Professionals Survey for the third consecutive year. This recognition challenges the company to set even more ambitious targets with regard to employee competence development and commitment, and respond to the expectations of current and future YIT employees.

Another strategic HR priority is to further increase openness and trust. The aim is to have *empowered and high-performing teams.* Having jointly defined targets allows teams to operate more independently towards business objectives. The development of effective leadership and team interaction builds trust in all aspects of operations and promotes the achievement of targets.

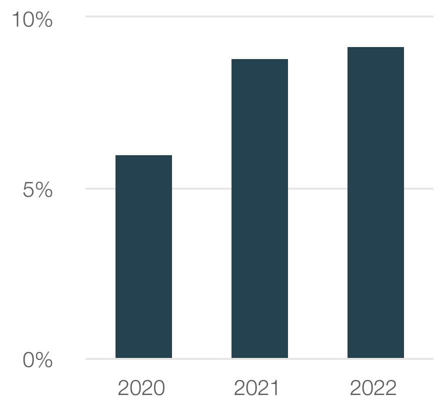
Safety has been a key issue for the company for a long time, and the third strategic priority – *YIT's way of working is lean and safe* – highlights its significance to the efficiency and quality of operations. The aim is to make day-to-day work more streamlined and efficient by making processes clearer. Available data and performance indicators are being used increasingly to steer the company's operations. With regard to the management of occupational safety, we focus particularly on the management of safety behaviour through discussion-oriented site visits by the management and by encouraging the personnel to address all observed issues and set a good example.

In addition to focusing on the professional growth of its personnel, YIT uses the *YIT Path* trainee programme to inspire young people to join the construction industry. During the year, YIT provided summer jobs and trainee positions to 822 (797) young people, of which 680 were in Finland. Of those who completed our trainee feedback survey in the summer, 99 % were willing to recommend YIT as an employer to their acquaintances and 95 % felt safe in their working environment. In the Universum Student Survey, YIT was ranked as the most attractive employer in the construction industry for the fourth consecutive year.

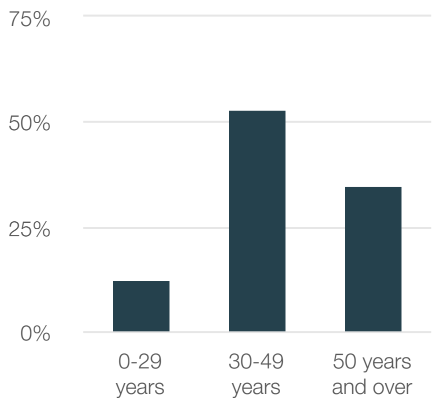
PERSONNEL BY REGION



EMPLOYEE TURNOVER (rolling 12 months, %)

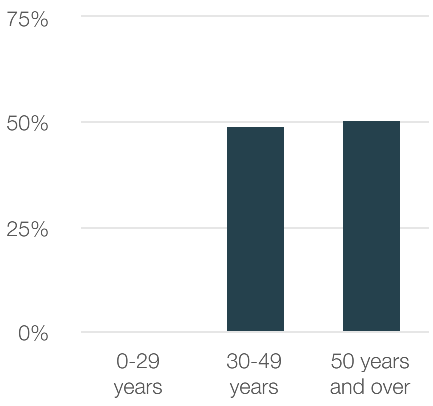


PERSONNEL AGE DISTRIBUTION



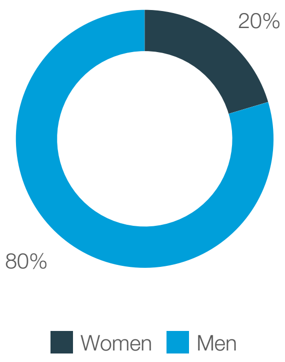
Excluding trainees.

AGE DISTRIBUTION OF SENIOR POSITIONS



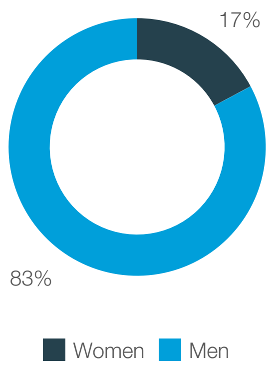
Four most senior levels.

PERSONNEL BY GENDER



Excluding trainees.

GENDER BREAKDOWN IN SENIOR POSITIONS



Four most senior levels.

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 wages, salaries and benefits, YIT has project-based and short-term compensation schemes as well as a long-term incentive programme. Separate bonuses are also used to complement compensation and benefits.

Compensation and benefits at YIT support the execution of the strategy. Occupational safety indicators aimed at preventing accidents and promoting safer working methods have been established as permanent components of the performance indicators used in project-based and annual compensation. At the start of the year under review, a target concerning the reduction of emissions arising from the Group's own operations was incorporated into the performance indicators used for the long-term incentive programme, replacing the previous environmental responsibility indicator. From 2023 onwards, environmental responsibility indicator will also be part of the performance indicators used for project-based and annual compensation.

More detailed information on compensation and benefits is provided in **YIT's remuneration report**.

OCCUPATIONAL SAFETY

Every employee is entitled to a healthy and safe working environment. With this in mind, YIT invests heavily in ensuring a safe operating environment.

The development of a proactive and caring occupational safety culture was continued under the *Respect life* concept launched in 2019. In 2022, YIT encouraged employees to take proactive safety measures, report safety observations and hazardous incidents, and share the lessons learned.

The practice of making safety observations were expanded, making it a routine operating method in each country. Safety efforts aimed at anticipating and preventing risks were reflected particularly in the number of reported safety observations, which grew by over 100% and amounted nearly 60,000. To strengthen the company's safety culture, YIT also encouraged employees to report positive safety observations to promote the sharing of best practices and create a motivating safety culture. The identification of near-miss incidents also improved, with the number of reported incidents continuing to increase year-on-year in line with the company's goals and amounting over 600 with the 20% increase.

> Actively making occupational safety observations and discussing such observations contribute to increased openness and lower the threshold for reporting accidents.

YIT Group's lost time injury frequency (LTIF) increased to 13.3 (11.0). The frequency includes own staff and partners. In particular, more accidents were reported for partners. There were two fatal accidents at our construction sites, leading to the death of contractor employees, one in Finland and one in the Czech Republic. The response to the situation has been to strengthen existing good safety practices, safety communication and sharing of lessons learned within the organisation and with partners. During the year, YIT Sverige AB was fined for an accident at work in 2021.

A project called *Safety Step Up* produced good results and was expanded to new units. Implemented site by site, the project aims to improve day-to-day construction site management, routine operating methods and working practices. The project has yielded significant improvements in occupational safety culture in the units it has been implemented in.

YIT's health and safety week took place for the fifth time in May in each of the Group's operating countries.

The management's commitment to occupational safety was evident in the active highlighting of occupational safety and well-being in employee information sessions and during site visits. Over 1,000 safety-focused *Management Walks & Talks* site visits were made during the year. Regular *Safety Review* meetings at the business management level were introduced as a new practice to improve the flow of information, maintain situational awareness and increase understanding.

YIT invests in occupational safety training and offers both internal training and training provided by training partners to strengthen and update employee competence. Over 200 employees attended training on safety management aimed at white-collar employees. In total, more than 1,500 person-days were used on safety training. All persons working on the construction sites were inducted.

Over the next few years, the focus will be on the continuous improvement of YIT's safety performance by systematically developing day-to-day occupational safety management and enhancing cooperation with partners. Systematic day-to-day management will be developed under the *What does good look like* project, among other initiatives. The aim is to achieve progress in moving construction site safety towards the jointly defined target level, one theme at a time.

WELL-BEING AT WORK AND COMPETENCE DEVELOPMENT

The COVID-19 pandemic was a factor in YIT's operations in the beginning of 2022. YIT continued to focus on maintaining operating methods – and identifying new operating methods – to ensure safe working conditions and the continuity of business. Work continued at YIT's construction sites in spite of the pandemic. The pandemic was reflected in an increase in brief sickness-related absences.

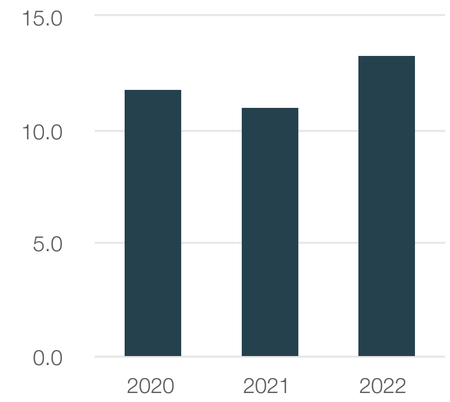
YIT has taken long-term efforts to prevent musculoskeletal disorders. During the year under review, *Ergonomics Walks* conducted by an occupational physiotherapist were introduced as a new practice at YIT's construction sites in Finland. The purpose is to identify and demonstrate ergonomic working positions and practices and communicate any observations made.

The prevailing situation and prolonged crises in the world also presented challenges to mental well-being in 2022. During the year, YIT carried out both ongoing processes to support coping and well-being and acute measures to respond to changes and the need for support. Employees were offered *Low threshold sparring*, coaching services to help cope with mental health challenges, theme videos to support mental well-being, and brief psychotherapy.

The Supervisor Compass was introduced as a new tool to support the work ability management process for supervisors in Finland. It helps supervisors with the early identification of work ability risks and enables their active participation in the interactive management of the work ability process. Work ability management training was also piloted for supervisors, focusing on each supervisor's capacity to support their team when mental health challenges arise.

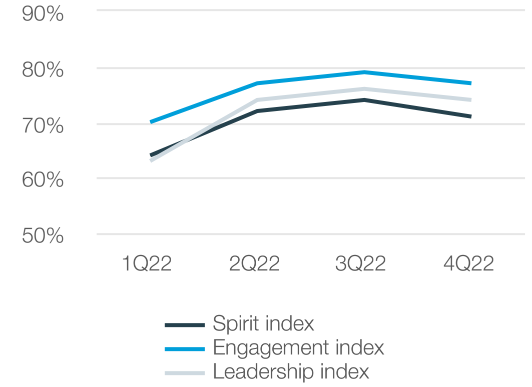
In the coming years, the priority will be to develop well-being at work by focusing on openness and smooth day-to-day interaction. Highlighting and addressing problems at an early stage and solving issues together make work more streamlined and reduce stress factors at work. YIT aims to increase supervisor competence with regard to work ability management. The physical demands of construction work and the changing nature of our world will continue to present challenges to physical work ability and mental health. Going forward YIT aims to highlight and develop elements that promote and support occupational health.

ACCIDENT FREQUENCY (COMBINED LTIF, ROLLING 12 MONTHS)



Comparable accident frequencies with ongoing business operation and Norwegian business operations.

INDICES OF PERSONNEL SURVEY



YIT wants to be an attractive employer and offer equal opportunities to its employees. YIT supports employee competence development by providing various career paths and development opportunities.

YIT's coaching and training activities support the long-term development of the organisation and individuals in areas of strategic and operational significance to the company's operations. In 2022, the focus areas of competence development were related to sustainable development: health, safety and responsibility. 80% of our personnel completed the updated *YIT Code III* online training on our Code of Conduct. Our competence development efforts were also focused on the efficiency of project management, productivity and harmonised operating methods, as well as supporting competence, customer insight and cohesion among employees in supervisory positions.

The content of supervisor and specialist training was updated in response to future competence needs. These training activities are structured as longer-term programmes that include coaching days, various assignments and self-assessment tools. The participants come from various parts of the organisation. A total of 184 persons participated in supervisor training. Specialist and supervisor training was also provided to employees in various positions, including induction training for supervisors and specialists focused on process expertise, systems and professional development. A total of 26 persons participated in YIT's internal mentoring programme.

YIT provided a total of 3,900 days of training for personnel during the year. Training took place both online and in person as the COVID-19 pandemic continued in early 2022. The topics covered in annual performance and development discussions include competence development needs, setting annual targets and assessing career opportunities.

Employee commitment, team spirit, the efficiency of work and the quality of supervisory work are important themes for YIT. These themes were monitored during the year under review by means of *MiniVoice*, a quarterly pulse survey introduced at the start of the year. The survey was conducted four times during the year and enabled the company to collect regular feedback to support development efforts. MiniVoice was first introduced in Finland, followed by most of YIT Group's other operating countries starting from the second quarter and YIT Lithuania in the third quarter. The target set for all of the indices monitored in the survey is 80% on a scale of 0–100%.

Based on the results of each survey, development measures were taken and their results were monitored at the business unit level. The development areas identified during the year included meaningful encounters, highlighting successes, and communication. In response, YIT increased management visits to sites and projects, and strengthened active dialogue. The company will continue to focus on the development areas and identify new measures in the coming year.

HUMAN RIGHTS

YIT recognises that its operations can have direct and indirect, both positive and negative, impacts on people. YIT respects the Universal Declaration of Human Rights and the basic rights confirmed in ILO's eight fundamental Conventions, and YIT's partners are also required to respect the same rights. Operating principles related to human rights are described in the YIT Code of Conduct and the Supplier Code of Conduct.

Respecting human rights and reporting suspected violations of human rights are the responsibility of all YIT employees. People other than YIT employees can also report suspected violations anonymously via the **YIT Ethics Channel**, which is an independent service maintained by WhistleB, an external service provider that safeguards the anonymity of reporting and confidential processing of data. The service can be accessed by devices equipped with a web browser and by phone in all of YIT's operating languages. YIT's procurement function is responsible for monitoring human rights among subcontractors and in the supply chain.

YIT is working to identify human rights risks and develop human rights due diligence procedures. A human rights impact assessment was conducted in 2022 as part of the Social Safeguards requirements of the EU taxonomy. The focus was particularly on human rights in YIT's supply chain. The assessment was carried out by evaluating the contents of the company's policies, principles and guidelines, and by interviewing internal stakeholders. The severity and likelihood of human rights risks were also evaluated, followed by an assessment of YIT's opportunities to reduce human rights risks and the planning of development measures for 2023. In the assessment of the severity and likelihood of potential human rights impacts, YIT found that the most significant human rights issues it can influence are occupational health and safety, work-related exploitation and environmental degradation. YIT will assess human rights impacts at least once every two years, and more often if required by changes in the operating environment or the Group's business operations. In 2022, YIT also reviewed processes and procedures for the identification, assessment, prevention, mitigation, remediation, monitoring and communication of potential negative human rights impacts, and identified development needs related to the Group's guidelines and processes. The development and implementation of these due diligence procedures will continue in 2023 with regard to supplier audits and the performance indicators to be monitored, for example.

In 2022, YIT also carried out a survey of foreign workers for the third time. The purpose of the survey is to improve insight into the terms of employment of foreign workers, their well-being at work, and whether the people working at construction sites – regardless of their employer – are aware of their rights. Posters on the prevention of work-related exploitation were put up at YIT's construction sites in Finland to help people recognise the signs of work-related exploitation and seek assistance from the appropriate parties. The poster has also been published on YIT's website in 10 languages.

RESPONSIBLE PROCUREMENT

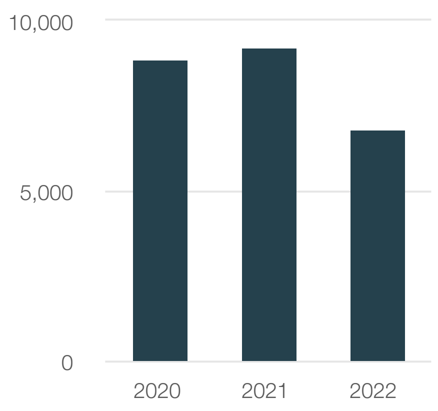
YIT's *Supplier Code of Conduct* sets out operating principles pertaining to environmental protection and human rights as well as the prevention of corruption, bribery and the grey economy. All of YIT's partners are required to comply with the *Supplier Code of Conduct*. Preliminary construction site orientation, which is a requirement for all on-site workers – including YIT's personnel, subcontractors and independent contractors – includes information on YIT's sustainability principles and the *YIT Ethics Channel*.

Responsible procurement is coordinated and developed in collaboration between representatives of the procurement management function, the sustainability team and corporate security. The corporate responsibility team for procurement assists the procurement organisation and construction sites in Finland with, for example, responsible subcontractor practices by providing training and advice, as well as by conducting internal audits related to the contractor's obligations. A total of 7 (10) corporate responsibility training events concerning procurement were held during the year, with 184 (233) people from all of the Group's businesses participating.

Audits related to the contractor's obligations were conducted on 102 projects in Finland, which included reviewing 6,852 subcontracting agreements, among other things. The current state of chained contracts was also analysed on the basis of a sample, which provided an increased understanding of risk factors related to the chaining of contracts. Information obtained from the results of the audits concerning the contractor's obligations and the separate analysis of chained contracts will be used in 2023 to plan and implement measures aimed at reducing the risks associated with the chaining of contracts.

During the year under review, YIT carried out a project to integrate the construction site orientation training system with supplier management data. This makes it possible to prevent the representatives of designated companies from accessing YIT's construction sites in the future if the companies are suspected of unethical activities. This functionality is scheduled to be taken into operational use in early 2023.

COMPLIANCE WITH THE CONTRACTOR'S OBLIGATIONS ACT (FINLAND)



The implementation of the category management concept in procurement continued with the launch of three new categories, complete with action plans. The model enables category-specific analyses of the measures necessary for YIT to achieve its climate targets, for example. The analyses also include the identification of category-specific risks and opportunities and ways to manage them. The model can also be used to facilitate the selection of suppliers that are committed to promoting sustainability. YIT intends to expand its supplier management towards the increased use of the category model in the coming years. YIT's roadmap towards carbon neutral construction 2022–2030 also guides the development of responsible procurement with regard to material purchases, partner collaboration and the selection of partners.

YIT requires workers from outside the EU, EEA and Switzerland, ("third country nationals") to have the right of employment and residence granted by the Finnish authorities in order to prevent work-related exploitation and grey economy phenomena. YIT continued inspections of work and residence permits and developed the process further in 2022. In exceptional cases, where it is justified, the corporate responsibility team for procurement may grant permission to posted third country nationals to work at construction sites for a brief period of time. The corporate responsibility team for procurement confirmed, on a daily basis, that no posted third country nationals, without a special permission from YIT, were working at YIT's construction sites. In addition, the residence and work permits of approximately 10% of locally hired third-country nationals were inspected on the basis of a sample. The total number of inspections during the year was 749, with 97.2% of the inspected workers having the required rights. 21 workers were removed from construction sites due to a lack of clarity regarding their right of residence and employment. When workers need to be removed from construction sites, YIT instructs the worker and their employer to apply for a residence permit that includes the right to work. To facilitate the easier processing of residence permits and work permits at construction sites, and to improve control, YIT launched a project late in the year to develop a secure digital archive for the documents required from foreign workers.

Supplier audits aimed at ensuring the eligibility of suppliers and subcontractors to be YIT's contractual partners resumed as COVID-19 restrictions were eased in summer 2022. The audits are focused on the suppliers' ESG practices. A total of 50 suppliers were audited in the latter part of the year by using new audit criteria, and auditing targets were set for 2023. Audit-related development needs were also identified as part of the assessment of human rights impacts. YIT's goal is to audit new suppliers and those categories that involve the highest risk of misconduct and violations of legislation, human rights or the *YIT Code of Conduct*. Supplier audits are also repeated for various reasons, with the most significant partners being subject to regular audits.

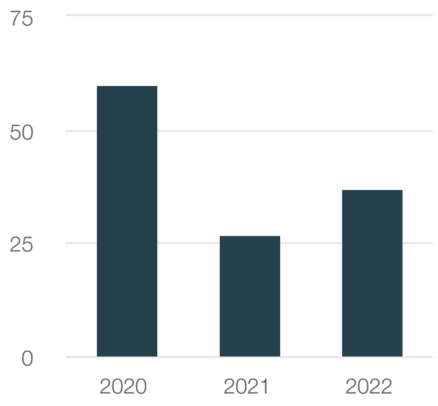
PREVENTING CORRUPTION AND THE GREY ECONOMY

The *YIT Code of Conduct* provides the foundation for the prevention of corruption, bribery and the grey economy. No form of corruption, extortion or bribery is permitted, and YIT has committed to taking action to eradicate such practices. YIT's sustainability requirements apply to the entire supply chain. The Group cooperates with the authorities to prevent the grey economy. The Group Management Team has a strategic responsibility for the prevention of corruption, bribery and the grey economy. The businesses are responsible for compliance with the *YIT Code of Conduct* and good corporate governance in operational activities. 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. Risk management is a key part of the company's management system, which describes how risks are identified, assessed and the necessary actions to be taken. Updates to the management system are rolled out to the business.

Reports of suspected misconduct are typically received through shop stewards and the YIT Ethics Channel. In 2022, a total of 12 suspicions were reported via the YIT Ethics channel. The number of internal investigations of suspected misconduct cases increased in 2022 when compared to the previous year and amounted to 37 (27). Of the investigations, 3 led to criminal proceedings, the termination of contract, the termination of employment or a procurement ban. In addition, in January-March 2022, four reports were received concerning business activities in Russia, one of which resulted in action.

INVESTIGATIONS OF SUSPECTED MISCONDUCT CASES (UNITS)



Investigations of suspected misconduct cases (UNITS)

YIT Code of Conduct section	2022	2021	2020
Customers	2	1	1
Employees	7	3	10
Owners	0	0	0
Suppliers, subcontractors and other business partners	18	16	43
Competitors	0	1	0
Society	0	0	0
Environment	0	0	1
Conflicts of interest	1	0	1
Communications	1	0	1
Data protection	5	3	1
Other	3	3	2
Total	**37**	**27**	**60**

DATA PROTECTION AND CORPORATE SECURITY

YIT is committed to complying with data protection requirements. Each YIT employee is responsible for compliance with data protection in their own work duties. YIT has corporate security principles and a data protection policy that describes the company's processing principles concerning all personal data. YIT's data protection organisation supports and trains the personnel on GDPR compliance. The risk management and corporate security organisation is responsible for developing the Group's corporate security practices.

FAIR COMPETITION

YIT supports open and fair competition in the market. YIT takes purposeful action to ensure that all employees are aware of the importance of competition law and related regulations and that they are complied with in all of YIT's activities. YIT organises regular competition law training for its personnel, and the Group's Legal Services maintains up-to-date competition law guidelines for the personnel and organises case-specific briefings concerning competition law. The *YIT Code of Conduct* sets out the principles that guide the Group's operations in relation to competitors. Topics concerning compliance with competition law and related regulations are also part of the online training on the *YIT Code of Conduct*, and the Group's management system promotes competition law awareness and compliance.

RESPONSIBLE TAX PRACTICES

Tax-related decisions are an important part of responsible business at YIT. YIT is committed to operating responsibly with regard to taxes and satisfying the requirements and reporting obligations concerning tax compliance in accordance with the relevant laws and regulations. YIT's tax policy sets the framework for tax-related choices and decisions at YIT. The tax policy describes key tax-related principles as well as YIT's approach to tax-related transactions and cooperation with the authorities, for example.

Nuppu, Bratislava, Slovakia

Definitions of non-financial key performance indicators

Key figure	Definition	Reason for use
Energy consumption	Consumption of direct and indirect energy sources in all YIT offices, construction sites and transportation under operational control.	Energy consumption describes the total amount of energy consumed in YIT's operations in GWh. Energy efficiency is one way of reducing carbon dioxide emissions.
Emissions: 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.
Emissions: 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-based indicators separately, but uses a market-based approach when calculating the total emissions.	Describes the indirect emissions of energy consumption caused by YIT's operations.
Emissions: 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 (Scope 1, 2 and 3) divided by revenue (tCO2. e/MEUR)	Emission intensity of own operations describes emissions of YIT's operations with relation to business volume.
Emission intensity: Self-developed projects	Emissions of materials' product phase and replacements divided by area of building divided by calculation period (kgCO2 e/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.	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
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.

Key figure	Definition	Reason for use
Sorting rate	Amount of sorted waste divided by total amount of waste generated.	Sorting rate describes YIT's ability to sort waste. The waste management partner, if possible, has the ability to recycle the waste that has been sorted.
Lost-time accident frequency LTIF	Accidents at work of YIT's employees and subcontractors per one million hours worked. The accident frequency rate is calculated on the basis of accidents at work resulting in at least one day's absence.	Accident frequency rate describes the accidents at work involving YIT's employees and subcontractors. This is significant for a healthy and safe working environment.
Fatal accidents	Fatal accidents describes any fatalities that have occurred at work for own employees or partners working on YIT's construction sites or operations.	Indicates the number of fatal accidents at work.
Personnel survey	The employee survey MiniVoice has three indices: the Engagement Index, the Spirit Index and the Leadership Index. The result of the indices is shown as the percentage of positive values (4 and 5, on a scale of 1 to 5) out of all responses.	A measure of employee work satisfaction used as a development tool.
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 updated Code III Code of Conduct training.	The completion rate of the Code of Conduct trainings illustrates the deployment of YIT's operating instructions.
Sample-based work permit inspections	Number of sample-based work permit inspections, as well as deviations from YIT's work permit criteria detected and their ratio to all inspections.	Local work/residence permits reduce the risk of labour exploitation.

Corporate governance

YIT's operations are based on sustainability 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 17 March 2022 adopted the 2021 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 0.16 be paid per share, or a total of approximately EUR 33 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 0.08 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 2022. It was decided that dividends for this instalment would be paid on 7 April 2022. The second instalment of EUR 0.08 per share was paid in October 2022. 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 14 September 2022, the Board decided that 4 October 2022 be the record date for the payment for the second instalment of the dividend and that 12 October 2022 be the dividend payment date.

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 Frank Hyldmar, Olli-Petteri Lehtinen and Barbara Topolska re-elected as members, and Casimir Lindholm, Jyri Luomakoski and Kerttu Tuomas elected as new Board 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 105,000
- Vice Chairman and Chairmen of the permanent Committees: EUR 73,500, unless the same person is Chairman of the Board or Vice Chairman of the board and
- members EUR 52,500.

In addition, it was decided that the annual remuneration for the members of the Board of Directors shall be paid in Company shares so that 40% of the annual fee is paid in YIT Corporation shares to be purchased on the Board members' behalf from the market at a price determined in public trading from a regulated market (Nasdaq Helsinki Ltd). The shares were purchased within two weeks of the publication of the interim report for the period 1 January–31 March 2022. The Company paid any costs related to the purchase of Company shares.

In addition to the fixed annual fee, the members of the Board and its permanently and temporarily appointed committees living in Finland were paid a meeting fee of EUR 800 per meeting and members living elsewhere in Europe were paid EUR 2,000. However, if the meeting was held by phone or by other electronical devices and connections, the Board and Committee meeting fee was proposed to be EUR 800 per meeting for both members living in Finland and elsewhere in Europe.

The chairman of the Board and the chairmen of the permanent and temporarily appointed committees were paid a meeting fee of EUR 1,600 per meeting. 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 Board meeting and the Chairman was to be paid EUR 1,600 per Board meeting.

ELECTION OF THE AUDITOR AND THEIR FEES

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 will be 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 decide 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 2023.

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 18 March 2021. The authorisation is valid until 30 June 2023.

RESOLUTIONS PASSED AT THE EXTRAORDINARY GENERAL MEETING.

The Extraordinary General Meeting of YIT Corporation was held on 6 October 2022. The Extraordinary General Meeting decided on amendments to the Company's Articles of Association and on the composition of the Board of Directors.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Extraordinary General Meeting resolved to amend section 4 of YIT Corporation's Articles of Association in accordance with the proposal of the Board of Directors to increase the maximum number of Board members by one so that the Board of Directors shall consist of a Chairman and Vice Chairman appointed by the general meeting of shareholders as well as a minimum of three (3) and maximum of eight (8) members.

The Extraordinary General Meeting also resolved to amend section 8 of the Articles of Association in accordance with the proposal of the Board of Directors so that the Board of Directors may also decide to hold a general meeting in Espoo or Vantaa in addition to the Company's registered office or completely without a meeting venue whereby the shareholders shall exercise their power of decision in full in real time during the meeting by the use of telecommunication connections and technical means.

COMPOSITION OF THE BOARD OF DIRECTORS

The Extraordinary General Meeting resolved to elect two (2) new members to the Company's Board of Directors so that the Board shall consist of the Chairman and the Vice Chairman as well as eight (8) ordinary members. New members Sami Laine and Keith Silverang were elected to the Board of Directors for a term ending at the close of the next Annual General Meeting.

Chairman Harri-Pekka Kaukonen, Vice Chairman Eero Heliövaara and members Frank Hyldmar, Olli-Petteri Lehtinen, Barbara Topolska, Casimir Lindholm, Jyri Luomakoski and Kerttu Tuomas continued in the Board of Directors.

The Extraordinary General Meeting resolved that the remuneration payable to the new members of the Board of Directors shall be paid in accordance with the resolution of the Annual General Meeting on 17 March 2022 in proportion to the length of their term. To the extent that remuneration was paid in YIT Corporation shares, the shares were purchased within two weeks of the publication of the interim report for the period 1 January – 30 September 2022.

ORGANISATION OF THE BOARD OF DIRECTORS

YIT Corporation's Board of Directors held its organisational meetings on 17 March 2022 and on 7 October 2022. In the meetings, the Board decided on the composition of the Committees.

At its organisational meeting following the Annual General meeting on 17 March 2022, the Board elected, from among its members, Kerttu Tuomas as chairperson and Eero Heliövaara and Harri-Pekka Kaukonen as members of the Personnel Committee. At its organisational meeting following the Extraordinary General meeting on 7 October 2022, the Board decided to supplement the Personnel Committee by electing Keith Silverang as a fourth member of the 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.

At its organisational meeting following the Annual General Meeting on 17 March 2022, the Board elected, from among its members, Olli-Petteri Lehtinen as chairperson and Frank Hyldmar and Jyri Luomakoski as members of the Audit Committee. At its organisational Meeting following the Extraordinary General Meeting on 7 October 2022, the Board decided to supplement the Audit Committee by electing Sami Laine as a fourth member of the 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 members, the Board elected Eero Heliövaara as chairperson and Casimir Lindholm, 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 a share-based long-term incentive program decided by the Board of Directors 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.

The first earning period was agreed for the years 2020-2022. Return on capital employed (ROCE), absolute total shareholder return (TSR) and the Group's net promoter score (NPS) have been set as earning period KPIs. The Board of Directors also decided on the approximately 260 key persons to be included in the incentive plan for this earning period. A maximum of 2,100,000 gross shares can be distributed as awards. On 31 December 2022 there are 162 active participants with the maximum earning opportunity of 994,000 gross shares.

The second earning period was agreed for the years 2021-2023. Return on capital employed, absolute total shareholder return (TSR) and sustainability (emissions reduction index) have been set as earning period KPIs. The Board of Directors also decided on the approximately 260 key persons to be included in the incentive plan for this earning period. A maximum of 2,100,000 gross shares can be distributed as awards. On 31 December 2022 there are 178 active participants with the maximum earning opportunity of 1,291,666 gross shares.

The third earning period was agreed for the years 2022-2024. Absolute total shareholder return (TSR) and sustainability (Science Based Target initiative Scope 1 and 2 emissions reduction) have been set as earning period KPIs. The Board of Directors also decided on the approximately 150 key persons to be included in the incentive plan for this earning period. A maximum of 2,326,000 gross shares can be distributed as awards. On 31 December 2022 there are 133 active participants with the maximum earning opportunity of 1,766,304 gross shares.

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

The aim of YIT's remuneration policy is to strengthen company culture and value, increase the motivation and engagement of personnel, support in recruiting needed talents and promote strategy execution.

CHANGES IN COMPANY MANAGEMENT

Katja Ahlstedt started as Executive Vice President of Human Resources and a member of the Group Management Team on 1 April 2022.

Teemu Helppolainen, Executive Vice President, Housing Russia, left the company with the completion of the sale of YIT's businesses in Russia on 30 May 2022.

Heikki Vuorenmaa started as President and CEO of YIT Corporation on 28 November 2022. At the same time, YIT's previous President and CEO Markku Moilanen stepped down from his position and continued as a Senior Advisor until the end of the year.

Ilkka Tomperi, Executive Vice President, Property Development, left the company on 31 December 2022. YIT announced on 29 December 2022 that Heikki Vuorenmaa, President and CEO of YIT Corporation, will act as the interim leader of the Property Development segment in addition to his own duties, until further notice, starting from 1 January 2023.

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.

Risk management at YIT is governed by the risk management policy approved by the Board of Directors. The risk management policy describes the main principles of risk management at YIT, the risk management model and the key risk management processes. 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. YIT Corporation's President and CEO has 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.

YIT's business is project-based, which is why risks related to project portfolios and individual projects are key to risk management. Project portfolio risk management is implemented in connection with, for example, annual planning, project selection and business reviews. The gate model is utilised in the risk management of individual projects; each gate includes 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.**

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. • Domestic and foreign policy tensions in the EU, countries close to the EU, the USA and Russia, or other international tensions, may affect construction demand, create business complications or be reflected in sanctions, for example, which can have an impact on the Group's business. • The war in Ukraine started by Russia will have a significant adverse impact on our operating environment and the company's business. • A recession, negative developments related to purchasing power, consumer confidence, business confidence, the availability of financing for consumers or businesses and the general interest rates may decrease the demand for YIT's products and services. They also affect the parameters used for the measurement of balance sheet items at fair value. Demand is weakened by rising inflation, energy prices and the declining availability of energy. • 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 rising input prices cannot be passed on to selling prices or hedged, especially in fixed-price contracting. • Supply chain disruptions create difficulties with regard to the availability of materials and increase risks related to rising construction costs and project delays. • 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 local decrease of population may have a negative impact on housing demand locally.	• Continuous monitoring and analysis of market developments and the operating environment. • Financing and project model solutions implemented with partners. • Continuous monitoring of yield requirement levels, the tender portfolio and the 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, practices and a diverse supplier network that make it possible to reduce the negative impacts of changes in prices and availability. • 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	• Climate change may present physical, legislative, technical, financial, market and reputation risks to YIT's business. • Extreme weather, such as considerably higher annual rainfall or extended periods of hot weather, may lead to increased costs, changes in planning processes or delays in production. • Costs related to CO2 emissions or emission reductions may create pressure with regard to the supply chain or the development of new solutions as the construction industry transitions to alternative building materials and seeks 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. • Failing to achieve emissions targets may influence the availability or cost of financing.	• Regular evaluation of climate risks and opportunities • Proactive action and setting ambitious goals to develop operations in a sustainable and climate-friendly direction. • Incorporating sustainability criteria into YIT's investment and tendering processes. • Training of personnel with regard to sustainability issues • 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.
Risks related to sustainability legislation	• Changes to regulations concerning sustainability, or changes in the interpretation of the regulations, may lead to declining investor and consumer demand, a lower availability of financing or the cost of financing, or otherwise weaken the company's operating conditions.	• Detailed evaluation of legislative requirements and related impact assessment

RISK	RISK DESCRIPTION	RISK MANAGEMENT
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.
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, inflation, rising interest rates, 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. **Central and Eastern Europe** • Slowing economic growth, inflation and rising interest rates may weaken consumers' purchasing power and general confidence, which would have a negative impact on the demand for apartments and business premises. • 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. • Increasing political risks may influence demand or otherwise complicate business operations. • 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. • Risk management related to project financing and housing company loans involves managing working capital and financial reserves through efficient allocation and use of capital, shortening lead times and ensuring sufficient financing capacity. Developing project funding models and cooperation with partners. **Central and Eastern Europe** • Continuous monitoring of economic development and public investments. • Close engagement with the authorities to ensure handovers and the processing of permits. • Housing production is a relatively low-risk business in terms of political risks. Changes in selling prices and the continuous monitoring of sales make it possible to manage price risks better than in contracting-based production. • Monitoring has been increased in YIT's production and procurement activities with respect to the terms of employment and human rights issues.
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. • Suppliers' failure to commit to the *Code of Conduct* will increase the risk of human rights violations and harm to YIT's reputation.	• YIT is committed to good corporate governance through compliance with laws and regulations. • YIT trains its personnel to act responsibly. • 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.
Reputation risks	• Topics discussed in the public debate concerning the construction industry or YIT's operations may, either justifiably or unjustifiably, reduce trust in the Group and have a negative impact on YIT's reputation. Such topics include the grey economy, unethical activities and quality problems in construction.	• Continuous development of the Group's governance model, preventive risk management and monitoring practices in connection with sustainability issues, for example. • Quick, reliable and open communication with stakeholders. • Training and guidelines for personnel and partners, monitoring system • Developing crisis communication practices and ensuring the communication capabilities of key personnel

RISK	RISK DESCRIPTION	RISK MANAGEMENT
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 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 associated company, or establishing such a company or divesting YIT's holding in such a company and exiting a joint venture structure is always subject to approval by the Group's President and CEO and the Group Investment Board. The aforementioned decision-making and control measures are intended to ensure the fulfilment of objectives in line with YIT's strategy and investment policy criteria.
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.	• Due to the changes in the business environment, YIT has reassessed and determined the validity of its three strategic focus areas: Focus, Productivity and ESG. YIT has also updated its financial targets. • Responsibilities have been assigned for the regular monitoring of strategy implementation, and a dedicated regular operating model has been prepared for that purpose to facilitate the monitoring of progress and the implementation of corrective measures as necessary. Flexibility of the strategy and continuous assessment of alternative paths.

Operational risks

RISK	RISK DESCRIPTION	RISK MANAGEMENT
Resources and personnel	• Labour availability: issues related to the availability of human resources may prevent production in accordance with the planned production volume. Cyclical fluctuations in the construction market may affect the availability of labour. • Retention and competence of the personnel: competitors' human resource needs constitute a risk of losing key employees and competencies.	• We have identified three personnel-related focus areas to support YIT's strategy and ensure the availability, retention and competence of personnel: 1. We are an attractive employer, we engage the commitment of our employees and develop their professional competencies. 2. Empowered and efficient teams 3. YIT's way of working – efficient and safe • We ensure goal-oriented recruitment and resource allocation, and we build an attractive employer image. • We make active efforts to engage the commitment of employees and develop leadership, particularly in situations involving changes in business; we create psychological security. • We ensure competitive and fair remuneration packages. • We develop the professional competence of our personnel, provide diverse career paths and engage in active succession planning to prepare for changes. • We support and monitor work ability and job satisfaction by ensuring the conditions for safety, health and well-being at work, and by developing excellent work ability management and safety management.
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 throughout the supply chain, such as labour exploitation, working conditions, harassment, racism, discrimination and other unethical conduct. The chaining of contracts typically makes transparency more complicated in the construction industry.	• 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 and audits related to labour and human rights. A separate assessment pertaining to the chaining of contracts. Regular evaluations of human rights impacts. Multiple channels are provided for reporting suspected violations of labour and human rights, and all reports are investigated.

RISK	RISK DESCRIPTION	RISK MANAGEMENT
Procurement risks	• The high level of subcontracting in the construction industry and the specialisation of areas of expertise may involve risks related to the management of contracting chains. • Foreign labour can involve risks, such as the realisation of labour and human rights. The mobility of labour within the EU has increased and the amount of labour from outside the EU is significant. • 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. Engaging suppliers' commitment to the *Supplier Code of Conduct*. Continuous monitoring of projects and the supply chains and partners involved in projects by means of 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. Regular anonymous surveys of foreign workers, focusing on working conditions, living conditions and labour exploitation.

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. • 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 business functions engaged in land acquisition.
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. • Due to their location or the construction methods used, construction projects may give rise to risks related to the loss of biodiversity.	• Construction sites' operating instructions for risk identification, prevention and management. • An environmental risk assessment conducted in the planning phase for the largest projects. • Measures to protect biodiversity are planned on a project-specific basis in the planning stage.

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. • The escalation of geopolitical risks that are reflected in general uncertainty and demand. Risks related to the availability and price of energy have direct and indirect negative impacts on the company's business operations through construction materials. Geopolitical risks may influence the actions of central banks and market interest rates which, in turn, affects the measurement of assets on the balance sheet.	• 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. • Monitor market reactions and take targeted adjustment measures.
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. • Ensuring and planning key resources and competencies before making the final commitment to a project in the tendering and/or project development phase. • The decision-making authorisations defined in YIT's investment policy, together with risk ratings, determine the decision-making level and profitability target of the project. • Focusing on the pre-selection of large projects by using gate review practices before the project development phase. Risk and project management in large projects involves more frequently recurring monitoring and review practices than normal projects during the implementation stage 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.	• Breaking down projects into appropriate implementation packages and choosing the right method of implementation, particularly in self-developed projects. Determining the project's risk category at the beginning of the project development stage. Proactive identification of risks and opportunities and preparing a risk management plan for the project before the planning stage begins. Risk sharing between project participants. • Design management and managing changes to plans and designs. Designing projects to be flexible and adaptable where possible. Ensuring the economic feasibility of projects in design management. • Implementation planning before implementation begins, taking advantage of the so-called golden window in production planning when the plans have been completed. • Efficient procurement and the active participation of the procurement function in design management. • Gate reviews are used to assess the risks of individual projects, and their mitigation, as part of the fulfilment of the gate's decision-making criteria.

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, and 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.
Risks related to project implementation and liability period	• Project management challenges in individual projects may jeopardise the achievement of financial targets, which is particularly significant in the context of large projects. • 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.	• Project deviations and their impact on project performance are monitored as part of YIT's monthly reporting and monthly reviews. Significant deviations are highlighted in monthly reviews or gate reviews, with corrective measures and follow-up actions planned. • 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. • For large projects, review practices in the implementation stage are applied more frequently than in normal projects, and project reviews are participated in by not only the project management but also group-level and segment-level management.

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 actual figures and projections related to customer projects constitute a significant part of YIT's financial reporting. Project implementation and liability period risks, for example, can have unexpected impacts and, consequently, they may affect YIT's financial performance.	• 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. • Continuous monitoring of business forecasts, personnel training and development of the reporting and ERP system.
Financial risks	• The most significant financial risks are risks related to the availability of financing (new loan acquisition and refinancing), liquidity, interest rates 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. Some of the company's financing agreements and credit limits are subject to the fulfilment of certain financial covenants. • The Group's most significant exchange rate risks are related to investments made in currencies other than the euro in group companies located outside the euro area; for example, zloty-denominated investments in Poland. • Rising interest rates in euros and the Group's other operating currencies (including PLN, CZK, SEK and NOK) increase financial expenses.	• Ensure that sufficient credit facilities and a sufficient number of sources of financing are available and actively manage financing agreements. • 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 foreign exchange 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. • Interest rate risk is managed by striving to set the average interest rate fixing period of the Group's liabilities close to the interest rate sensitivity level of the Group's business. The average interest rate fixing period of liabilities and the ratio between fixed rate and floating rate liabilities are monitored. Sensitivity analyses are also conducted for the Group's interest rate risk. Interest rate derivatives are used for hedging against interest rate risk. • 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 capital employed, this could lead to the excessive growth of capital employed. • YIT's measures to increase capital efficiency may result in write-downs or expenses, which may have negative or positive financial impacts.	• The Group continuously assesses the use of capital employed 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	• The risk of cyber security deviations that may compromise the continuity of business operations increases as the overall situation becomes more tense. • The need for the renewal of information systems, particularly with respect to sales process support systems, involves a significant amount of dependencies between different processes and systems. • Dependence on suppliers and the geographical location of the services provided by suppliers may create continuity-related risks in service provision.	• Continuous assessment of the scope of controls and improving them to correspond to the threat level. Identification and recovery planning of critical information systems related to business processes. • Taking dependencies into consideration in critical projects involving the renewal of support systems. • Ensuring that suppliers have the necessary resources and capabilities, and conducting an overall assessment of service provision.
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 can have an impact on the occupancy rates of properties owned and sold and, consequently, their values. • A prolonged pandemic can affect consumers' and investors' purchasing decisions and their timing.	• 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. • Investigating serious non-conformities in accordance with the agreed process, minimising damage and continuous development based on the lessons learned.

EVENTS AFTER THE REPORTING PERIOD

On 10 February 2023 YIT published a stock exchange release related to launch of a transformation program to improve the company's performance and competitiveness. The target is to simplify the organisational structure and operating model, increase agility and strengthen customer focus.

The program is designed to generate efficiency gains. The targeted, inflation-adjusted run-rate cost savings are expected to be at least EUR 40 million by the end of 2024. More than half of the planned run-rate cost savings are expected to be achieved already during 2023. These efficiency gains will come on top of the cost savings announced at Capital Markets Day in November 2021, when YIT outlined plans to achieve annual cost savings of EUR 15–20 million by 2023. YIT has achieved annual cost savings of over EUR 20 million by the end of 2022.

The program costs are estimated to be EUR 50–70 million and they will be recorded in adjusting items and not presented in adjusted operating profit. YIT will provide updates on the progress of the program in connection with its financial reporting.

As part of the program, YIT will initiate change negotiations in Finland. The negotiations concern salaried and senior salaried employees as well as directors in Finland. Potential reduction needs related to these change negotiations do not concern salaried employees working in production jobs at construction sites nor employees. With the transformation program, also new jobs and roles are expected to be created.
The planned changes could result in a reduction of approximately 150 jobs at most in Finland.

Outlook and guidance

MARKET ENVIRONMENT

HOUSING MARKET

In Finland, the demand outlook remains muted in the short term. Demand is impacted by increased cautiousness following the high overall inflation, rapid interest rate hikes, and the energy crisis. Housing company loan financing is expected to remain challenging due to the cautiousness of banks. Some construction material prices have shown signs of stabilising.

In Baltic and Central Eastern European countries, the demand outlook remains muted in the short term. Demand is impacted by the increased cautiousness following the high overall inflation, rapid interest rate hikes, and the energy crisis. Some construction material prices have shown signs of stabilising.

REAL ESTATE MARKET

In Finland, demand is expected to remain at a stable level. Growing cost pressures have slowed down customers' decision-making, but only a few projects have been postponed. Demand on the investor has weakened, as rising interest rates have put upward pressure on yields. Rising interest rates has also increased project financing costs. Cost inflation in some construction materials has shown signs of levelling off.

In Baltic and Central Eastern European countries, demand and market activity are expected to remain moderate. However, headwinds caused by the uncertain macroeconomic outlook are expected to persist in the short term. Workforce availability has improved, while the prices of some construction materials have shown signs of stabilising.

INFRASTRUCTURE MARKET

In Finland, public sector demand is expected to remain at a moderate level. There are several projects in the planning and bidding phase in the market. Private sector demand is driven by industrial construction and the transition towards renewable energy. The short-term outlook for demand is moderate. The increased cautiousness in the overall market could lead to postponements of some upcoming projects.

In Sweden, the market is expected to remain active due to a good level of demand in both the public and private sectors. The public sector demand is supported by several ongoing infrastructure projects, and the private sector demand is driven by industrial investments. The competition for projects is expected to remain intense.

Region	Housing market	Real estate market	Infrastructure market
Finland	Weak, Stable	Normal, Stable	Normal, Stable
Baltic countries	Weak, Stable	Normal, Stable	
Central Eastern Europe	Weak, Stable	Normal, Stable	
Sweden			Good, Stable

Q4 market environment: Good Normal Weak Short-term market outlook: Improving Stable Weakening

OUTLOOK AND GUIDANCE

YIT expects its Group adjusted operating profit for continuing operations to be lower than in 2022 (2022: EUR 110 million).

In Housing, the demand outlook remains muted in the short term. In Business Premises and Infrastructure, the underlying operational performance is expected to improve, but certain legacy low-margin projects will still affect Infrastructure's performance.

YIT's performance will be supported by the increased efficiencies from the transformation program launched on 10 February 2023.

Developments in housing markets may have an impact on the outlook. Rising interest rates may have a negative impact on the fair value of investments.

Helsinki Central Library Oodi, Helsinki, 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.

At the end of 2022, 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 2022 was 209,511,146 (209,118,906).

TREASURY SHARES AND AUTHORISATIONS OF THE BOARD OF DIRECTORS

On 31 December 2022, YIT Corporation held 1,588,707 (1,980,947) treasury shares.

The Annual General Meeting authorised the Board of Directors on 17 March 2022 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 2023.

On 28 April 2022, the Board of Directors decided on a directed share issue for the reward payment from the 2019 earnings period under YIT Group's incentive scheme 2017–2022. On 4 May 2022, in the share issue, in total 392,240 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 2022, the number of registered shareholders was 44,513 (45,839). A total of 27.80% (23.51) of the shares were owned by nominee-registered and non-Finnish investors.

The information is based on the shareholder register on 31 December 2022 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.

During the reporting period, YIT received the following shareholder flagging notifications in accordance with the Finnish Securities Markets Act:

- Virala Oy Ab and its chain of controlled undertakings holding in YIT shares owned directly or through financial instruments exceeded the threshold of 15 per cent on 8 April 2022 and was 15.09%.
- Virala Oy Ab and its chain of controlled undertakings holding in YIT shares owned directly or through financial instruments increased to 15.40% on 14 April 2022.
- Virala Oy Ab and its chain of controlled undertakings holding in YIT shares owned directly or through financial instruments increased to 16.58% on 12 May 2022.

Major shareholders

	Shareholder	Number of shares	% of shares and votes
1	Tercero Invest AB	37,425,000	17.73
2	PNT Group Oy	15,296,799	7.25
3	Varma Mutual Pension Insurance Company	11,945,975	5.66
4	Conficap Oy	8,886,302	4.21
5	Pentti Heikki Oskari Estate	8,146,215	3.86
6	Pentti Noora Eva Johanna	5,085,529	2.41
7	Ilmarinen Mutual Pension Insurance Company	4,930,000	2.34
8	Herlin Antti	3,445,180	1.63
9	Pentti Lauri Olli Samuel	3,398,845	1.61
10	Fideles Oy	3,188,800	1.51
11	Pentti-Kortman Eva Katarina	2,715,410	1.29
12	The State Pension Fund	2,626,674	1.24
13	Pentti Timo Kaarle Kristian	2,303,575	1.09
14	Pentti-von Walzel Anna Eva Kristina	2,184,259	1.03
15	Elo Mutual Pension Insurance Company	1,950,000	0.92
	200 largest shareholders total	147,842,932	70.04
	Nominee registered total	20,819,107	9,86
	Other shares	42,437,814	20.10
	Total	**211,099,853**	**100.00**

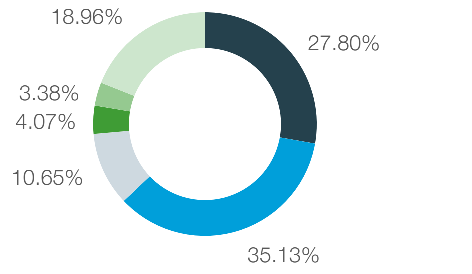
Source: Euroland

Stavro wind farm, Örnsköldsvik, Sweden

OWNERSHIP BY THE NUMBER OF SHARES HELD

Number of shares)	Number of shareholders	%	Number of shares	%
1-100	12,462	28.00	639,516	0.30
101-500	15,682	35.23	4,374,169	2.07
501-1 000	6,635	14.91	5,311,388	2.52
1 001-5 000	7,614	17.11	17,464,505	8.27
5 001-10 000	1,200	2.70	8,843,482	4.19
10 001-50 000	775	1.74	15,291,468	7.24
50 001-100 000	65	0.15	4,573,219	2.17
100 001-500 000	51	0.12	10,570,819	5.01
500 001-	29	0.07	144,031,287	68.23
Total	44513	100.00	211.099.853	100.00

OWNERSHIP BY SECTOR



BOARD OF DIRECTOR'S AND MANAGEMENTS'S SHAREHOLDING

	Number of shares	% of share capital
Board of Directors	184,606	0.09
President and CEO	20,000	0.01
Deputy to the President and CEO	42,389	0.02
Total	246,995	0.12

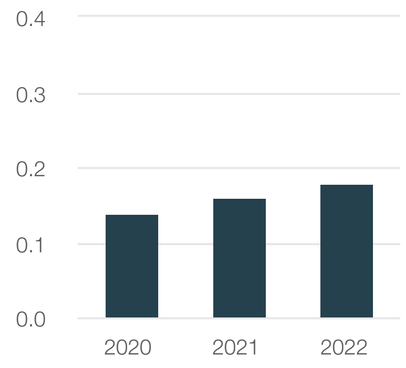
Further information on the shareholdings of the Board of Directors and management can be found in the **Corporate Governance Statement.** In addition, YIT's manager's transactions during the reporting period have been published as stock exchange releases, and they are available on **YIT's website.**

DIVIDEND

The Annual General Meeting of YIT Corporation held on 17 March 2022 decided that a dividend of EUR 0.16 be paid per share, or a total of approximately EUR 33 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 0.08 per share was paid on 7 April 2022. The second instalment of EUR 0.08 per share was paid on 12 October 2022.

YIT aims to be an attractive dividend payer and one of its **strategic targets** is an annually growing dividend.

DIVIDEND PER SHARE (EUR)



Konepaja, Helsinki, Finland

Key figures and definitions

SHARE-RELATED KEY FIGURES

		2022	2021	2020	2019	2018
Earnings per share	EUR	-1.82	0.00	0.13	0.07	0.19
Earnings per share, diluted	EUR	-1.82	0.00	0.13	0.07	0.19
Earnings per share, continuing operations	EUR	0.28	0.01	-0.04	0.02	0.23
Dividend per share	EUR	0.18*	0.16	0.14	0.40	0.27
Equity per share	EUR	4.21	4.86	4.40	5.08	5.00
Dividend/earnings	%	-9.9	5000.0	107.7	571.9	144.7
Effective dividend yield	%	7.32	3.71	2.84	6.71	5.28
Price/earnings multiple (P/E)	%	-1.4	1,346.9	37.9	85.2	26.9
Share price trend						
Average price	EUR	3.41	4.81	5.10	5.36	5.70
Low	EUR	2.38	4.21	3.58	4.77	4.56
High	EUR	4.79	5.68	7.12	6.20	7.25
Price at Dec 31	EUR	2.46	4.31	4.93	5.96	5.11
Market capitalisation at Dec 31	EUR million	515	901	1,031	1,244	1,073
Weighted average number of shares outstanding	1,000	209,379	209,107	208,966	210,492	203,002
Weighted average number of shares outstanding, diluted	1,000	209,406	209,546	209,536	211,450	203,778
Number of shares outstanding at Dec 31	1,000	209,511	209,119	209,084	208,768	210,048

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

KEY FINANCIAL FIGURES

		2022	2021	2020	2019	2018
Revenue	EUR million	2,403	2,652	3,069	3,392	3,138
of which activities outside Finland	EUR million	572	559	824	844	879
Operating profit	EUR million	102	56	35	80	100
% of revenue	%	4	2	1	2	3
Result for the financial year	EUR million	-375	4	27	15	39
% of revenue	%	-16	0	1	0	1
Equity ratio*	%	36	40	33	34	38
Net interest-bearing debt*,***	EUR million	569	303	628	862	563
Net debt/adjusted EBITDA, rolling 12 months*		4.2	2.1	5.0	3.9	n/a
Interest cover ratio**		7.1	3.5	3.0	5.8	n/a
Gearing ratio*	%	64	30	68	81	54
Return on capital employed (ROCE, rolling 12 months)**,***	%	8	7	5	10	n/a
Order book on 31 December**	EUR million	3,702	3,847	3,528	4,131	4,286
of which activities outside Finland**	EUR million	732	779	988	1,175	1,000
Gross capital expenditures*	EUR million	19	32	31	32	n/a
% of revenue*	%	1	1	1	1	n/a
Operating cash flow after investments	EUR million	-281	288	336	51	149
Return on equity*	%	-40	1	3	1	4
Number of employees at Dec 31**		4,999	5,297	7,045	7,417	7,556

YIT restated financial information for comparative period 2021 reflecting the reporting of sold Russian businesses as discontinued operations. Balance sheet and cash flow statement for comparative periods were not restated.

* The comparability is affected by the sale of Russian businesses. Comparative periods' figures before 2022 have not been restated.

** The comparability is affected by the sale of Russian businesses. Comparative periods' figures before 2021 have not been restated.

*** 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 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 the 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 from restructurings and adaptation measures and other non-recurring costs arising from agreements with the Group management team, 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 clarified the definition of Adjusting items 1 January 1 2022 to include also other non-recurring costs arising from agreements with the Group management team in addition to costs from restructurings and adaptation measures.	

Key figure	Definition	Reason for use
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 is calculated from the total capital employed of the segments.	Capital employed presents capital employed of segment's operative business.
Interest-bearing debt	Non-current and current borrowings including 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, %	Equity total / total assets less advances received related to contract liabilities and other contract liabilities.	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, %	Result for the period, 12 months rolling / equity total average.	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 1 January 2020 to include leases related entries.)	Return on capital employed, % is one of YIT's key long-term financial targets. Key figure describes segment's relative profitability, in other words, the profit received from capital employed.
Operating cash flow after investments	Operating cash flow presented in cash flow statement after investments.	
Gross capital expenditures	Investments in tangible and intangible assets. (YIT has changed the definition of gross capital expenditures on 1 January 2020 to include leases-related investments.)	
Equity per share	Equity total divided by number of outstanding shares at the end of the period.	

Key figure	Definition	Reason for use
Net debt / adjusted EBITDA, rolling 12 months	Net interest-bearing debt/rolling 12 months adjusted operating profit before depreciations and amortisations added. (YIT has changed the definition of return on capital employed on 1 January 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.
Order book	Transaction price allocated to performance obligations that are partially or fully unsatisfied and estimated transaction price related to unsold own developments.	Order book presents estimated transaction price for all projects.
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 average number of shares outstanding during the period.	
Earnings per share, continuing operations	Net profit of the continuing operations for the period divided by weighted average number of shares outstanding during the period.	
Earnings per share, diluted	Net profit for the period divided by diluted weighted average 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, 31 December.	
Price/earnings ratio (P/E-ratio)	Closing price of the share, 31 December divided by earnings per share.	

RECONCILIATION OF CERTAIN KEY FIGURES

RECONCILIATION OF ADJUSTED OPERATING PROFIT

EUR Million	2022	2021
Operating profit (IFRS)	**102**	**56**
Adjusting items		
Fair value changes related to redemption liability of non-controlling interests	2	1
Restructurings, adaptation measures and other non-recurring costs related to group management team	1	3
Court proceedings	-2	—
Operating profit from operations to be closed	1	22
Inventory fair value adjustment from PPA[1]	—	1
Depreciation, amortisation and impairment from PPA[1]	6	2
Adjusting items, total	**8**	**29**
Adjusted operating profit	**110**	**85**

[1]PPA refers to merger fair value adjustments.

RECONCILIATION OF ADJUSTED EBITDA, ROLLING 12 MONTHS

EUR Million	2022	2021
Adjusted operating profit, rolling 12 months	110	114
Depreciation and amortisation	33	34
Depreciation, amortisation and impairment from PPA	-6	-2
Adjusted EBITDA	**137**	**146**

RECONCILIATION OF ORDER BOOK

EUR Million	2022	2021
Partially or fully unsatisfied performance obligations	2,671	3,193
Unsold self-developed projects	1,031	654
Order book	**3,702**	**3,847**

Consolidated Financial Statements

Maistraatinportti, Helsinki, Finland

CONSOLIDATED INCOME STATEMENT

EUR million	Note	2022	2021
Revenue	**3, 4, 6**	**2,403**	**2,652**
Other operating income	7	17	14
Change in inventories of finished goods and in work in progress		174	-108
Production for own use		—	—
Materials and supplies	2	-505	-536
External services	2	-1,415	-1,350
Personnel expenses	9	-352	-351
Other operating expenses	8	-206	-251
Changes in fair value of financial assets	29	9	6
Share of results of associated companies and joint ventures	17	11	11
Depreciation, amortisation and impairment	14,15,16	-33	-32
Operating profit		**102**	**56**
Finance Income		9	2
Exchange rate differences (net)		-9	-1
Finance expenses		-28	-35
Finance income and expenses, total	11	-28	-34
Result before taxes		**74**	**22**
Income taxes	12	-11	-16
Result for the period, continuing operations		**63**	**6**
Result for the period, discontinued operations	6	**-438**	**-2**
Result for the period		**-375**	**4**
Attributable to			
Owners of YIT Corporation		-375	4
Non-controlling interests		—	1
Total		**-375**	**4**
Earnings per share, attributable to the equity holders of the parent company, EUR			
Basic	13	-1.82	0.00
Diluted	13	-1.82	0.00
Basic, continuing operations	13	0.28	0.01
Basic, discontinued operations	13	-2.09	-0.01
Diluted, continuing operations	13	0.28	0.01
Diluted, discontinued operations	13	-2.09	-0.01

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR Million	Note	2022	2021
Result for the period		-375	4
Items that may be reclassified to income statement			
Cash flow hedges, net of tax		3	—
Change in translation differences, continuing operations	23	2	2
Change in translation differences, discontinued operations	23	27	20
Translation differences reclassified to income statement, continuing operations	23		—
Translation differences reclassified to income statement, discontinued operations	23	253	—
Items that may be reclassified to income statement, total		**285**	**23**
Items that will not be reclassified to income statement			
Change in fair value of defined benefit pensions, net of tax		—	-1
Items that will not be reclassified to income statement, total		**—**	**-1**
Other comprehensive income, total		**285**	**22**
Total comprehensive income, continuing operations		67	8
Total comprehensive income, discontinued operations		-157	18
Total comprehensive income		**-91**	**26**
Attributable to			
Owners of YIT Corporation		-91	25
Non-controlling interests		—	1
Total		**-91**	**26**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR million	Note	2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	14	37	53
Leased property, plant and equipment	16	68	79
Goodwill	15	249	249
Other intangible assets	15	4	7
Investments in associated companies and joint ventures	17	72	92
Equity Investments	18	218	186
Interest-bearing receivables	21	56	46
Trade and other receivables	21	43	36
Deferred tax assets	19	30	31
Non-current assets total		**778**	**779**
Current assets			
Inventories	20	1,426	1,285
Leased inventories	16	158	174
Trade and other receivables	21	273	350
Interest-bearing receivables	21	—	13
Income tax receivables		3	5
Cash and cash equivalents	22	206	389
Current assets total		**2,068**	**2,215**
Total assets		**2,845**	**2,994**

EUR million	Note	2022	2021
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company	23		
Share capital		150	150
Legal reserve		—	1
Unrestricted equity reserve		553	553
Treasury shares		-8	-10
Translation differences		1	-281
Fair value reserve		4	—
Retained earnings		84	501
Equity attributable to owners of the parent company		**783**	**915**
Non-controlling interests			3
Hybrid bond	23	99	99
Equity total		**883**	**1,017**
Non-current liabilities			
Deferred tax liabilities	19	9	19
Pension obligations	24	3	3
Provisions	2, 25	88	86
Interest-bearing liabilities	26	288	398
Lease liabilities	16, 26	168	161
Contract liabilities, advances received	4	1	11
Trade and other payables	27	29	27
Non-current liabilities total		**585**	**705**
Current liabilities			
Contract liabilities, advances received	4	276	293
Other contract liabilities	4	82	121
Trade and other payables	2, 27	576	615
Income tax payables		16	5
Provisions	2, 25	51	46
Interest-bearing liabilities	26	336	118
Lease liabilities	16, 26	40	74
Current liabilities total		**1,377**	**1,272**
Liabilities total		**1,962**	**1,977**
Total equity and liabilities		**2,845**	**2,994**

CONSOLIDATED CASH FLOW STATEMENT

EUR Million	Note	2022	2021
Cash flow from operating activities			
Result for the financial year		-375	4
Adjustments for			
Depreciation, amortisation and impairment loss	14,15,16	34	34
Other adjustments		175	23
Finance income and expenses	11	47	30
Gains on the sale of tangible and intangible assets		228	2
Taxes		19	28
Total adjustments		503	117
Change in working capital			
Change in trade and other receivables		-19	69
Change in inventories		-257	104
Change in current liabilities		-50	24
Change in working capital, total		-326	197
Interest paid		-36	-32
Other financial items, net cash flow		-32	-1
Interest received		3	4
Dividends received		—	—
Taxes paid		-16	-14
Net Cash generated from operating activities		**-279**	**275**
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash		-4	-1
Sale of subsidiaries, net of cash		-14	8
Acquisition of associated companies and joint ventures		-26	-29
Proceeds from sale of associated companies and joint ventures		29	22
Purchases of tangible assets		-5	-8
Purchases of intangible assets		—	-1
Proceeds from tangible assets		3	15
Proceeds from intangible assets		—	—
Purchase of other investments		—	—
Proceeds from sale of investments		—	—
Dividends received (from associated companies and joint ventures)		16	7
Net cash used in investing activities		**-2**	**14**
Operating cash flow after investments		**-281**	**288**

EUR Million	Note	2022	2021
Cash flow from financing activities			
Proceeds from non-current interest-bearing liabilities	26	18	239
Repayment of non-current interest-bearing liabilities	26	—	-329
Proceeds from current interest-bearing liabiities	26	409	326
Repayment of current interest-bearing liabilities	26	-273	-597
Payments of lease liabilities	26	-21	-31
Change in interest-bearing receivables	21	-3	5
Proceeds from hybrid bond			100
Dividends paid	23	-34	-30
Net cash used in financing activities		**96**	**-316**
Cash and cash equivalents at the beginning of the financial year		389	419
Foreign exchange differences		2	-1
Cash and cash equivalents at end of the period	22	**206**	**389**

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**
Result for the period								4	4	1		4
Cash flow hedges, net of tax						—			—			—
Change in fair value of defined benefit pensions, net of tax								-1	-1			-1
Change in translation differences	23				22				22	—		22
Translation differences reclassified to income statement	23				—				—			—
Comprehensive income for the period, total					**22**	**0**		**3**	**25**	**1**		**26**
Dividend distribution	23							-29	-29	—		-29
Share-based incentive schemes	9							1	1			1
Transfer of treasury shares	23						—		—			—
Transactions with owners, total							**0**	**-28**	**-28**	**0**		**-28**
Hybrid bond											99	99
Equity on December 31, 2021		**150**	**1**	**553**	**-281**	**0**	**-10**	**501**	**915**	**3**	**99**	**1,017**

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, 2022		**150**	**1**	**553**	**-281**	**0**	**-10**	**501**	**915**	**3**	**99**	**1,017**
Result for the period								-375	-375	—		-375
Cash flow hedges, net of tax						3			3			3
Change in fair value of defined benefit pensions, net of tax								—	—			—
Change in translation differences	23				29				29	—		29
Translation differences reclassified to income statement	23				253				253			253
Comprehensive income for the period, total					**282**	**3**		**-376**	**-91**	**0**		**-91**
Dividend distribution	23							-33	-33			-33
Share-based incentive schemes	9							—	—			—
Transfer of treasury shares	23						2		2			2
Transactions with owners, total							**2**	**-33**	**-31**			**-31**
Hybrid bond interests and expenses, net of tax								-8	-8			-8
Other changes			-1	—					-2	-3		-4
Equity on December 31, 2022		**150**	**—**	**553**	**1**	**4**	**-8**	**84**	**783**	**—**	**99**	**883**

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, Estonia, Lithuania, Latvia, the Czech Republic, Slovakia and Poland. From the first quarter of 2022 onwards, YIT has four reportable segments: Housing, Business Premises, Infrastructure and Property Development. Sold Russian businesses are reported as discontinued operations. Unless otherwise noted, all figures in these financial statements concern continuing operations, and the figures in brackets refer to the restated figures of the corresponding period in the previous year. Consolidated statement of financial position and cash flow statement for comparative periods were not restated.

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 9, 2023. Copies of the consolidated financial statements will be available on the company's website from week 8 of 2023 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, 2022. 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.The consolidated financial statements are presented in euros, which is the Group's functional and reporting currency. 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 hereinafter, 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, 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 and cash flows 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 item 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 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.

The financial statement items of each Group company are measured using the currency of its business environment (functional currency).

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.

Currency exchange rates used in the consolidated financial statements

		Average rates		End Rates	
		1-12/22	1-12/21	12/22	12/21
1 EUR =	CZK	24.5616	25.6465	24.1160	24.8580
	PLN	4.6856	4.5647	4.6808	4.5969
	RUB	73.6959	87.2208	77.9167	85.3004
	SEK	10.6278	10.1452	11.1218	10.2503
	NOK	10.1019	10.1635	10.5138	9.9888

APPLICATION OF NEW AND REVISED STANDARDS OR INTERPRETATIONS FROM JANUARY 1, 2022

The amendments effective as of January 1, 2022 did not have impact on the consolidated financial statements.

CORONAVIRUS PANDEMIC (COVID-19) AND RUSSIAN INVASION OF UKRAINE

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 and the Russian invasion of Ukraine on the estimates and judgements.

The Covid-19 pandemic and the Russian invasion of Ukraine are not expected to have such direct impacts on YIT's financial performance which would require material 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

RESTATED FINANCIAL FIGURES FOR 2021 REFLECTING OPERATING MODEL CHANGE AND SALE OF THE RUSSIAN BUSINESSES

On 25 April 2022, YIT published restated financial figures for 2021 reflecting the operating model change impact to segment reporting and sale of the YIT's operations in Russia. YIT classified the operations that are part of the transaction as assets held for sale and has reported them as discontinued operations in the first quarter of 2022. On 30 May 2022, YIT announced it had completed the sale of its businesses in Russia to Etalon Group PLC.

ADJUSTMENT TO PRESENTATION OF CERTAIN MATERIAL COSTS IN THE CONSOLIDATED INCOME STATEMENT

YIT changed the presentation of certain material costs in the consolidated income statement. Starting from the second quarter of 2022 these costs are presented in Materials and Supplies instead of External Services. The adjustment applies to the first quarter of 2022 and all quarters of financial year 2021. The adjustment did not have an impact on the operating profit, on the consolidated statement of financial position or the cash flow statement.

EUR million	2021	Adjustment	Adjusted 2021
Materials and Supplies	-460	-76	-536
External services	-1,425	76	-1,350

PRESENTATION OF WARRANTY PROVISIONS

YIT adjusted current Trade and other payables and non-current and current Provisions line items in the statement of financial position in the last quarter of 2022. The adjustment relates to the change in the presentation of warranty provision due to system development. Previously, it was not possible to separate part of the warranty provision from other current liabilities. Retrospective adjustment has not been prepared as the necessary information is not available. The adjustment did not have an impact on the consolidated income statement.

3. SEGMENT INFORMATION

ACCOUNTING POLICY

YIT has four reportable segments: Housing, Business Premises, Infrastructure and Property Development. 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.

SEGMENT DESCRIPTIONS

The Housing segment's business comprises the 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 turnkey projects which are mainly new development projects. The customers are private consumers and investors. Private consumers purchase an apartment in a residential development project to use as their own home or for investment purposes, while investors purchase multiple apartments, an entire residential building or a residential project portfolio. The segment's geographical markets are Finland, the Czech Republic, Slovakia, Poland, Estonia, Latvia and Lithuania.

The Business Premises segment engages in contracting in business premises construction as well as residential construction. Business premises projects include new construction and renovation projects for office, retail, sports, hotel, commercial, logistics and industrial buildings as well as public buildings, such as hospitals, health and well-being centres, day care centres, schools and multipurpose buildings. The customers include investors, owner-occupiers and public clients. 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 the construction of new buildings and the renovation of existing buildings. The Business Premises segment also develops and carries out hybrid projects. Renovation constructing services range from small-scale surface renovation to the comprehensive refurbishment of entire buildings. The Business Premises segment also carries out pipe renovation projects for housing companies. The Business Premises segment also has self-developed business premises projects. These are projects which have not necessarily been sold when construction starts. Most of the segment's business is in Finland, but the segment also operates in Estonia, Lithuania and Slovakia. In Slovakia, the segment operates as a property developer. In Estonia and Lithuania, it also operates as a contractor in both business premises and infrastructure construction projects. In Lithuania, the segment also operates in the paving business.

The Infrastructure segment includes, among others, railway and traffic route construction and maintenance, green construction, 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 sport and parking facilities. Most of the projects are alliances, project management contracting, design and build projects and road maintenance projects. For infra services, the customer is often the public sector, but it is also done for many kinds of companies, for example in the industry sector. The segment operates in Finland and in Sweden.

The Property Development segment develops business premises and hybrid projects as well as wind farms. The segment offers property investment opportunities and business premises that correspond to customers' needs. The segment is also responsible for the maintenance periods in life cycle projects and offers Workery+ working environments as a flexible solution to the needs of companies for office premises. The segment operates mainly in Finland.

Other items include Group internal services, rental revenue from external customers, Group level unallocated costs and elimination of internal margins on transactions between Group's subsidiaries and its associates and joint ventures. If the ownership of an associate or a joint venture is reported in some other segment than the segment constructing the project, revenue and costs to the extent of YIT's ownership are eliminated in Other items segment. Year 2018 merger-related fair value allocations and goodwill have not been allocated to the segments' capital employed but are reported in the segment level in Other items.

CHANGES

Operating model change

On 22 November 2021, YIT announced a new focused strategy. As a part of the new strategy, YIT streamlined its operating model to build a customer-centric organisation and to improve cost competitiveness. Certain operations and functions were also transferred between reportable segments having an impact on reported financial figures. The change became effective on 1 January 2022, which led to the restatement of comparative financial information.

The key impacts of the operating model change:

- Wind power development, previously reported under the Infrastructure segment, is reported under the Property Development segment. Wind power development included, among others, the Lestijärvi wind farm sale during 2021.
- Write-down regarding Trigoni project´s planning costs during 2021, previously reported under the Housing segment, is reported under the Property Development segment.
- The majority of Infrastructure activities in the Baltic countries, previously reported under the Infrastructure segment, are reported under the Business Premises segment.
- As a result of the redefinition of group level cost allocation principle, certain group level costs previously reported under Other items are now allocated to business segments.

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 Management 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 reconciliation for the IFRS consolidated income statement and the 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

2022

EUR million	Housing	Business Premises	Infrastructure	Property Development	Other items	Group
Revenue	**1,075**	**807**	**539**	**69**	**-86**	**2,403**
Revenue from external customers	1,074	749	502	68	9	2,403
Revenue Group internal	—	58	36	—	-95	
Depreciation, amortisation and impairment	-4	-2	-11	-1	-15	-33
Operating profit	**90**	**18**	**7**	**0**	**-13**	**102**
Operating profit margin, %	**8.4**	**2.2**	**1.2**	**0.4**		**4.2**
Adjusting items / Unaudited	—	2	—	—	6	8
Fair value changes related to redemption liability of non-controlling interests		2				2
Restructurings, adaptation measures and other non-recurring costs related to group management team					1	1
Court proceedings					-2	-2
Operating profit from operations to be closed		—	—		1	1
Inventory fair value adjustment from PPA*					—	—
Depreciation, amortisation and impairment from PPA*					6	6
Adjusted operating profit (unaudited)	**90**	**20**	**6**	**0**	**-7**	**110**
Adjusted operating profit margin, % (unaudited)	**8.4**	**2.4**	**1.2**	**0.4**		**4.6**

*PPA refers to merger-related fair value adjustments.

2021

EUR million	Housing	Business Premises	Infrastructure	Property Development	Other items	Group
Revenue	**1,281**	**787**	**544**	**91**	**-51**	**2,652**
Revenue from external customers	1,281	787	529	90	-35	2,652
Revenue Group internal	—	—	15	—	-16	
Depreciation, amortisation and impairment	-3	-3	-12	-1	-13	-32
Operating profit	**109**	**8**	**-59**	**17**	**-20**	**56**
Operating profit margin, %	**8.5**	**1.1**	**-10.8**	**19.1**		**2.1**
Adjusting items / Unaudited	—	3	20	—	6	29
Fair value changes related to redemption liability of non-controlling interests		1				1
Restructurings and divestments	—	—	1	—	1	3
Court proceedings					—	—
Operating profit from operations to be closed		2	19		1	22
Inventory fair value adjustment from PPA*					1	1
Depreciation, amortisation and impairment from PPA*					2	2
Adjusted operating profit (unaudited)	**109**	**11**	**-39**	**18**	**-14**	**85**
Adjusted operating profit margin, % (unaudited)	**8.5**	**1.4**	**-7.2**	**19.4**		**3.2**

*PPA refers to merger-related fair value adjustments.

Capital employed by segments (unaudited)

EUR million	31 Dec 2022	31 Dec 2021
Housing	805	581
Business Premises	-77	-92
Infrastructure	15	-19
Property Development	442	387
Other Items	258	286
Segments, total	**1,443**	**1,142**
Reconciliation*		172
Capital employed total	**1,443**	**1,314**

*Reconciliation relates to Russian businesses which are not part of segment reporting

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 2022	31 Dec 2021
Finland	390	435
CEE		
Baltics	6	4
The Czech Republic, Slovakia and Poland	20	20
Scandinavia		
Sweden	14	15
Norway	—	1
Russia		5
Group total	**430**	**480**

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. Typical contract modifications are additional and change works which usually do not add distinct services and/or products and are therefore mainly accounted for as part of the original contract. If the additional and/or change work fulfilled the criteria for distinct, it is accounted for separately only if it is material based on YIT's materiality threshold.

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. In 2022, the measure of progress is input based when recognising revenue over time. In the comparative period 2021, YIT had both input and output based methods to measure progress. 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 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 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 2022 discontinued operations

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.

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. When assessing the probability of the bonus outcome the performances of all alliance parties are assessed as one entirety.

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 fulfilment 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.

2022

EUR million	Housing	Business Premises	Infrastructure	Property Development	Other items	Group
Market area						
Finland	783	594	375	68	9	1,831
CEE	291	154	2	—	—	447
Baltics	109	130	2	—	—	241
The Czech Republic, Slovakia, Poland	182	24	—	—	—	206
Scandinavia	—	—	125	—	—	125
Sweden	—	—	110	—	—	110
Norway	—	—	15	—	—	15
Internal sales between segments	—	58	36	—	-95	—
Total	**1,075**	**807**	**539**	**69**	**-86**	**2,403**

2022

EUR million	Housing	Business Premises	Infrastructure	Property Development	Other items	Group
Timing of revenue recognition						
Over time	379	722	502	63	8	1,674
At a point in time	696	26	—	6	1	729
Internal sales between segments	—	58	36	—	-95	—
Total	**1,075**	**807**	**539**	**69**	**-86**	**2,403**

2021

EUR million	Housing	Business premises	Infrastructure	Partnership properties	Other items	Group
Market area						
Finland	1,010	630	399	90	-35	2,094
CEE	271	157	3	—	—	432
Baltics	100	152	3	—	—	256
The Czech Republic, Slovakia, Poland	171	5	—	—	—	176
Scandinavia	—	—	127	—	—	127
Sweden	—	—	119	—	—	119
Norway	—	—	8	—	—	8
Internal sales between segments	—	—	15	—	-16	—
Total	**1,281**	**787**	**544**	**91**	**-51**	**2,652**

2021

EUR million	Housing	Business premises	Infrastructure	Partnership properties	Other items	Group
Timing of revenue recognition						
Over time	441	725	527	45	12	1,750
At a point in time	841	62	1	45	-47	902
Internal sales between segments	—	—	15	—	-16	—
Total	**1,281**	**787**	**544**	**91**	**-51**	**2,652**

CONTRACT ASSETS AND LIABILITIES

EUR million	31 Dec 2022	31 Dec 2021
Contract assets	**122**	**165**
Contract liabilities, advances received		
Non-current contract liabilities, advances received	1	11
Current contract liabilities, advances received	276	293
Contract liabilities, advances received total	**276**	**304**
Other contract liabilities		
Housing company loans related to sold apartments	58	95
Lease liabilities related to leased plots for sold apartments	25	25
Other contract liabilities, total	**82**	**121**

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 2022	31 Dec 2021
Unrecognised transaction price	**2,671**	**3,193**
To be recognised next year	1,470	1,906
To be recognised later	1,201	1,286

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
Jyväskylä, Huhtasuo schoolcentre	03/2012	completed	-**	26
Espoo, Lintuvaara school and day-care centre	01/2014	completed	-**	15
Pudasjärvi, school campus	03/2014	completed	ends 2041	41
Espoo, Päivänkehrä school	03/2015	completed	-**	14
Kokkola, Torkinmäki school	04/2015	completed	-**	9
Hollola, Heinsuo and Kalliola schools	06/2015	completed	ends 2037	49
E18 Hamina- Vaalimaa (PPP-project)	06/2015	completed	ends 2034	378
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
Hämeenlinna, Nummikeskus	06/2016	completed	-**	19
Parkano, school campus	03/2017	completed	ends 2039	25
Sodankylä Health centre	06/2017	completed	ends 2039	31
Kirsti school and day-care centre	10/2017	completed	-**	22
Kuopio, Hiltulanlahti school	12/2017	completed	ends 2039	26
Kuopio, Kuntolaakso	12/2017	completed	-**	18
Imatra, school campus	05/2018	completed	ends 2040	55
Juva, school campus	01/2019	completed	ends 2040	33
Helsinki, Vuosaari school	08/2019	completed	-**	20
Pudasjärvi, wellness centre	10/2019	completed	ends 2041	36
Lappeenranta, Lauritsala school	11/2019	completed	ends 2041	32
Viherlaakso schools	12/2016	completed	-**	27
Espoo, Tuomarila school	10/2019	completed	-**	16
Sodankylä, community centre	08/2020	completed	ends 2042	35
Extension of Rajala school	12/2020	completed	ends 2036	4
Extension of Hiltulanlahti school	12/2017	ends 2023	ends 2039	2
Espoo, Laajalahti school	10/2019	ends 2023	-**	16
Etelä-Nummela, school and day-care centre	04/2021	ends 2023	ends 2043	37
Valkeala, community centre	06/2021	ends 2023	ends 2043	38
Espoo, schools (PPP-project)	06/2020	ends 2024	ends 2042	300
Vääksy school	02/2022	ends 2024	ends 2044	28
Gesterby school	10/2022	ends 2026	ends 2045	64

*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

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 business acquisitions during the financial year 2022. YIT sold its Russian businesses to Etalon Group Plc on May 30, 2022. Impacts of the sale are described in more detail in the note Discontinued operations. There were no other material disposals during the financial year 2022. During the financial year 2021, there were no material business acquisitions or disposals.

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 30 May 2022, YIT announced it had completed the sale of its businesses in Russia to Etalon Group PLC. YIT classified the operations that were part of the transaction as assets held for sale and reported them as discontinued operations in the first quarter of 2022.

RESULTS OF DISCONTINUED OPERATIONS

EUR million	2022	2021
Revenue	**60**	**204**
Other operating income	1	—
Change in inventories of finished goods and in work in progress	6	-24
Materials and supplies	-150	-23
External services	-43	-111
Personnel expenses	-7	-19
Other operating expenses	-17	-18
Depreciation, amortisation and impairment	—	-1
Operating profit	**-152**	**7**
Finance income	1	2
Exchange rate differences (net)	-18	3
Finance expenses	-2	-1
Finance income and expenses, total	**-20**	**3**
Result before taxes	**-171**	**10**
Income taxes	-7	-12
Result after taxes	**-179**	**-2**
Loss on sale of discontinued operations	**-6**	
Translation differences reclassified to income statement	**-253**	
Result from discontinued operations	**-438**	**-2**

In 2021, the result of the discontinued operations includes an adjustment of EUR -3 million related to the sale of YIT's paving and mineral aggregates businesses in Finland, Sweden, Norway and Denmark.

CASH FLOWS (USED IN) DISCONTINUED OPERATIONS

EUR million	2022	2021
Net cash used in operating activities	-24	41
Net cash used in investing activities*	-14	—
Net cash used in financing activities	23	9
Net cash flow for the period	**-18**	**43**

* Includes EUR 30 million related to cash consideration received from the sale of Russian businesses and EUR -44 million related to cash and cash equivalents held by the sold Russian entities.

EFFECT OF DISCONTINUED OPERATIONS ON THE STATEMENT OF FINANCIAL POSITION

EUR million	30.5.2022
Assets	
Property, plant and equipment	2
Leased property, plant and equipment	3
Other intangible assets	1
Deferred tax assets	–
Inventories	15
Leased inventories	1
Trade and other receivables	102
Inocme tax receivables	5
Cash and cash equivalents	44
Total assets	**173**
Liabilities	
Deferred tax liabilities	3
Interest-bearing liabilities	55
Contract liabilities, advances received	15
Provisions	8
Lease liabilities	4
Trade and other payables	57
Income tax payables	–
Total liabilities	**142**
Net assets sold	**31**

EUR million	2022	2021
Cash consideration	30	–
Sold net assets	-31	–
Other items	-5	-3
Loss on sale of discontinued operations	**-6**	**-3**

Total transaction price amounted to EUR 71 million and the debt-free purchase price amounted to EUR 30 million.

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	2022	2021
Gain on sales of property, plant and equipment	2	2
Gain on sales of investments	6	—
Rental income	4	5
Other income	5	6
Total	**17**	**14**

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	2022	2021
Losses on the sale of property, plant and equipment and intangible assets	—	-1
Expenses related to short-term leases and low-value assets	-54	-51
Voluntary indirect personnel expenses	-10	-10
Travel expenses	-14	-14
IT expenses	-28	-31
Maintenance costs of premises	-2	-6
Other costs from customer contracts	-48	-86
Other expenses	-49	-53
Total	**-206**	**-251**

Group's expensed research and development costs amounted to EUR 15 million (24).

Audit fees

EUR million	2022	2021
PricewaterhouseCoopers		
Statutory audit	-1.1	-1.1
Tax services	—	—
Other services	0.0	-0.2
Total	**-1.1**	**-1.3**

The fees for other than statutory audit services provided by PricewaterhouseCoopers Oy for YIT Group companies amounted to EUR 0.1 million (0.2) in the financial year 2022. The fees included tax services EUR 0.03 million (0.01) and other services EUR 0.05 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	2022	2021
Wages and salaries	-288	-286
Pension costs, defined contribution plan	-43	-42
Pension costs, defined benefit plan	—	—
Share-based compensations	-2	-2
Other indirect employee costs	-19	-20
Total	**-352**	**-351**

The average number of employees in continuing operations during the financial year was 5,207 (5,581).

SHARE-BASED PAYMENTS

YIT has implemented a long-term share-based incentive program to support the company's strategy of sustainable success 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

Plans 2020–2022, 2021–2023 and 2022–2024

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 and their target levels decided annually by the Board of Directors of YIT Corporation for each earning period. 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 the 2021–2023 earning period indicators are Return on Capital Employed (ROCE), Absolute TSR (Total Shareholder Return) and Sustainability (CO2 reduction index). For the 2022–2024 earning period indicators are Absolute TSR (Total Shareholder Return) and Sustainability. The Sustainability metric is emissions reduction in alignment with Science Based Targets initiative's Scope 1 and Scope 2. The Board of Directors also decides on the approximately 150 key persons from YIT's operative countries to be included in the incentive plan for each new 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 2,326,000 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 equaling half of the value of his/her annual salary as long as he/she is a member of the Group Management Team. The Board of Directors recommends that the President and CEO aims to hold YIT shares equaling the value of his annual salary. Under all circumstances, the Board of Directors has the right to change the incentives.

Share-based plan information

	Long-term incentive plan 2020-2024			Incentive Scheme 2017-2022
Share-based plan information	**Earning period 2022-2024**	**Earning period 2021-2023**	**Earning period 2020-2022**	**Earning period 2019**
Grant date	19/4/2022	22 Feb 2021	31 Mar 2020	25 Mar 2019
Maximum number of shares	2,326,000	2,100,000.00	2,100,000	1,150,000
Earning period start date	1 Jan 2022	1 Jan 2021	1 Jan 2020	1 Jan 2019
Earning period end date	31 Dec 2024	31 Dec 2023	31 Dec 2022	31 Dec 2019
Commitment period end date	31 May 2025	31 May 2024	31 May 2023	31 May 2022
Vesting conditions	Absolute total shareholder return (TSR) and Sustainability (emissions reduction) and continued employment	ROCE %, absolute total shareholder return (TSR) and continued employment	ROCE %, Net Promoter Score (NPS), absolute total shareholder return (TSR) 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	Gross share	Net share
Number of persons in the arrangement at the end of reporting period	137	237	214	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

	Earning period 2022-2024	Earning period 2021-2023	Earning period 2020-2022	Earning period 2019
Outstanding shares on 1 Jan 2022, pcs	0	2,000,388	1,498,000	485,036
Shares granted	2,192,999	0	0	0
Shares forfeited	426,000	704,722	500,000	18,810
Shares exercised	0	0	0	466,226
Shares expired	0	0	0	0
Outstanding shares on 31 Dec 2022, pcs	1,766,999	1,295,666	998,000	0

Information regarding fair value determination

	2022	2021	2020
Grant date	19 April 2022	22 February 2021	31 March 2020
Share price at grant date, EUR	3.63	4.96	4.04
Share price at the end of the reporting period, EUR	2.46	2.46	2.46
Expected dividends, EUR	0.56	0.98	1.16
Valuation model	Monte Carlo	Monte Carlo	Monte Carlo
Risk-free interest rate, %	0.5	-0.7	-0.5
Expected volatility, %	22	33	31
Maturity, years	3.1	2.8	2.8
Fair value, EUR million on 31 Dec 2022	2	1	0

The fair value of the market-based criteria (TSR) of the plans 2020–2022, 2021–2023 and 2022–2024 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 to statement of financial position

EUR million	2022	2021
Total expenses for the financial year regarding share-based payments	-1	-1
Total expenses for the financial year regarding equity-settled share-based payments	-1	-1
Liabilities arising from share-based payments	—	2

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 2022 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 105,000 per year (EUR 100,000), the remuneration of the Vice Chairman of the Board and the Chairman of the Audit Committee is EUR 73,500 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 52,500 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 2022.

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 Board meeting and the Chairman be paid EUR 1,600 per Board meeting. The remuneration of the Board of the Directors has been decided at the Annual General Meeting on 17 March 2022.

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 2022, 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	2022	2021
Short-term employee benefits	5.0	3.9
Interim President and CEO*	–	0.2
Former President and CEO**	1.1	0.6
President and CEO***	–	–
Key management personnel other than the President and CEO	3.8	3.1
Post-employment benefits	0.6	0.6
Interim President and CEO*	–	–
Former President and CEO**	0.1	0.1
President and CEO***	–	–
Key management personnel other than the President and CEO	0.5	0.5
Termination benefits	1.2	0.9
Former President and CEO**	1.2	–
Key management personnel other than the President and CEO	–	0.9
Share-based payments	0.2	0.5
Interim President and CEO*	–	–
Former President and CEO**	–	–
Key management personnel other than the President and CEO	0.2	0.5
Remuneration of Group Management Team, total	**7.1**	**5.8**

* Interim President and CEO Antti Inkilä from 23 October 2020 to 31 March 2021
** Former President and CEO Markku Moilanen from 1 April 2021 to 30 November 2022
*** President and CEO Heikki Vuorenmaa from 1 December 2022 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 performance management 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) 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	2022	2021
Finance income		
Interest income on loans and other receivables	3	2
Other finance income*	6	—
Finance income total	**9**	**2**
Finance expenses		
Interest expenses on financial liabilities recognised at amortised cost	-17	-16
Interest expenses on lease liabilities	-11	-12
Interest expenses on interest rate derivatives	—	-1
Other interest and finance expenses	-7	-14
Interest expenses capitalised on qualifying assets	7	7
Finance expenses total	**-28**	**-35**
Exchange rate differences, net	-9	-1
Finance income and expenses total	**-28**	**-34**
Exchange rate differences recognised in income statement		
Exchange rate differences in operating income and expenses	1	—
Exchange rate differences in financial items	-9	-1
Exchange rate differences total	**-8**	**-1**

*Other finance income includes change in fair value of interest derivatives EUR 6 million.

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	2022	2021
Income taxes for the financial year	-22	-7
Taxes for prior years	—	—
Deferred taxes	11	-9
Total income taxes	**-11**	**-16**

TAX RECONCILIATION

EUR million	2022	2021
Result before taxes	**74**	**22**
Income taxes at the tax rate in Finland 20%	-15	-4
Effect of different tax rates outside Finland	2	1
Tax exempt income and non-deductible expenses	1	-2
Net results of associated companies and joint ventures	2	2
Unrecognised tax on loss for the period	-3	-10
Adjustments to previous year's deferred taxes	1	-3
Taxes for prior years	—	—
Income taxes in the income statement	**-11**	**-16**

Unrecognised deferred tax assets on losses for the period amounting to EUR -3 million relate to companies in 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 2022.

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	
	2022	2021	2022	2021
Result attributable to the equity holders of the company, EUR million	-375	4	-375	4
Accumulated interest expenses on hybrid bond after taxes, EUR million	-5	-3	-5	-3
Result for the financial year used in the calculation of earnings per share, EUR million	**-380**	**0**	**-380**	**0**
Weighted outstanding basic 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	0
Weighted outstanding adjusted dilutive number of shares during the period, million shares			209	210
Earnings per share, EUR/ share	-1.82	0.00	-1.82	0.00
Earnings per share, continuing operations, EUR/ share	0.28	0.01	0.28	0.01
Earnings per share, discontinued operations, EUR/ share	-2.09	-0.01	-2.09	-0.01

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

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

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.

2022

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	198	16	0	247
Exchange rate differences	—	—	1	—	—	1
Increases	—	—	4	—	1	5
Decreases	-5	-4	-1	—	—	-11
Business disposals	—	-4	-4	—	—	-8
Reclassifications	-1	—	1	—	—	—
Historical cost on 31 December	**6**	**14**	**199**	**15**	**1**	**234**
Accumulated depreciation and impairment on 1 January	-1	-13	-168	-12	0	-193
Exchange rate differences	—	—	—	—	—	-1
Depreciation, continuing operations	—	-1	-7	-1	—	-9
Depreciation, discontinued operations	—	—	—	—	—	—
Impairment, continuing operations	-4	—	—	—	—	-4
Accumulated depreciation of reclassifications	1	6	3	1	—	10
Accumulated depreciation and impairment on 31 December	**-4**	**-9**	**-173**	**-11**	**0**	**-197**
Carrying value on 1 January	11	8	30	4	0	53
Carrying value on 31 December	**2**	**5**	**26**	**3**	**1**	**37**

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	—	—	—	—	—	1
Increases	—	2	6	—	—	8
Decreases	—	-1	-3	-1	—	-6
Business disposals	-1	-1	-4	-1	—	-8
Reclassifications	—	—	—	—	—	—
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	—	—	—	—	—	—
Depreciation, continuing operations	—	-1	-8	-1	—	-11
Depreciation, discontinued operations	—	—	—	—	—	—
Impairment, continuing operations	—	—	—	—	—	—
Accumulated depreciation of reclassifications	—	—	—	1	—	1
Accumulated depreciation and impairment on 31 December	**-1**	**-13**	**-168**	**-12**	**0**	**-193**
Carrying value on 1 January	12	9	41	6	0	68
Carrying value on 31 December	**11**	**8**	**30**	**4**	**0**	**53**

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 licenses are capitalised at cost. The costs incurred to take the software into use are assessed based on their materiality and the costs are capitalised if the capitalisation criteria are met. The cost is amortised on a straight-line basis over the estimated useful life.

Estimated useful life

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

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 illiquidity 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 revenue 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 assumptions in value in use calculations are the discount rate and the long-term growth assumption.

OTHER INTANGIBLE ASSETS

EUR million	2022	2021
Historical cost on 1 January	34	42
Exchange rate differences	—	—
Increases	—	—
Decreases	-1	-8
Business disposals	-1	—
Historical cost on 31 December	**33**	**34**
Accumulated amortisation and impairment on 1 January	-27	-32
Exchange rate differences	—	—
Amortisation, continuing operations	-2	-3
Amortisation, discontinued operations	—	—
Accumulated amortisation of reclassifications	1	8
Accumulated amortisation and impairment on 31 December	**-28**	**-27**
Carrying amount on 1 January	7	10
Carrying amount on 31 December	**4**	**7**

GOODWILL

EUR million	2022	2021
Carrying amount on 1 January	249	249
Exchange rate differences	—	—
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 2022	Discount rate, % (WACC before taxes)	31 Dec 2021	Discount rate, % (WACC before taxes)
Housing	105	9.8	105	7.7
Business premises	81	8.8	81	7.5
Infrastructure	56	8.3	56	7.4
Property Development	7	8.7	7	6.2
Goodwill, total	**249**		**249**	

Goodwill impairment tests

In the annual goodwill impairment tests, the recoverable amounts of cash generating units are determined based on value-in-use calculations. The cash flow forecasts used in calculations were prepared for a five-year planning period and they are based on groups' strategic and annual goals approved by the management. Cash flows beyond the forecasting period are calculated using the end value method. All cash generating units' forecasts are based on the assumption of 1.5% (1%) annual growth, which is lower than the European Central Bank's target inflation rate over the medium term. As a result of the annual impairment tests carried out in 2022 and 2021, no impairment was recognized on goodwill.

YIT prepares a sensitivity analysis for the cash-generating units annually if a reasonably possible change in the key assumptions used in the cash flow forecasts could have an impact on the asset's carrying value. Based on the impairment tests performed in 2022, an impairment would result in the Housing segment if the discount rate increased over 2.3 percentage points or EBITDA decreased by 18 percent in all forecast periods. Management estimates that there is no reasonably possible sensitivity in the other key assumptions used in the cash flow forecasts that could have an impact on the carrying value of the assets.

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.

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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 the lease term and the incremental borrowing rate have a significant impact on the 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 the termination of the lease and the signing of a 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 the 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

2022

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Total
Carrying value on 1 January	1	63	15	79
Exchange rate differences	—	—	—	—
Increases including the effect of index changes	—	5	9	14
Decreases	—	-2	-1	-4
Business acquisitions	—	—	—	—
Business disposals	—	-3	—	-3
Depreciation and impairment, continuing operations	—	-11	-7	-18
Depreciation and impairment, discontinued operations	—	—	—	—
Carrying value on 31 December	**1**	**51**	**16**	**68**

2021

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Total
Carrying value on 1 January	1	64	18	84
Exchange rate differences	—	—	—	1
Increases including the effect of index changes	—	14	8	22
Decreases	—	-5	-2	-7
Business acquisitions	—	1	—	1
Business disposals	—	—	-2	-2
Depreciation and impairment, continuing operations	—	-11	-8	-19
Depreciation and impairment, discontinued operations	—	-1	—	-1
Carrying value on 31 December	**1**	**63**	**15**	**79**

Leased inventories

EUR million	2022 Plots	2021 Plots
Carrying value on 1 January	174	190
Exchange rate differences	—	—
Increases including the effect of index changes	25	46
Decreases	-39	-62
Business disposals	-1	—
Carrying value on 31 December	**158**	**174**

Lease liabilities

Maturity analysis of contractual undiscounted cash flows

EUR million	31 Dec 2022	31 Dec 2021
Less than one year	27	29
From one to three years	56	49
From three to five years	35	41
From five to ten years	57	73
Over ten years	214	271
Undiscounted lease liabilities, total	**389**	**462**

Items recognised in the income statement

EUR million	2022	2021
Change in inventories of finished goods and in work in progress	-30	-56
Expenses related to short-term leases and low-value assets	-54	-51
Depreciation and impairment of right-of-use assets	-18	-20
Interest on lease liabilities	-11	-12
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 2022	31 Dec 2021
No later than 1 year	2	2
1–5 years	2	2
Over 5 years	1	—
Total	**5**	**4**

Rental income from subleasing the right-of-use assets amounted to EUR 4 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

EUR million	Segment	Business	Domicile	Ownership 2022, %	Carrying amount 2022	Ownership 2021, %	Carrying amount 2021
Associated companies							
Ålandsbanken Lunastustontti I Ky	Property Development	Real estate investing	Finland	20.00	13	20.00	12
SIA "LiveOn"	Property Development	Real estate investing	Latvia	30.00	10	30.00	6
Fidus Villa Ky	Property Development	Real estate investing	Finland	20.00	11		
ÅB Kodit I Ky	Property Development	Real estate investing	Finland	40.00	—	40.00	8
YCE Housing I Ky	Property Development	Project development	Finland	40.00	—	40.00	—
IISY Oy	Property Development	Services	Finland			20.20	1
OP Vuokrakoti Ky*	Property Development	Real estate investing	Finland			40.00	20
Associated companies total					**34**		**48**

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

*OP Vuokrakoti Ky has been reclassified in 2022 to equity investments due to loss of significant influence.

INVESTMENTS IN JOINT VENTURES

EUR million	Segment	Business	Domicile	Ownership 2022, %	Carrying amount 2022	Ownership 2021, %	Carrying amount 2021
Joint ventures							
FinCap Asunnot Oy	Property Development	Real estate investing	Finland	49.00	16	49.00	16
Regenero Oy	Property Development	Project development	Finland	50.00	1	50.00	16
Nuppu Housing s.r.o.	Housing	Project development	Slovakia	50.00	6	50.00	5
Zwirn area s.r.o	Housing	Project development	Slovakia	50.00	1	50.00	1
Tieyhtiö Vaalimaa Oy	Property Development	PPP Project company	Finland	20.00	–	20.00	–
Campus Marian Kehitys Oy	Property Development	Project development	Finland	50.00	1	50.00	1
Kumppanuuskoulut Oy	Property Development	PPP Project company	Finland	20.00	–	20.00	–
Nuuka Solutions Oy	Property Development	Services	Finland	16.67	2	20.20	2
Keilaniemen Kiinteistökehitys Ky	Property Development	Project Development	Finland	33.33	10		
Keilaniemen Kiinteistökehitys GP Oy	Property Development	Project Development	Finland	33.33	–		
YIT ZWIRN OFFICE s.r.o.	Business Premises	Project Development	Slovakia	50.00	1		
YR Holding s.r.o.	Housing	Project Development	the Czech Republic	50.00	1		
Projekti GH Oy	Property Development	Project development	Finland			33.33	1
Pradiareň 1900 s.r.o.	Business Premises	Project development	Slovakia			50.00	2
Joint ventures total					**39**		**44**

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

CHANGES IN CARRYING AMOUNTS

EUR million	Associated companies	Joint ventures	Total 2022	Associated companies	Joint ventures	Total 2021
Carrying amount on 1 January	48	44	92	35	44	80
Share of results	5	9	13	2	9	11
Increases	13	14	26	25	11	36
Decreases	-5	-15	-21	-12	-15	-28
Transfers to equity investments*	-23	—	-23	—	—	—
Dividend received during the financial year	-4	-12	-16	-2	-5	-7
Carrying amount on 31 December	**33**	**39**	**72**	**48**	**44**	**92**

*Transfers to equity investments in 2022 includes a reclassification of OP Vuokrakoti Ky to equity investments due to loss of significant influence.

SUMMARY OF FINANCIAL INFORMATION FOR THE ASSOCIATED COMPANIES AND JOINT VENTURES

EUR million	Associated companies	Joint ventures	Total 2022	Associated companies	Joint ventures	Total 2021
Condensed Statement of Financial Position						
Investment properties	99	109	208	76	111	187
Other non-current assets	129	264	394	110	332	442
Current assets	20	221	241	35	157	193
Non-current liabilities	87	424	511	88	456	544
Current liabilities	10	95	105	4	110	114
Net assets	**152**	**76**	**227**	**129**	**35**	**164**
Income Statement						
Revenue	16	87	103	46	95	140
Result for the period	13	16	29	5	15	20
of which change in fair value of investment properties	2	—	2	—	1	1
Dividends received by YIT	**4**	**12**	**16**	**2**	**5**	**7**

COMMITMENTS

YIT has investment commitments, both equity and loan, concerning current and coming associated companies and joint ventures in total of EUR 73 million (85).

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 ventures.

Fair value of investment properties

EUR million	2022	2021
1 January	187	155
Acquisitions	97	76
Sales	-2	-45
Decreases	-76	—
Gains and losses from changes in fair value	2	1
31 December	**208**	**187**

Investment properties based on valuation method

	31 Dec 2022			31 Dec 2021		
EUR million	**Investment properties under construction**	**Completed investment properties**	**Total**	**Investment properties under construction**	**Completed investment properties**	**Total**
Measured based on income	—	28	28	—	—	—
Measured based on market value	—	109	109	—	117	117
Measured based on cost	71	—	71	70	—	70
Total	**71**	**137**	**208**	**70**	**117**	**187**

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	2022	2021
Carrying value on 1 January	186	180
Increases	23	—
Decreases	—	—
Changes in fair value	10	6
Carrying value on 31 December	**218**	**186**

The most significant individual equity investment is Tripla Mall Ky, whose value was EUR 193 million (184). More information related to fair valuation is provided in the note Financial assets and liabilities by category. In the financial year 2022, increases include the reclassification of OP Vuokrakoti Ky from an associated company to equity investments due to loss of significant influence.

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 JUDGEMENTS 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

2022

EUR million	1 January	Exchange rate difference	Business disposals	Recognised in income statement	Recognised in comprehensive income/ equity	31 December
Deferred tax assets						
Provisions	27	—	—	2	—	28
Tax losses carried forward	4	—	-2	-1	—	1
Pension benefits	1	—	—	—	—	1
Revenue recognition over time	2	—	-3	1	—	0
Inventories	0	—	—	13	—	13
Other items	14	—	-1	-7	—	5
Offsetting of deferred taxes	-16	—	—	-3	—	-19
Total	**31**	**1**	**-6**	**4**	**0**	**30**
Deferred tax liabilities						
Accumulated depreciation differences	3	—	—	-1	—	3
Revenue recognition over time	2	—	-1	2	—	3
Inventories	6	—	-1	-4	—	1
Equity investments	14	—	—	2	—	16
Other items	10	—	-2	-3	-1	4
Offsetting of deferred taxes	-16	—	—	-3	—	-19
Total	**19**	**0**	**-3**	**-7**	**-1**	**9**
Deferred taxes, net						**21**

From accumulated losses of which some part are not approved by the tax authorities, deferred tax assets of EUR 16 million (45) have not been recognised. The unrecognised deferred tax assets from losses in 2022 are mainly from the companies in 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 to those countries.

2021

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

20. INVENTORIES

ACCOUNTING POLICY

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

The plot reserve 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 Leases.

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 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 2022	31 Dec 2021
Raw materials and consumables	6	7
Work in progress	560	501
Plot reserve	630	643
Completed apartments and real estate	208	92
Advance payments	22	41
Other inventories	–	–
Inventories	**1,426**	**1,285**
Plot reserve	86	105
Plots, work in progress	45	62
Plots, completed apartments and real estate	27	7
Leased inventories	**158**	**174**

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

In 2022, YIT recognised inventory write-downs related to discontinued operations of EUR 137 million (13). Write-downs related to continuing operations amounted to EUR 1 million (39). In 2021, YIT recognised inventory write-downs for continuing operations amounting to EUR 39 million. Write-downs in the Housing segment amounted to EUR 8 million, EUR 23 million in the Property Development segment and EUR 8 million in the Business Premises segment.

21. TRADE AND OTHER RECEIVABLES

EUR million	31 Dec 2022	31 Dec 2021
Non-current receivables		
Trade receivables	25	28
Interest-bearing receivables	56	46
Other receivables	2	1
Trade receivables, interest-bearing receivables and other receivables total	**84**	**75**
Loan receivables	5	7
Receivables from derivative agreements	10	1
Non-current receivables total	**100**	**82**
Current receivables		
Trade receivables	121	143
Interest-bearing receivables	–	13
Other receivables	22	32
Trade receivables, interest-bearing receivables and other receivables total	**144**	**189**
Contract assets	122	165
Accrued income	6	9
Receivables from derivative agreements	1	1
Current receivables total	**274**	**363**
Non-current and current receivables total	**373**	**445**

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

22. CASH AND CASH EQUIVALENTS

EUR million	31 Dec 2022	31 Dec 2021
Cash in hand and in banks	206	389

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.

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. YIT can also postpone interest payments if it does not distribute dividends or any other equity to its shareholders. The hybrid bond is initially recognised at fair value less transaction cost and subsequently the bond is measured at cost. Interest is recorded into retained earnings adjusted with tax effect upon payment or accrued Interest is recorded into retained earnings adjusted with tax effect and as an accrued interest liability when the commitment to payment arises.

SHARE CAPITAL AND TREASURY SHARES

	Number of outstanding shares	Number of treasury shares	Share capital, EUR million	Treasury shares, EUR million
1 Jan 2021	209,083,556	2,016,297	150	-10
Transfer of treasury shares	35,350	-35,350		—
31 December 2021	**209,118,906**	**1,980,947**	**150**	**-10**
1 Jan 2022	209,118,906	1,980,947	150	-10
Transfer of treasury shares	392,240	-392,240		2
31 December 2022	**209,511,146**	**1,588,707**	**150**	**-8**

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 8 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 2022 amounted to EUR 1 million (281). During the accounting period, the change in the translation difference was EUR 29 million, of which EUR 27 million was related to discontinued operations. The translation difference related to the discontinued business operations in Russia, EUR 253 million, was recorded in the income statement in connection with the business sale.

DIVIDENDS

Dividend paid and proposed	2022	2021
Dividend paid during the financial year		
Per share for the previous year, EUR	0.16	0.14
In total for the previous year, EUR million	33	29
Board of Directors' proposal for approval by the AGM		
Per share for the financial year, EUR	0.18	0.00
In total for the financial year, EUR million	38	33

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 PENSION BENEFITS

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	2022	2021
Net defined benefit pension oblligations in the statement of financial position	3	3
Defined benefit pension costs in the income statement	—	—

In 2022 and 2021, 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 2022	31 Dec 2021
Present value of funded obligations	14	17
Fair value of plan assets	-11	-14
Pension liability, net	**3**	**3**

Changes in present value of the obligation

EUR million	2022	2021
Obligation on 1 January	17	20
Service cost	—	—
Interest cost	—	—
Actuarial gains/losses	-1	2
Settlements	—	-3
Benefits paid	-1	-1
Obligation on 31 December	**14**	**17**

Fair value changes of plan assets

EUR million	2022	2021
Plan assets on 1 January	14	18
Expected return of plan assets	—	—
Remeasurements	-1	1
Settlements	—	-3
Employer contribution	—	—
Benefits paid	-1	-1
Plan assets on 31 December	**11**	**14**

Actuarial assumptions

	2022	2021
Discount rate	3.1%	0.2%
Rate of salary increase	2.8%	1.9%
Rate of pension increases	2.8%	2.0%

Future payments

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

EUR million	2022	2021
Due within one year	1	1
Due in 1–5 years	5	4
Due in 5–10 years	5	4
Due in 10–15 years	3	3
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	1	—
Total	**20**	**17**

Sensitivity analysis

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

EUR million	2022	2021
Interest increase by 0.5% points	-1	-1
Interest decrease by 0.5% 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.

A 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.

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	Total 2022	Total 2021
1 January	**15**	**77**	**10**	**20**	**10**	**132**	**115**
Exchange rate difference	—	—	-1	—	—	0	1
Additions	46	10	6	—	1	63	38
Used during the period	-11	-10	-6	-17	-5	-49	-21
Reversals of unused provisions	—	—	—	—	—	0	-1
Business disposals	-4	—	—	—	-3	-7	—
31 December	**47**	**77**	**10**	**3**	**3**	**139**	**132**
Non-current	22	64	—	2	1	88	86
Current	25	14	10	—	2	51	46
Total	**47**	**77**	**10**	**3**	**3**	**139**	**132**

*The presentation of warranty provision has been adjusted during 2022. For additional information see note Adjustments concerning prior periods.

26. INTEREST-BEARING FINANCIAL LIABILITIES

Non-current financial liabilities

EUR million	31 Dec 2022	31 Dec 2021
Bonds	199	199
Loans from financial institutions	50	150
Other interest-bearing liabilities	39	50
Total	**288**	398

Current financial liabilities

EUR million	31 Dec 2022	31 Dec 2021
Loans from financial institutions	100	–
Housing company loans	230	106
Other interest-bearing liabilities	7	13
Total	**336**	**118**

Loans from financial institutions on 31 December 2022 were non-recurring loans taken from banks. 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 2022 and 31 Dec 2021

	Nominal amount, EUR million	Maturity date	Coupon interest, %	Covenants*
FI4000496294	100	31.3.2024	3kk Euribor + 3,100	Equity ratio
FI4000496302	100	15.1.2026	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 management.

Lease liabilities

EUR million	31 Dec 2022	31 Dec 2021
Non-current lease liabilities	168	161
Current lease liabilities	40	74
Lease liabilities total	**207**	**234**

Reconciliation of interest-bearing financial liabilities

2022

EUR million	Current	Non-current	Lease liabilities	Total
Interest-bearing financial liabilities on 1 Jan	**118**	**398**	**234**	**751**
Short-term part of the long-term liabilities at the beginning	-13	13		
Cash flows	403	18	-2	419
Share of liabilities concerning sold apartments*	-267		-18	-285
Changes in lease liabilities			-6	-6
Other non-cash changes**	-6	-42		-47
Short-term part of the long-term liabilities at the end	100	-100		
Interest-bearing financial liabilities on 31 Dec	**336**	**288**	**207**	**831**

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 at the beginning	-207	207		
Cash flows	110	-90	-2	18
Share of liabilities concerning sold apartments*	-381		-29	-410
Changes in lease liabilities			30	30
Other non-cash changes**	-8	8		-1
Short-term part of the long-term liabilities at the end	13	-13		
Interest-bearing financial liabilities on 31 Dec	**118**	**398**	**234**	**751**

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

27. TRADE AND OTHER PAYABLES

EUR million	31 Dec 2022	31 Dec 2021
Non-current liabilities		
Trade payables	19	19
Other liabilities	10	9
Trade payables and other liabilities total	**29**	**27**
Liabilities of derivative agreements	—	—
Non-current liabilities total	**29**	**27**
Current liabilities		
Trade payables	215	197
Other liabilities	84	79
Trade payables and other liabilities total	**299**	**276**
Other accrued expenses	131	128
Accrued expenses in projects	144	208
Liabilities of derivative agreements	2	3
Current liabilities total	**576**	**615**
Trade payables and other liabilities total	**605**	**642**

Other accrued expenses

EUR million	31 Dec 2022	31 Dec 2021
Accrued employee-related expenses	80	75
Interest liabilities	10	4
Other accrued expenses	41	48
Total	**131**	**128**

28. DERIVATIVE CONTRACTS

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 2022				31 Dec 2021			
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	176	1	-2	—	216	1	-2	-2
Interest rate derivatives (hedge accounting applied)	100	4	—	4	100	1	—	1
Interest rate derivatives (hedge accounting not applied)	160	6	—	6	30	—	—	—
Total	**436**	**11**	**-2**	**10**	**346**	**1**	**-3**	**-1**

All derivative contracts 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 2 million (1) smaller than the gross figures presented above.

At the end of the reporting period (nor 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 or held for trading purposes. These derivative contracts include interest rate and foreign exchange 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 and foreign exchange 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's most significant equity investment is 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 2022

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		216	2	218	218	Level 3	18
Trade receivables, interest-bearing receivables and other receivables*	83			83	72		21
Loan receivables		5		5	5	Level 3	21
Derivative agreements		6	4	10	10	Level 2	28
Current financial assets							
Trade receivables, interest-bearing receivables and other receivables*	143			143	143		21
Derivative agreements		1		1	1	Level 2	28
Cash and cash equivalents	206			206	206		22
Financial assets by category, total	**433**	**228**	**6**	**668**	**656**		
Non-current financial liabilities							
Interest bearing liabilities	288			288	263		26
Trade payables and other liabilities*	29			29	24		27
Current financial liabilities							
Interest-bearing liabilities	336			336	336		26
Trade payables and other liabilities*	299			299	299		27
Derivative agreements		2		2	2	Level 2	28
Financial liabilities by category, total	**953**	**2**		**954**	**924**		

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

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.

The fair values of bonds issued 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 2.00-5.02% (2.40-3.48%). 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 2022	Base value 2021	Sensitivity of the input to fair value for YIT	Additional information regarding the input
Equity investments recognised at fair value through profit and loss, Tripla Mall Ky	Discounted Cash Flow (DCF) method, 10 year period	Compound annual growth rate (CAGR) of Net Operating Income (NOI) for the entire valuation period	4.80%	4.44%	1 percentage point increase (decrease) in the input value leads to a EUR 23 million increase (EUR 19 million decrease) in the fair value of the asset.	The change in the input value is estimated through a coefficient that increases/decreases the growth of all annual NOI cash flows identically, therefore depicting a scenario where the NOI of commercial facility and parking facility follows a higher/lower growth trajectory during the valuation period.
		Yield	5,50 % - 5,75 %	5,25 % - 5,75%	5 percentage increase (decrease) in the input values leads to a EUR 12 million decrease (EUR 16 million increase) in the fair value of the asset.	Separate yields used for different parts of the shopping center.
Equity investments recognised at fair value through profit and loss, OP Vuokrakoti Ky	Comparable transactions method and discounted cash flow method	Price per square meter	5,268 € / m^2	N/A	5 percentage point increase (decrease) in the average square meter price leads to a EUR 3 million increase (EUR 3 million decrease) in the fair value of the asset.	Both comparable transactions and discounted cash flow method are taken into account in the determination of average square meter price.
Loan receivables recognised at fair value through profit and loss	Discounted Cash Flow (DCF) method	Discount rate	5.76%	2.66%	1 percentage point increase (decrease) in the input value leads to a decrease of EUR 0 million (or increase of EUR 0 million).	The input value rate reflects the exit yield of the investor.

Description of valuation techniques

Equity investments recognised at fair value through profit and loss

Tripla Mall Ky

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. 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).

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 modelling 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 not remain in the target range and a decrease in the input value would lead to a EUR 9 million decrease in the fair value of the asset. 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.

OP Vuokrakoti Ky

The fair value of YIT's equity investment in OP Vuokrakoti Ky is calculated as the fair value of the owned properties, subtracting the net debt and the sum is multiplied with YIT's share ownership. The fair values of the properties are based on valuation reports from an independent external appraiser (Finnish AKA report, following IVS). Valuation is made separately for each property. Both comparable transactions method and discounted cash flow method have been used in the valuation. Based on the judgement of the appraiser, the two valuation methods have been weighted in the final valuation.

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

	2022	2021
Fair value on 1 January	193	187
Additions	23	—
Change in fair value from equity investments recognised in income statement	10	6
Change in fair value from loan receivables recognised in income statement	-1	-1
Decreases	—	—
Fair value on 31 December	**223**	**193**

Valuation processes

Tripla Mall Ky

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.

OP Vuokrakoti Ky

OP Vuokrakoti Ky orders the valuation report (following IVS-standards) from an independent external appraiser quarterly.

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 2022 was EUR 206 million (389). The total amount of YIT's commercial paper programme is EUR 400 million (400), of which was unused EUR 400 million (400) 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 (32). Committed credit facility is available until June 2025. In addition, committed housing company and project loan limits related to apartment projects amounted to EUR 222 million (336) 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 230 million (106) 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 2022 (31 December 2021). 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 2022

EUR million	2023	2024	2025	2026	2027	2028-	Total
Interest-bearing liabilities	358*	161	5	145			669
Lease liabilities	27	36	20	18	17	272	390
Trade payables and other liabilities	304	12	5	4	1	2	328
Interest rate derivatives	-2	-1	—	—	—		-3
Foreign exchange derivatives							
cash outflow	-174						-174
cash inflow	175						175
Guarantees given on behalf of others	—	—	—	—			—
Total	**688**	**208**	**31**	**168**	**18**	**273**	**1,385**

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	—	303
Interest rate derivatives	—	—	—				—
Foreign exchange derivatives							
cash outflow	-213						-213
cash inflow	215						215
Guarantees given on behalf of others	—	—	—	—	—		1
Total	**438**	**215**	**130**	**29**	**168**	**344**	**1,325**

*Includes housing company loans related to unsold apartments EUR 230 million (106).

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 portfolio 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. 74 per cent (67) of the interest rate portfolio which consist of interest-bearing financial liabilities, lease liabilities and interest rate derivatives was at fixed rate at the end of reporting period.

The below presented interest rate risk sensitivity analysis illustrates the effect of a change of one percentage point in market interest rates on net financial costs before taxes and other comprehensive income items taken on account the tax effect. Sensitivity analysis includes floating rate items of the year-end balance sheet net debt, and interest rate derivatives.

	31 Dec 2022		31 Dec 2021	
EUR million	**1% point increase in interest rates**	**1% point decrease in interest rates**	**1% point increase in interest rates**	**1% point decrease in interest rates**
Net finance expenses	3	-3	-1	1
Other comprehensive income	1	-1	1	-1

Sensitivity analysis is based on prevailing market interest rates at the end of reporting period, like for example three month Euribor, which was 2.132% at the end of period (-0.573%). Market interest rates rose rapidly during the year and the mentioned three month Euribor was 0.362% on average in the reporting period. In a strongly changing interest rate environment like this, the effect on net finance expenses comes with a delay, thus the result of the sensitivity analysis cannot be directly compared to the realised net finance expenses of the reporting period. Negative interest rates and possible interest rate floors related to negative interests are taken into account in the sensitivity calculations for the comparison period.

Rise in the market interest rates may weaken the demand for YIT's products and services. Changes in interest rates also have effect on parameters used in a fair valuation of YIT's balance sheet items.

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-bearing 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.

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 either in other operating expenses or in finance expenses based on the nature of the financial asset. 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 allowance is calculated on the basis of the expected credit loss of the asset's entire lifetime.

	2022			2021		
EUR million	**Carrying value**	**Expected credit loss**	**Expected credit loss rate, %**	**Carrying value**	**Expected credit loss**	**Expected credit loss rate, %**
Trade receivables						
Not past due	84	–	0.6	127	1	0.6
1-60 days	10	–	0.6	13	–	0.6
61-90 days	3	–	0.6	1	–	0.6
91-180 days	1	–	0.6	3	–	0.6
Over 181 days	33	–	4.1	26	1	4.1
Total	**131**	**1**		**171**	**2**	
Contract assets	**122**	**–**	**0.3**	**165**	**1**	**0.3**
Interest-bearing receivables	**57**	**6**		**59**		

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. Translation risk is managed by optimising group companies' capital structure. 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 and the change in translation differences increased Group's equity by EUR 29 million (22) compared to the end of the previous year. EUR 27 million of the change in year 2022 resulted from discontinued operations and EUR 2 million from continued operations. The translation differences related to the discontinued operations in Russia, EUR 253 million, was recorded in the income statement in connection with the business sale. The biggest change in the continued operations' translation differences was caused by Czech koruna with EUR 1 million. A decrease or increase of ten percent in the euro exchange rate against Polish zloty, which possesses the biggest translation risk position, would have had an impact of EUR 8 million on translation differences at the reporting date (2021: Russian rouble would have had an impact of EUR 19 million).

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 exchange 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, fixed purchase prices and derivatives.

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:

During the first quarter, YIT agreed on a one year extension of EUR 50 million term loan. The new maturity date for loan is in March 2024.

During the second quarter, YIT agreed on a one year extension of EUR 300 million revolving credit facility by utilising its one-year extension option. The new maturity date for the facility is in June 2025.

Hybrid bond which is recorded 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 2022	31 Dec 2021
Interest-bearing liabilities, EUR million	831	751
Interest-bearing receivables, EUR million	57	59
Cash and cash equivalents, EUR million	206	389
Net interest-bearing debt, EUR million	569	303
Equity, EUR million	883	1,017
Equity ratio, %	36	40
Gearing ratio, %	64	30

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 2022	31 Dec 2021
Guarantees given		
Guarantees on behalf of others	1	1
Guarantees on behalf of consortia	2	10
Guarantees on behalf of associated companies	4	5
Guarantees on behalf of parent and other Group companies	968	989
Other commitments		
Investment commitments	73	85
Purchase commitments	178	171

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 5 million (6) on December 31, 2022.

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 comparison period 2021, YIT had EUR 4 million accrued interest on the hybrid bond which was 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. In February-March 2022, the parties reached an amicable settlement, which became final in April 2022. The settlement did not have a material impact on the financial position of the group.

32. SUBSIDIARIES

	Domicile	Ownership of the parent company, %	Ownership of the Group, %
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
YIT International Oy	Finland		100
YIT Mars Oy	Finland		100
YIT Saturnus Oy	Finland		100
YIT Sirius Oy	Finland		100
YIT Talon Tekniikka Oy	Finland		100
Tortum Oy Ab	Finland		100
YIT Eesti AS	Estonia		100
AS Koidu Kinnisvara	Estonia		100
YIT Infra Latvija SIA	Latvia		100
YIT Latvija SIA	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
YIT Slovakia a.s.	Slovakia		100
YIT Stavo s.r.o	the Czech Republic		100

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	2022	2021
Sale of goods and services		
Key management personnel	–	0.2
Associated companies and joint ventures*	160	157
Total	**160**	**158**
Purchases of goods and services		
Associated companies and joint ventures	–	–
Trade and other receivables		
Associated companies and joint ventures	6	6
Interest-bearing receivables		
Associated companies and joint ventures	18	22
Trade payables and other liabilities		
Associated companies and joint ventures	–	–
Interest-bearing liabilities		
Associated companies and joint ventures	7	–

The sale of goods and services to key management personnel was sale of apartments in 2021. 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.

*Comparative figure has been adjusted

34. IFRS STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

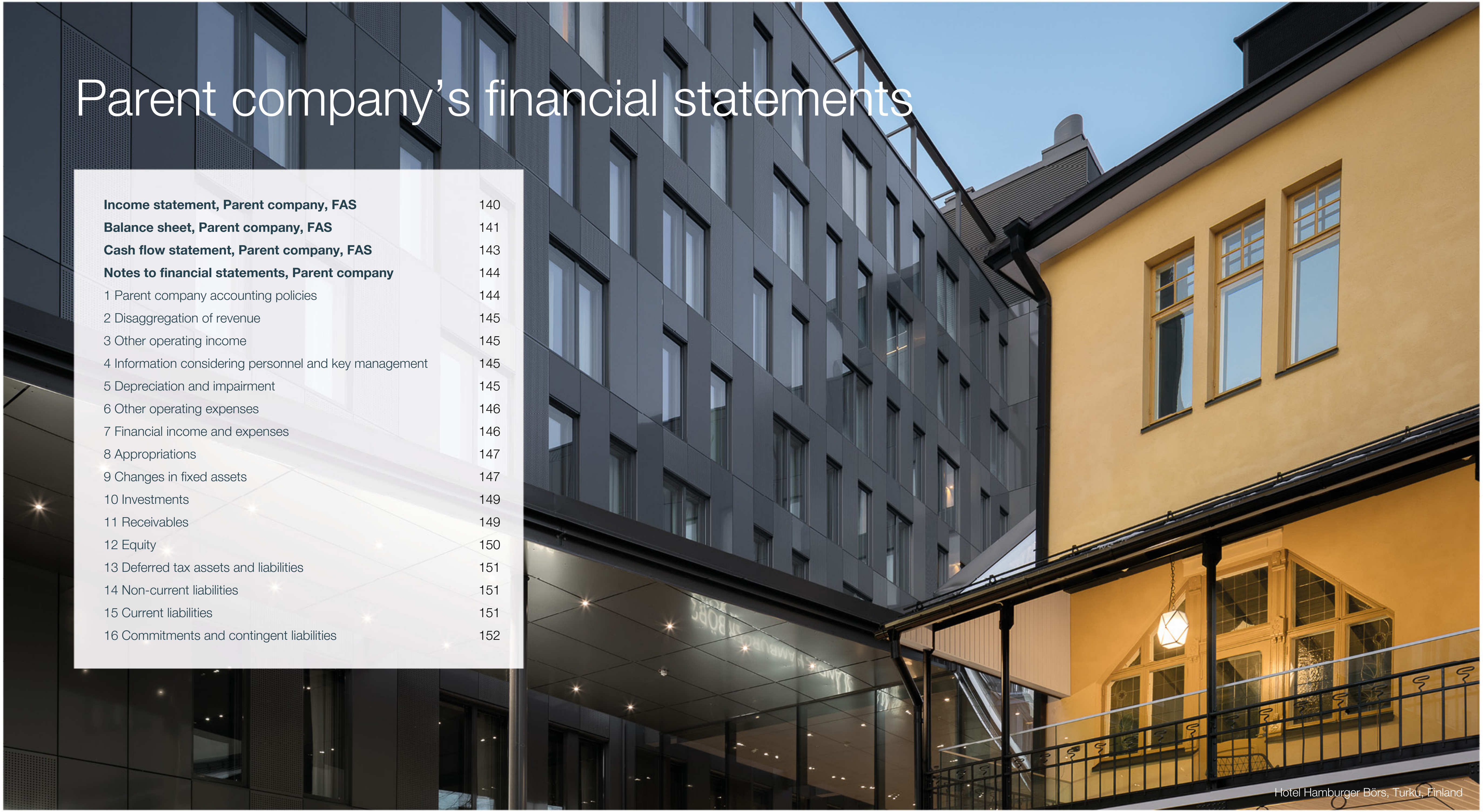
YIT has not applied any standards, amendments to standards or interpretations that will be effective after the annual reporting period beginning after 1 January 2022. YIT does not expect any significant impact on the financial statements from any published, but not yet effective, IFRS standard, IFRIC interpretation, IFRS annual improvement or change.

35. EVENTS AFTER THE REPORTING PERIOD

On 10 February 2023 YIT published a stock exchange release related to launch of a transformation program to improve the company's performance and competitiveness. The target is to simplify the organisational structure and operating model, increase agility and strengthen customer focus.

As part of the program, YIT will initiate change negotiations in Finland. The negotiations concern salaried and senior salaried employees as well as directors in Finland. Potential reduction needs related to these change negotiations do not concern salaried employees working in production jobs at construction sites nor employees. With the transformation program, also new jobs and roles are expected to be created.

Parent company's financial statements



Hotel Hamburger Börs, Turku, Finland

INCOME STATEMENT, PARENT COMPANY, FAS

EUR thousand	Note	2022	2021
Revenue	2	**76,294**	**70,603**
Other operating income	3	3,055	1,395
Personnel expenses	4	-34,828	-33,091
Depreciation and impairment	5	-2,016	-2,852
Other operating expenses	6	-59,391	-71,492
Operating profit/loss		**-16,887**	**-35,436**
Financial income and expenses	7	-12,620	-13,129
Profit before appropriations and taxes		**-29,507**	**-48,565**
Appropriations	8	54,510	53,850
Income taxes		-5,382	—
Profit for the financial year		**19,621**	**5,285**

BALANCE SHEET, PARENT COMPANY, FAS

EUR thousand	Note	2022	2021
Assets			
Non-current assets			
Intangible assets	9		
Intangible rights		49	586
Other capitalize expenditure		1,652	2,069
Total intangible assets		1,701	2,655
Property, plant and equipment	9		
Land and water areas		1,038	6,267
Buildings and structures		508	2,076
Machinery and equipment		293	778
Other tangible assets		57	115
Total property, plant and equipment		1,896	9,237
Investments	10		
Shares in Group companies		1,244,372	1,244,372
Other shares and holdings		505	541
Total investments		1,244,878	1,244,914
Total non-current assets		**1,248,475**	**1,256,805**

EUR thousand	Note	2022	2021
Current assets			
Long-term receivables	11		
Receivables from Group companies		144,555	217,586
Accrued income		10,704	1,141
Total long-term receivables		155,260	218,728
Short-term receivables	11		
Trade receivables		210	198
Receivables from Group companies		69,162	67,247
Other receivables		2,153	2,136
Accrued income		3,792	3,746
Total receivables		75,317	73,327
Cash and cash equivalents		178,649	342,047
Total current assets		**409,225**	**634,102**
Total assets		**1,657,700**	**1,890,907**

EUR thousand	Note	2022	2021
Equity and liabilities			
Equity	12		
Share capital		149,717	149,717
Fair value reserve		4,443	537
Other reserves			
Non restricted equity reserve		563,214	563,893
Retained earnings		212,016	238,025
Profit/loss for the financial year		19,621	5,285
Total equity		**949,011**	**957,457**
Liabilities			
Non-current liabilities	13		
Bonds		300,000	300,000
Loans from credit institutions		50,000	150,000
Total non-current liabilities		350,000	450,000
Current liabilities	14		
Loans from credit institutions		100,000	—
Trade payables		6,624	8,393
Current liabilities to group companies		222,199	451,342
Other current liabilities		3,106	5,707
Accrued expenses		26,760	18,009
Total current liabilities		358,689	483,451
Total liabilities		**708,689**	**933,451**
Total equity and liabilities		**1,657,700**	**1,890,907**

CASH FLOW STATEMENT, PARENT COMPANY, FAS

EUR thousand	2022	2021
Cash flow from operating activities		
Profit/loss before appropriations	-29,507	-48,565
Adjustments for:		
Depreciations	2,016	2,852
Other non-cash transactions	543	-701
Gains on the sale of tangible and intangible assets	-240	56
Financial income and expenses	12,620	13,129
Cash flow before change in working capital	-14,567	-33,229
Change in working capital		
Change in trade and other receivables	2,832	-4,179
Change in current liabilities	-1,184	1,674
Net cash flow from operating activities before financial items and taxes	-12,919	-35,734
Interest paid and other finance expenses	-60,758	-47,110
Dividends received	—	—
Interest received and financial income	45,428	47,401
Taxes paid	-301	-156
Net cash generated from operating activities	**-28,549**	**-35,598**

EUR thousand	2022	2021
Cash flow from investing activities		
Purchases of tangible and intangible assets	-6	-187
Proceeds from sale of tangible and intangible assets	6,524	225
Proceeds from sale of investments	56	—
Net cash used in investing activities	**6,574**	**38**
Cash flow from financing activities		
Change in loan receivables	69,469	45,409
Change in current loans	-232,226	-48,865
Proceeds from borrowings	—	300,000
Repayment of borrowings	—	-300,000
Dividends paid and other distribution of assets	-33,490	-29,274
Group contributions received	53,850	53,100
Purchases/sales of treasury shares	974	126
Net cash used in financing activities	**-141,423**	**20,497**
Net change in cash and cash equivalents	**-163,398**	**-15,063**
Cash and cash equivalents at the beginning of the financial year	342,047	357,111
Cash and cash equivalents at the end of the financial year	178,649	342,047

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 2022.

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.

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. DISAGGREGATION OF REVENUE

EUR thousand	2022	2021
Market area		
Finland	64,025	57,310
CEE		
Baltics	4,545	4,029
The Czech Republic, Slovakia, Poland	4,196	3,181
Scandinavia		
Sweden	2,406	1,916
Norway	202	719
Russia	920	3,448
Total	**76,294**	**70,603**

The revenue consists of service fee to Group companies EUR 66,089 thousand (59,295) and rental income EUR 10,204 thousand (11,309). The rental income is included in the revenue from Finland in total.

3. OTHER OPERATING INCOME

EUR thousand	2022	2021
Capital gains on disposals of fixed assets	240	64
Other	2,815	1,330
Total	**3,055**	**1,395**

4. INFORMATION CONCERNING PERSONNEL AND KEY MANAGEMENT

EUR thousand	2022	2021
Personnel expenses		
Wages, salaries and fees	29,629	27,395
Pension expenses	4,373	4,699
Other indirect personnel costs	827	997
Total	**34,828**	**33,091**
Salaries and fees to the management		
President and CEO	48	—
Former President and CEO	2,531	547
Interim President and CEO	—	120
Members of the Board of Directors	812	778
Total	**3,391**	**1,445**

	2022	2021
Average personnel	303	352

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

5. DEPRECIATION AND IMPAIRMENT

EUR thousand	2022	2021
Depreciation on other capitalised expenditures	954	1,552
Depreciation on buildings and structures	678	853
Depreciation on machinery and equipment	363	423
Depreciation on other tangible assets	22	23
Total	**2,016**	**2,852**

6. OTHER OPERATING EXPENSES

EUR thousand	2022	2021
Rents	10,034	10,352
Cost of premises	5,473	5,268
IT cost	26,346	28,886
Consulting costs	4,473	9,781
Administration costs	3,126	3,420
Other	9,938	13,786
Total	**59,391**	**71,492**

AUDIT FEES

EUR thousand	2022	2021
PricewaterhouseCoopers Oy, Authorised Public Accountants		
Audit fee	430	379
Tax services	—	11
Other services	29	194
Total	**460**	**583**

7. FINANCIAL INCOME AND EXPENSES

EUR thousand	2022	2021
Dividend income		
From others	—	—
Interest income from non-current receivables		
From Group companies	13,932	7,283
Income from investments in Group companies		
Profit on sales of shares	23	—
Other interest and financial income		
From Group companies	4,363	6,693
From other companies	34,437	36,922
Total	**52,755**	**50,898**
Other interest and financial expenses		
Interest expenses to Group companies	-2,403	-3,909
Interest expenses on derivatives to others	-255	-504
Interest expenses to others	-16,595	-16,686
Other expenses to others	-46,122	-42,928
Total	**-65,375**	**-64,027**
Total financial income and expenses	**-12,620**	**-13,129**
Other financial income and expenses include e.g. following items		
Foreign exchange rate gains and losses	-14,782	2,087
Fair value change in currency derivatives	-522	-1,652
Fair value change in interest derivatives	5,931	507

8. APPROPRIATIONS

EUR thousand	2022	2021
Appropriations		
Group contributions	54,510	53,850
Total	**54,510**	**53,850**

9. CHANGES IN FIXED ASSETS

INTANGIBLE ASSETS

EUR thousand	2022	2021
Intangible rights		
Historical cost at Jan 1	16,032	32,301
Increases	—	18
Transfer between lines	—	-69
Decreases	—	-16,218
Historical cost at Dec 31	16,032	16,032
Accumulated depreciation and impairment Jan 1	15,446	30,473
Depreciation for the period	537	1,131
Accumulated depreciation of decreases	—	-16,158
Accumulated depreciation and impairment Dec 31	15,983	15,446
Book value at December 31	**49**	**586**

EUR thousand	2022	2021
Other capitalized expenditures		
Historical cost at Jan 1	3,591	3,872
Increases	—	60
Decreases	—	-342
Historical cost at Dec 31	3,591	3,591
Accumulated depreciation and impairment Jan 1	1,522	1,442
Depreciation for the period	417	421
Accumulated depreciation of decreases	—	-342
Accumulated depreciation and impairment Dec 31	1,939	1,522
Book value at December 31	**1,652**	**2,069**
Total intangible assets	**1,701**	**2,655**

TANGIBLE ASSETS

EUR thousand	2022	2021
Land and water areas		
Historical cost at Jan 1	6,267	6,367
Transfer between lines	—	69
Decreases	-5,229	-168
Book value at December 31	**1,038**	**6,267**
Buildings and structures		
Historical cost at Jan 1	18,784	19,010
Decreases	-13,427	-226
Historical cost at Dec 31	5,358	18,784
Accumulated depreciation and impairment Jan 1	16,709	16,081
Depreciation for the period	678	853
Accumulated depreciation of decreases	-12,537	-226
Accumulated depreciation and impairment Dec 31	4,850	16,709
Book value at December 31	**508**	**2,076**
Machinery and equipment		
Historical cost at Jan 1	3,067	3,526
Increases	6	110
Decreases	-514	-569
Historical cost at Dec 31	2,559	3,067

EUR thousand	2022	2021
Accumulated depreciation and impairment Jan 1	2,288	2,434
Depreciation for the period	363	423
Accumulated depreciation of decreases	-385	-568
Accumulated depreciation and impairment Dec 31	2,266	2,288
Book value at December 31	**293**	**778**
Other tangible assets		
Historical cost at Jan 1	176	176
Decreases	-116	—
Historical cost at Dec 31	60	176
Accumulated depreciation and impairment Jan 1	60	37
Depreciation for the period	22	23
Accumulated depreciation of decreases	-79	—
Accumulated depreciation and impairment Dec 31	3	60
Book value at December 31	**57**	**115**
Total tangible assets	**1,896**	**9,237**

10. INVESTMENTS

EUR thousand	2022	2021
Shares in Group companies		
Historical cost at Jan 1	1,244,372	1,244,372
Historical cost at Dec 31	**1,244,372**	**1,244,372**
Other shares and holdings		
Historical cost at Jan 1	541	541
Decreases	-36	—
Historical cost at Dec 31	**505**	**541**
Total investments	**1,244,878**	**1,244,914**

11. RECEIVABLES

NON-CURRENT RECEIVABLES

EUR thousand	31 Dec 2022	31 Dec 2021
Receivables from Group companies		
Loan receivables	144,555	217,586
Total	**144,555**	**217,586**
Accrued receivables, group external		
Exchange rate derivatives	10,100	537
Accrued arrangement fees from financial agreements	605	605
Total	**10,704**	**1,141**

CURRENT RECEIVABLES

EUR thousand	31 Dec 2022	31 Dec 2021
Receivables from Group companies		
Trade receivables	851	3,252
Loan receivables	12,906	9,223
Other receivables	54,510	53,850
Accrued income	895	923
Total	**69,162**	**67,247**
Accrued receivables, intra-group		
Receivables from derivatives	—	20
Other receivables	895	903
Total	**895**	**923**
Accrued receivables, group external		
Exchange rate derivatives	1,201	1,028
Accrued arrangement fees from financial agreements	2,020	2,288
Other receivables	571	430
Total	**3,792**	**3,746**

12. EQUITY

EUR thousand	2022	2021
Share capital		
Share capital Jan 1	149,717	149,717
Share capital Dec 31	**149,717**	**149,717**
Fair value reserve		
Fair value reserve 1.1.	537	—
Increases	3,906	537
Fair value reserve 31.12	**4,443**	537
Non restricted equity reserve		
Non restricted equity reserve Jan 1	563,893	563,895
Share issue	-679	-2
Non restricted equity reserve Dec 31	**563,214**	**563,893**
Retained earnings		
Retained earnings Jan 1	243,310	267,101
Dividends paid and other distribution of assets	-33,490	-29,274
Treasury shares	2,197	198
Retained earnings Dec 31	**212,016**	**238,025**
Net profit/loss for the financial period	19,621	5,285
Total retained earnings	**231,637**	**243,310**
Total equity	**949,011**	**957,457**

DISTRIBUTABLE FUNDS ON 31 DECEMBER

EUR thousand	2022	2021
Non restricted equity reserve	563,214	563,893
Retained earnings	212,016	238,025
Net profit/loss for the financial year	19,621	5,285
Distributable funds from shareholders' equity	**794,851**	**807,203**

TREASURY SHARES OF YIT OYJ

	31 Dec 2022	31 Dec 2021
Amount	1,588,707	1,980.947
% of total shares	0.75 %	0.94 %
% of voting rights	0.75 %	0.94 %

13. DEFERRED TAX ASSETS AND LIABILITIES

DEFERRED TAX ASSETS

EUR thousand	31 Dec 2022	31 Dec 2021
Postponed depreciation	184	730
Pension liability	489	439
Unused tax losses	—	1
Total	**674**	**1,170**

DEFERRED TAX LIABILITIES

EUR thousand	31 Dec 2022	31 Dec 2021
Land and water revaluations	8	615
Total	**8**	**615**

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

14. NON-CURRENT LIABILITIES

EUR thousand	31 Dec 2022	31 Dec 2021
Bonds*	300,000	300,000
Loans from financial institutions**	50,000	150,000
Total	**350,000**	**450,000**

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

** Originally non-current loans transferred to current interest-bearing liabilities during the reporting period 100 000 te (0 te)

15. CURRENT LIABILITIES

LIABILITIES TO GROUP COMPANIES

EUR thousand	31 Dec 2022	31 Dec 2021
Trade payables	550	282
Other liabilities	221,547	450,991
Accrued expenses	103	70
Total	**222,199**	**451,342**

ACCRUED EXPENSES, INTRA-GROUP

EUR thousand	31 Dec 2022	31 Dec 2021
Payables from derivatives	103	70
Total	**103**	**70**

ACCRUED EXPENSES, GROUP EXTERNAL

EUR thousand	31 Dec 2022	31 Dec 2021
Personnel expenses	12,131	9,654
Interest expenses	9,020	7,285
Other expenses	227	1,070
Total	**26,760**	**18,009**

16. COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	31 Dec 2022	31 Dec 2021
Leasing commitments for premises		
Payable during the current financial year	6,835	6,879
Payable in subsequent years	29,810	38,384
Total	**36,644**	**45,264**
Operating leasing commitments		
Payable during the current financial year	1,818	4,553
Payable in subsequent years	2,046	1,626
Total	**3,864**	**6,179**
Other commitments		
Other commitments	2,447	2,193
Total	**2,447**	**2,193**
Guarantees		
On own behalf	10,935	10,637
On behalf of Group companies	957,342	977,896
On behalf of associates and joint ventures	3,950	4,575
On behalf of consortiums	2,095	9,720
On behalf of others	673	585
Total	**974,995**	**1,003,414**

DERIVATIVE CONTRACTS

EUR thousand	31 Dec 2022	31 Dec 2021
External foreign currency derivatives (level 2)		
Fair value, positive	1,201	1,028
Fair value, negative	-1,620	-2,630
Value of underlying instruments	175,522	215,613
Internal foreign currency derivatives (level 2)		
Fair value, positive	—	17
Fair value, negative	-103	-67
Value of underlying instruments	7,905	7,119
External interest rate swaps derivatives (level 2)		
Fair value, positive	10,100	537
Fair value, negative	—	-275
Value of underlying instruments	260,000	130,000

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 profit distribution

The distributable funds of YIT Corporation on 31 December 2022 amounted to EUR 795 million, of which the profit of the period 2022 amounted to EUR 20 million.

The Board of Directors proposes that a dividend of EUR 0.18 per share be paid based on the balance sheet to be adopted for the year 2022 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 21 March 2023. The Board of Directors proposes that the dividend for this instalment be paid on 5 April 2023.

The second instalment of the dividend shall be paid in October 2023. 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 2023. The dividend record date for the second instalment as per the current rules of the Finnish book-entry system would be 3 October 2023 at the earliest and the dividend payment date 11 October 2023 at the earliest.

On 31 December 2022, the number of outstanding shares of the company amounted to 209,511,146, of which the corresponding dividend based on Board of Directors proposal amounts to approximately EUR 38 million.

DIVIDEND PROPOSAL:

0.18 €

PER SHARE

Atlantinsilta bridge, Helsinki, Finland

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

Helsinki 9 February 2023

Harri-Pekka Kaukonen
Chairman

Eero Heliövaara
Vice Chairman

Frank Hyldmar

Sami Laine

Olli-Petteri Lehtinen

Casimir Lindholm

Jyri Luomakoski

Keith Silverang

Barbara Topolska

Kerttu Tuomas

Heikki Vuorenmaa
President and CEO

The Auditor's Note
A report on the audit performed has been issued today.
Helsinki

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 2022. 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
- 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 (2021: € 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

Equity investments - Tripla Mall Ky

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

Equity investments are recognised at fair value through profit and loss. The most significant individual equity investment is Tripla Mall Ky.

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 report prepared by the external appraiser used by management concerning the valuation. In addition, we discussed with the external appraiser about the valuation model and the assumptions used in the valuation.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
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.	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 have verified 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

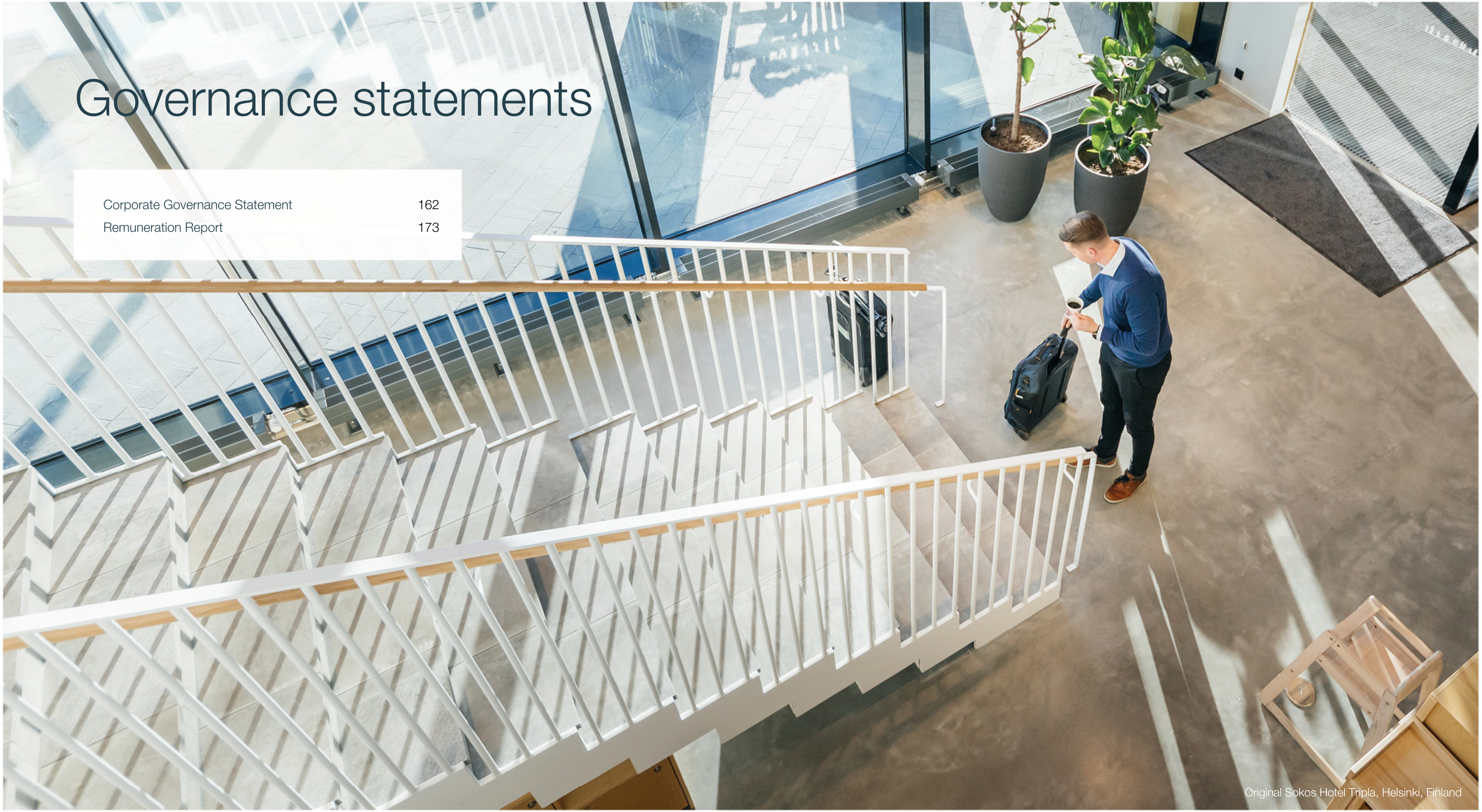
- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations

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 15 February 2023
PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant (KHT)

Governance statements



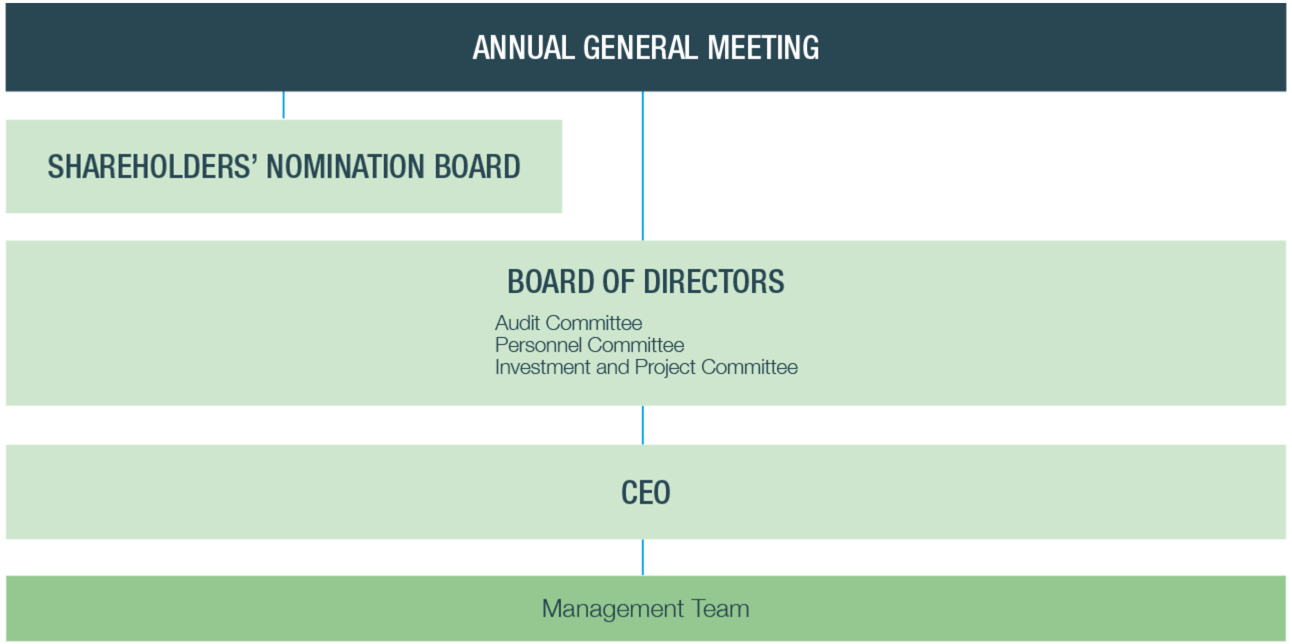
Original Sokos Hotel Tripla, Helsinki, Finland

YIT Corporation's Corporate Governance Statement for 2022

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 9 February 2023.



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 2022

The Annual General Meeting was held on 17 March 2022 in Helsinki without the presence of shareholders or their representatives at the meeting venue, in accordance with temporary legislation. Shareholders could participate in the meeting and exercise their shareholder's rights only by voting in advance and by presenting counterproposals and questions in advance. A total of 227 shareholders participated in advance voting for the Annual General Meeting, representing 120,445,085 shares and voting rights, which corresponded to approximately 57.06 per cent of the company's shares and voting rights.

EXTRAORDINARY GENERAL MEETING 2022

The Extraordinary General Meeting was held on 6 October 2022 in Helsinki. A total of 193 shareholders participated in the meeting personally or by proxy, representing 119,565,373 shares and voting rights, which corresponded to approximately 56.64 per cent of the company's shares and voting rights.

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 3–8 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 in accordance with the diversity principle of 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 2022

The members of YIT Corporation's Board of Directors from 1 January to 17 March 2022 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 17 March 2022 elected, in accordance with the Shareholder's Nomination Board proposal, 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: Frank Hyldmar, born 1961, M.Sc. (Econ.), CEO at Currenta GmbH & Co OHG; Olli-Petteri Lehtinen, born 1960, M.Sc. (Econ.); and Barbara Topolska, born 1966, MBA, CPI Property Group, General Director, Poland. The following were elected as new members of the Board of Directors: Casimir Lindholm, born 1971, M.Sc. (Econ.), MBA; Jyri Luomakoski, born 1967, MBA; and Kerttu Tuomas, born 1957, B.Sc. (Econ.).

The Extraordinary General Meeting held on 6 October 2022 resolved to amend YIT Corporation's Articles of Association and elected two (2) new supplement members to the Board of Directors. Consequently, the Board of Directors has eight (8) ordinary members in addition to the Chairman and the Vice Chairman. In accordance with the Shareholder's Nomination Board proposal, Sami Laine, born 1971, M.Sc. (Econ.) and Keith Silverang, born 1961, BA, MBA were elected as new supplement members to the Board of Directors for a term ending at the close of the next Annual General Meeting.

In 2022, all members of the Board of Directors were independent of YIT and its major shareholders, except Alexander Ehrnrooth (Board member between 1 January 2022 and 17 March 2022), who was not independent of significant shareholders.

The Board of Directors convened 16 times during 2022. The members' total attendance rate was 99 per cent. Corporate General Counsel Juha Jauhiainen served as the secretary of the Board of Directors.

BOARD OF DIRECTORS ON 31 DECEMBER 2022

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

Eero Heliövaara
Vice Chairman
Born 1956, M.Sc. Engineering, M.Sc. (Econ.)

Frank Hyldmar
Member
Born 1961, M.Sc. (Econ)

Sami Laine
Member
Born 1971, M.Sc. (Econ.)

Olli-Petteri Lehtinen
Member
Born 1960, M.Sc. (Econ.)

Casimir Lindholm
Member
Born 1971, M.Sc. (Econ.), MBA

Jyri Luomakoski
Member
Born 1967, MBA

Keith Silverang
Member
Born 1961, BA, MBA

Barbara Topolska
Member
Born 1966, MBA

Kerttu Tuomas
Member
Born 1957, B.Sc. (Econ.)

In 2022, a significant part of the Board of Directors' work was, among the main responsibilities and tasks, dedicated to the sale of Russian operations and managing and limiting the potential business impacts of the geopolitical situation, accelerating the implementation of the strategy, and selecting a new CEO. During the year, the work of the Board of Directors also focused on supporting the development and improvement measures of the group's performance and profitability, also taking into account the sustainability development targets, and at the end of the period, the effective start-up and ensuring of the activities of the renewed board composition.

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 2022

Name	Position	Ownership
Kaukonen Harri-Pekka	Chairman of the Board	58,516
Heliövaara Eero	Vice Chairman of the Board	40,811
Hyldmar Frank	Member of the Board	16,552
Laine Sami	Member of the Board	3,363
Lehtinen Olli-Petteri	Member of the Board	26,701
Lindholm Casimir	Member of the Board	5,367
Luomakoski Jyri	Member of the Board	5,367
Silverang Keith	Member of the Board	3,363
Topolska Barbara	Member of the Board	16,552
Tuomas Kerttu	Member of the Board	8,014
Yhteensä		184,606

COMMITTEES FOR THE BOARD OF DIRECTORS

The Board of Directors had three permanent committees in 2022: 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 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 2022

During the period 1 January–17 March 2022, the members of the Personnel Committee were Harri-Pekka Kaukonen, Chairman, and Eero Heliövaara and Tiina Tuomela as members.

At its organisational meeting following the Annual General Meeting on 17 March 2022, the Board of Directors elected, from among its members, Kerttu Tuomas as the Chairperson of the Personnel Committee, and Harri-Pekka Kaukonen and Eero Heliövaara as members.

At its organisational meeting following the Extraordinary General Meeting on 7 October 2022, the Board of Directors decided to supplement the Personnel Committee by electing Keith Silverang as a fourth member of the committee.

In addition to the members, the meetings of the Personnel Committee were attended by the company's President and CEO. The committee convened a total of six times during the year. The members' total attendance rate was 100 per cent. The Executive Vice President, Human Resources Katja Ahlstedt served as the Committee's secretary.

In 2022 the Personnel Committee prepared the People Focus Areas to support the company strategy, followed the quarterly conducted employee survey MiniVoice results and action plans, and reviewed the Health and Safety focus areas and actions as well as talent management and succession plans. The Committee prepared and submitted for the Board of Directors' approval the remuneration principles pursuant to the governance model, short- and long-term incentive programs pursuant to the remuneration policy as well as the budget, the indicators, goals and target groups. In addition, the Committee prepared for the approval by the Board of Directors the nominations to key positions as well as the remuneration proposals for 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, among other things, 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 2022

During the period 1 January–17 March 2022, the members of the Audit Committee were Olli-Petteri Lehtinen, Chairperson, and Alexander Ehrnrooth, Frank Hyldmar and Kristina Pentti-von Walzel as members.

At its organsational meeting following the Annual General Meeting on 17 March 2022, the Board of Directors elected, from among its members, Olli-Petteri Lehtinen as the Chairman of the Audit Committee, and Frank Hyldmar and Jyri Luomakoski as members.

At its organisational meeting following the Extraordinary General Meeting on 7 October 2022, the Board of Directors decided to supplement the Audit Committee by electing Sami Laine as a fourth member of the committee.

The Audit Committee convened six times in 2022. The members' total attendance rate was 97 per cent. Corporate General Counsel Juha Jauhiainen served as the Committee's secretary. The company's President and CEO and, as the company's chief auditor, Samuli Perälä (PricewaterhouseCoopers) also participated in the committee's meetings, as did members of the company's management and experts – such as a representative of the internal audit service provider – depending on the matters dealt with in the meeting.

In 2022, the Audit Committee regularly monitored and handled the development of the company's investments, financing and balance sheet position, the realization of the financing plan, and handled the achievement of cash flow and profitability targets, in particular taking into account the uncertainty caused by the geopolitical situation and the increased risks in the market environment. In addition, the Audit Committee regularly handled the financial reporting of the company's major projects.

During the accounting period, in addition to its main tasks, the Audit Committee handled with the implementation of the enterprise resource planning system implemented in the first half of the year and its progress, as well as the divestment of the Russian operations and its financial consequences.

INVESTMENT AND PROJECT COMMITTEE

The main function of the Investment and Project Committee is to assist the Board of Directors by discussing and preparing, in accordance with the internal decision-making authorisations 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 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 2022

During the period 1 January–17 March 2022, the members of the Investment and Project Committee were Eero Heliövaara, Chairperson, and Alexander Ehrnrooth, Harri-Pekka Kaukonen and Barbara Topolska as members.

At its organisational meeting following the Annual General Meeting on 17 March 2022, the Board of Directors elected, from among its members, Eero Heliövaara as the Chairperson of the Investment and Project Committee, and Harri-Pekka Kaukonen, Casimir Lindholm and Barbara Topolska as members.

The Investment and Project Committee convened a total of nine times in 2022. The members' total attendance rate was 100 per cent. The company's President and CEO also participated in the meetings of the committee. Corporate General Counsel Juha Jauhiainen 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.

Meeting attendance of the Board of Directors and its committee in 2022

Name	Board of Directors	Personnel Committee	Investment and Project Committee	Audit Committee
Kaukonen Harri-Pekka	16/16	7/7	9/9	
Heliövaara Eero	16/16	7/7	9/9	
Ehrnrooth Alexander[1]	3/3		2/2	1/1
Hyldmar Frank	16/16			6/6
Laine Sami[2]	6/6			2/2
Lehtinen Olli-Petteri	15/16			5/6
Lindholm Casimir[3]	13/13		7/7	
Luomakoski Jyri[4]	13/13			5/5
Pentti-von Walzel Kristina[5]	3/3			1/1
Silverang Keith[6]	6/6	2/2		
Topolska Barbara	16/16		9/9	
Tuomas Kerttu[7]	12/13	6/6		
Tuomela Tiina[8]	3/3	1/1		
Board of members' average attendance rate	99%	100%	100%	97%

[1] Alexander Ehrnrooth was a member of the Board of Directors, the Audit Committee and the Investment and Project Committee until 17 March 2022.
[2] Sami Laine has been a member of the Board of Directors since 6 October 2022 and the member of the Audit Committee since 7 October 2022.
[3] Casimir Lindholm has been a member of the Board of Directors and the Investment and Project Committee since 17 March 2022.
[4] Jyri Luomakoski has been a member of the Board of Directors and the Audit Committee since 17 March 2022.
[5] Kristina Pentti-von Walzel was a member of the Board of Directors and the Audit Committee until 17 March 2022.
[6] Keith Silverang has been a member of the Board of Directors since 6 October and the member of the Personnel Committee since 7 October 2022.
[7] Kerttu Tuomas has been a member of the Board of Directors and the Chairperson of the Personnel Committee since 17 March 2022.
[8] Tiina Tuomela was a member of the Board of Directors and the Personnel Committee until 17 March 2022.

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'S NOMINATION BOARD 2022

Between 1 January and 31 August 2022, the Nomination Board (elected in 2021) 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, Counsellor of Law, Juhani Mäkinen served as Chairperson of the Nomination Board, and YIT's Corporate General Counsel Juha Jauhiainen served as the secretary of the Nomination Board.

Starting from 1 September 2022, the Nomination Board comprised Alexander Ehrnrooth, Chairman of the Board, Tercero Invest AB; Juhani Mäkinen, Counsellor of Law, shareholder group representative 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, Counsellor of Law, Juhani Mäkinen served as Chairman of the Nomination Board, and YIT's Corporate General Counsel Juha Jauhiainen served as the secretary of the Nomination Board.

The Nomination Board convened five times in 2022. 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 1 January and 27 November 2022, YIT Corporation's President and CEO was Markku Moilanen, Ph.D. (Tech.), born 1961, with Antti Inkilä, M.Sc. (Tech.), born 1969, acting as his deputy.

On 28 November 2022, Heikki Vuorenmaa, M.Sc. (Econ.), born 1981, started as the company's new President and CEO, with Antti Inkilä, M.Sc. (Tech.), acting as his deputy.

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 2022

Name	Year of birth	Position and duties	Education	Share ownership
Vuorenmaa Heikki[1]	1981	President and CEO, Chairman of the Group Management Team	M.Sc. (Econ.)	20,000
Mäkipeska Tuomas	1978	CFO	M.Sc. (Econ.)	0
Ahlstedt Katja[2]	1968	EVP, Human Resources	BSc (Eng.)	0
Ekman Tom	1972	EVP, Business Premises segment	M.Sc. (Tech.)	17,622
Inkilä Antti	1969	EVP, Housing segment, Deputy to President and CEO	M.Sc. (Tech.)	42,389
Kostiainen Juha	1965	EVP, Urban development and ESG	M.Sc. (Tech), D.Sc. (Adm.)	26,455
Tolppanen Pasi	1967	EVP, Infrastructure segment	Ph.D. Engineering Geology	600
Tomperi Ilkka[3]	1975	EVP, Property Development segment	Ph.D. Finance	0

[1] Heikki Vuorenmaa has been the President and CEO of YIT since 28 November 2022.
[2] Katja Ahlstedt has been Executive Vice President of Human Resources since 1 April 2022.
[3] Ilkka Tomperi was Executive Vice President of the Property Development segment until 31 December 2022.

GROUP MANAGEMENT TEAM ON 1 JANUARY 2023

Heikki Vuorenmaa
President and CEO,
Interim EVP, Property Development
Born 1981, M.Sc. (Econ.)

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

Katja Ahlstedt
EVP, Human Resources
Born 1968, BSc (Eng.)

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

Antti Inkilä
EVP, Housing segment, Deputy to President and CEO
Born 1969, M.Sc. (Tech.)

Juha Kostiainen
EVP, Urban Development & ESG
Born 1965, M.Sc. (Tech.), D.Sc. (Adm.)

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

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

OBJECTIVES

The objective of YIT's internal control and risk management related to financial reporting is to ensure that the company's financial reporting provides an accurate picture of YIT's financial performance and position, as well as assurance that the company operates in accordance with internal guidelines and that YIT complies with the relevant laws and regulations as well as other obligations set out for listed companies. YIT's consolidated financial statements are drawn up in accordance with the International Financial Reporting Standards (IFRS). A further objective of risk management is to support the achievement of the company's strategic and business objectives by anticipating and managing potential threats and opportunities.

MAIN CHARACTERISTICS OF INTERNAL CONTROL

YIT's financial reporting, planning and control are based on the operating model specified by the Group, policies approved by the Board of Directors, and financial reporting manuals and instructions that need to be adhered to throughout the Group. In accordance with the operating model, the reporting and evaluation of financial results is performed at multiple levels of monitoring, performed by the Group's businesses, the persons responsible for the finances for each company, and group functions. The lowest levels of monitoring are the project level and the unit level. The highest levels of monitoring are the company level, business segment level and group level.

Responsibilities for the performance and control of financial reporting have been assigned in accordance with YIT's operating model to the businesses and the centralised group-level financial functions. The businesses are responsible for project-related financial reporting and the measurement of assets used in each business, for example. The centralised group-level financial functions engage in planning, guidance, training and coordination related to reporting, make key interpretations concerning accounting principles concerning financial reporting, and prepare financial reporting for review by YIT's Audit Committee and Board of Directors.

Monthly financial reporting to business-level and group-level management is a key control process for monitoring the achievement of financial targets. This internal financial reporting is prepared in accordance with the same IFRS accounting principles used for external group reporting. Monthly repeated controls, including both automatic and manual controls, are used to ensure the accuracy of reporting. The business segments and group functions monitor and evaluate the monthly reported actual figures and projections. Self-developed projects and contracting projects constitute a key component of YIT's financial reporting as a whole. Changes to the project portfolio are reported on a monthly basis, and any material changes are analysed on a project-specific basis as necessary. The project-level financial reporting performed by the businesses is supported and supervised by the centralised group-level Business Controlling function.

The strategies of the Group and its businesses are evaluated annually and updated as necessary. Annual plans based on the strategy and the budget for the next year are typically drawn up during the second half of the year. The strategy and annual plans are approved by YIT's Board of Directors.

RISK MANAGEMENT

The group-level investment, risk management and corporate security function coordinates and develops the systematic assessment of risks and opportunities as part of business planning and core decision-making processes. The function coordinates the assessment of risks and opportunities related to the business environment, operational activities, assets and financial position in order to limit unnecessary or excessive risk-taking. The business segments are responsible for the identification, assessment and management of risks in their respective areas of operation. Business-related risks and strategic risks are reported to the group management on a regular basis. The group management supervises and monitors the implementation of measures related to the risks. YIT's Board of Directors regularly reviews the risk portfolio based on the group management's assessment. More information on risk management principles is presented in the "**Risks and risk management**" section of the Annual Review.

FINANCIAL REPORTS PUBLISHED BY YIT

YIT publishes quarterly financial reports and annual financial statements. The Audit Committee reviews the reports and presents its recommendations concerning the reports to the Board of Directors. YIT's Board of Directors approves the reports for publication.

YIT publishes the main principles of its investor relations activities and its disclosure policy on the company's website. **The Disclosure policy** sets out YIT's practices concerning the publication of financial information.

FINANCIAL INFORMATION SYSTEMS

The key components of YIT's financial reporting include basic financial systems as well as project reporting systems. YIT continued to harmonise its basic financial reporting systems in 2022. These harmonisation efforts led to financial processes becoming more consistent between different countries and companies. At the end of 2022, the common basic system for financial information was in use in Finland, Sweden and Norway. The deployment of the basic financial information system is continuing in YIT's other operating countries.

In the monthly closing process for each period, the accounting data for each company is transferred from the basic financial information systems to the group's centralised consolidation system, which produces group-level and segment-level financial reporting, including both actual figures and projections. The functioning and information security of the systems used in financial reporting are monitored and inspected on a regular basis, and regular back-ups are made to ensure continuity.

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 2022, the company did not have any material-related party transactions that deviated from the company's normal business operations or that were not 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.

INTERNAL AUDIT

The internal audit is part of YIT's internal control system and framework. The internal audit is independent of other functions. It is an objective evaluation, assurance and consulting function intended to create added value for the company and provide recommendations for the further development of operations. The internal audit supports the Board of Directors and the management in the achievement of objectives by evaluating the appropriateness and effectiveness of the company's risk management, control, management and administration processes.

The internal audit carries out independent inspections of businesses, group companies, processes and specifically selected targets to evaluate the effectiveness of internal control. The aim of the internal audit function is to ensure compliance with internal policies, guidelines and regulations.

The internal audit systematically evaluates the effectiveness of the aforementioned functions and issues recommendations for the development of operations, thereby helping the company achieve its objectives. The internal audit also supports the sharing of best practices within the group. Group companies can report potential misconduct to the company's management through the internal audit function in addition to other reporting channels.

The internal audit operates under the supervision of the Audit Committee of the Board of Directors and reports the results of its auditing activities to the Audit Committee. The Audit Committee subsequently reports to the Board of Directors. A risk-based annual plan is drawn up annually for the internal audit and approved by the Audit Committee. The internal audit focuses on identified business risks. The focus areas highlighted in the annual plan are reviewed on a quarterly basis. Administratively, the internal audit reports to the Corporate General Counsel. YIT has outsourced its internal audit to Deloitte Oy effective from 1 January 2022.

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. YIT's key subsidiaries engaged in business activities must elect auditors from the same chain of audit firms as the one used by the parent company.

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 Auditing Act and the EU Statutory Audit Directive with regard to the maximum duration of the auditor's terms of office and, in electing the auditor, we also take into consideration that the total duration of the consecutive terms of office of the auditor with main responsibility must not exceed seven years.

YIT's auditor is the auditing firm PricewaterhouseCoopers. The chief auditor in 2022 was Authorised Accountant Samuli Perälä.

AUDIT FEES IN 2022

EUR million	2022	2021	2020
Statutory audit	1.1	1.1	1.0
Tax services	0.0	0.0	0.0
Other services	0.0	0.2	0.2
Total	**1.1**	**1.3**	**1.2**

BOARD OF DIRECTORS' REPORT

The Board of Directors issued its report for 2022 on 9 February 2023. The Corporate Governance Statement is published as a separate statement from the Report of the Board of Directors on the company's website at **www.yitgroup.com/corporategovernance.**

YIT Remuneration Report

The Remuneration Policy at YIT aims to support our ability to create better living environments and accelerate strategic transformation. Our goal is to deliver higher, predictable level of profit and be 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 the long-term and the short-term incentive plans.

Short-term incentive payments made based on 2022 performance are higher than in recent years. With long-term incentive plans (LTI) and earning periods 2020-2022, 2021-2023 and 2022-2024, the KPI performance development has been inadequate. Of the LTI KPIs, NPS and sustainability have developed positively whereas both ROCE and absolute TSR have remained 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 follows the principles of the YIT Remuneration Policy 2020–2023 approved at the Annual General Meeting on 12 March 2020.

The Remuneration Policy 2020–2023 has been followed during year 2022 without exceptions.

REMUNERATION DEVELOPMENT

YIT's strategy emphasises sustainable growth. Development in the area of sustainability has been supported by remuneration for a long time. Since 2020, especially the weight of environment related metrics has been increased progressively.

President and CEO (EUR)[1]	2022	2021	2020[2]	2019	2018
Heikki Vuorenmaa, CEO 28 Nov 2022 onwards	47,575				
Markku Moilanen, CEO from 1 Apr 2021 to 27 Nov 2022	1,887,515	547,497			
Antti Inkilä, Interim CEO from 23 Oct 2020 to 31 Mar 2021	–	180,280	91,143		
Kari Kauniskangas, CEO to 22 Oct 2020	–	–	1,655,303	887,225	815,723

Board of Directors (EUR)	2022	2021	2020[2]	2019	2018
YIT Board of Directors	812,064	777,600	751,000	690,300	556,050

Employee average remuneration (EUR)	2022	2021	2020[2]	2019	2018
YIT Employee[3]	55,780	51,986	44,213	46,569	43,621

[1] Remuneration details in this table do not include supplementary pension

[2] COVID-19 pandemic related temporary layoffs and cost saving measures impact the 2020 figures

[3] Calculated by dividing total salary and rewards costs by the average number of the employees. Pension and other social costs paid by the employer are not included in these figures. 2022 and 2021 employee average remuneration reflect continuous operations. 2018–2020 figures have not been restated.

FINANCIAL KEY METRICS (IFRS)

Revenue (MEUR)	2022	2021	2020 [1]	2019	2018
YIT	2,403	2,652	3,069	3,392	3,138

Operating profit (MEUR)	2022	2021	2020 [1]	2019	2018
YIT	102	56	35	80	100

Order book (MEUR)[2]	2022	2021	2020 [1]	2019	2018
YIT	3702	3847	3528	4,131	4,286

YIT has restated financial information for comparative period 2021 reflecting the reporting of sold Russian businesses as discontinued operations. Balance sheet and cash flow statement for comparative periods were not restated.

[1] Sales of the Pavement business to Peab in 2020 contributes to the decrease in Order book and Revenue numbers and has a one-time positive impact to Operating profit in 2020.

[2] The comparability is affected by the sale of Russian businesses. Comparative periods' figures before 2021 have not been restated.

REMUNERATION OF THE BOARD OF DIRECTORS

The Annual General Meeting decides on the annual remuneration of the Board of Directors and the Board Committees. Based on the decision of the Annual General Meeting on 17 March 2022 members of the Board were required to acquire YIT corporation shares from a regulated market (Nasdaq Helsinki Ltd) with an 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-week period following the disclosure of the Q1 2022 quarterly report. In addition to a 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 17 March 2022:

- Chair of the Board: EUR 105,000
- Vice chairman of the Board and chairs of the committees unless same person serves as chairman or vice chairman of the Board: EUR 73,500
- Members of the Board: EUR 52,500

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 the 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 2022 totals EUR 812,064 (EUR 777,600 in 2021). 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)

Member of the Board	Position	Fixed Fee	Board meeting fees	Committee meeting fees	Total 2022	Total 2021	Total 2020	Total 2019	Total 2018
Harri-Pekka Kaukonen	Chairman of the Board	105,672	22,400	16,800	144,872	143,200	129,200	127,900	117,750
Eero Heliövaara	Vice Chairman of the Board	73,970	12,000	19,200	105,170	114,000	108,600	95,500	78,800
Frank Hyldmar	Member of the Board	52,836	18,000	7,200	78,036	94,000	91,000	78,000	-
Sami Laine	Member of the Board	21,569	4,800	1,600	27,969	-	-	-	-
Olli-Petteri Lehtinen	Member of the Board	73,970	11,200	8,000	93,170	93,200	79,800	86,650	58,800
Casimir Lindholm	Member of the Board	52,836	10,400	5,600	68,836	-	-	-	-
Jyri Luomakoski	Member of the Board	52,836	10,400	4,000	67,236	-	-	-	-
Keith Silverang	Member of the Board	21,569	4,800	1,600	27,969	-	-	-	-
Barbara Topolska	Member of the Board	52,836	18,000	10,800	81,636	108,000	125,000	88,000	-
Kerttu Tuomas	Member of the Board	73,970	9,600	8,000	91,570	-	-	-	-
Previous members of the Board, total		0	4,800	20,800	25,600	225,200	217,400	214,250	170,350
Total		**582,064**	**126,400**	**103,600**	**812,064**	**777,600**	**751,000**	**690,300**	**556,050**

SHARES PURCHASED WITH THE FIXED FEES

Member of the Board	Position	YIT shares purchased in 2022	YIT shares purchased in 2021	YIT shares purchased in 2020	YIT shares purchased in 2019	YIT shares purchased in 2018
Harri-Pekka Kaukonen	Chairman of the Board	10,735	7,321	7,615	7,436	7054
Eero Heliövaara	Vice Chairman of the Board	7,514	5,125	5,330	5,205	4,937
Frank Hyldmar	Member of the Board	5,367	3,660	3,807	3,718	-
Sami Laine	Member of the Board	3,363	-	-	-	-
Olli-Petteri Lehtinen	Member of the Board	7,514	5,125	5,330	5,205	2,527
Casimir Lindholm	Member of the Board	5,367	-	-	-	-
Jyri Luomakoski	Member of the Board	5,367	-	-	-	-
Keith Silverang	Member of the Board	3,363	-	-	-	-
Barbara Topolska	Member of the Board	5,367	3,660	3,807	3,718	-
Kerttu Tuomas	Member of the Board	7,514	-	-	-	-
Previous members of the Board, total		0	10,980	11,421	11,154	15,625
Total		**61,471**	**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 President and CEO. The President and CEO's remuneration consists of a fixed base salary, 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 Deputy to President and CEO.

Heikki Vuorenmaa started as the President and CEO of the YIT Corporation on 28 November 2022. Markku Moilanen served as the President and CEO of the YIT Corporation from 1 April 2021 tol 27 November 2022. Since 1 August 2021 the Deputy to President and CEO has been Antti Inkilä who served also as the Interim President and CEO from 23 October 2020 to 31 March 2021.

According to the Remuneration Policy, the President and CEO is paid for performance, and the 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 incentive earning opportunity in the earning period 2022 was at the target level 45% and at the maximum level 90% of the annual fixed base salary (including fringe benefits). Earning opportunities for the other roles for both the 2022 and 2021 earning periods are listed below.

Earning opportunity

	2022		2021	
Role	**Target**	**Maximum**	**Target**	**Maximum**
President and CEO[1]	45%	90%	45%	90%
Deputy to President and CEO[2]	25%	50%	30%	60%
Interim CEO[2]			30%	60%

[1] Heikki Vuorenmaa is not eligible for Annual STIP from 2022 earning period.

[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. Before him the Deputy to President and CEO was Ilkka Salonen.

CEO Annual STIP metrics and results 2022

KPI	Weight	Performance
Adjusted EBIT	70%	75.1%
Operative Cash Flow	20%	81.2%
Customer satisfaction	5%	38.5%
Work Safety[1]	5%	0.0%
Group adjusted EBIT as on/off type of trigger		On
Total	**100%**	**70.8%**

CEO Annual STIP metrics and results 2021

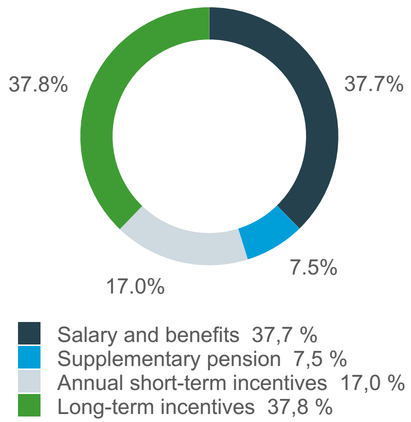
KPI	Weight	Performance
Adjusted EBIT	50%	0%
Operative Cash Flow	30%	100.0%
Customer satisfaction	10%	54.0%
Work Safety	10%	50.0%
Group adjusted EBIT as on/off type of trigger		On
Total	**100%**	**40.4%**

The former President and CEO Markku Moilanen shall receive an estimated short-term incentive payment of EUR 432,969 from the earning period 2022 in 2023 and the Deputy to Presdent and CEO Antti Inkilä EUR 96,672. In 2022, Markku Moilanen was paid EUR 89,898 from the earning period 2021 and Antti Inkilä EUR 77,000.

[1] Work safety outcome is set to zero for the CEO and the entire Group Management Team due to two fatal accidents at our construction sites.

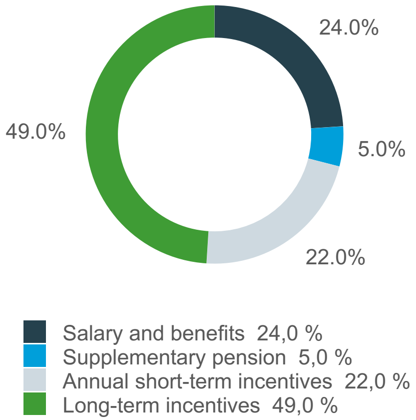
CEO REMUNERATION MIX (TARGET, MEUR[1])

At the target level, total rewards of the President and CEO add up to 1,33 MEUR of which fixed pay forms 46 % and variable pay 54 %.



CEO REMUNERATION MIX (MAX, MEUR[1])

At the maxmum level, total rewards of the President and CEO add up to 2,06 MEUR of which fixed pay forms 29 % and variable pay 71 %.



[1] Long term-incentive earning potential target and maximum calculated with YIT share rate 2,88 €/share.

LONG-TERM INCENTIVES

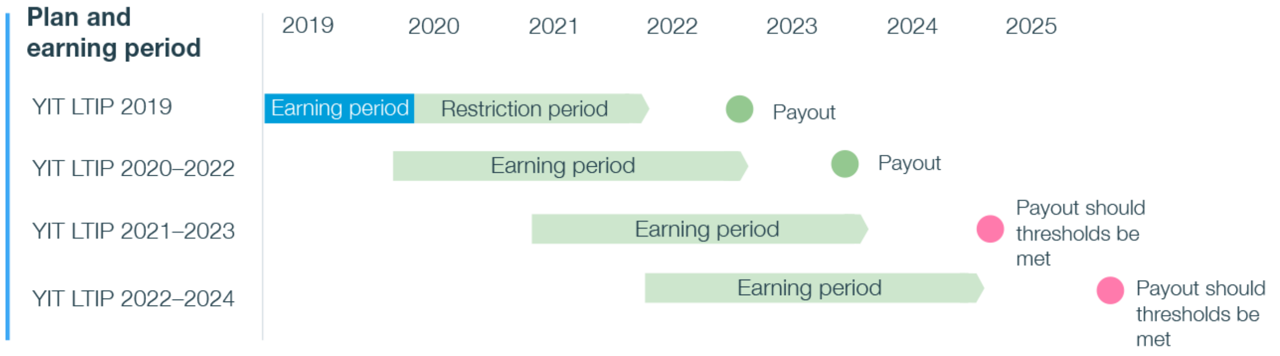
YIT has long-term incentive plans (abbreviated LTIP) in use to drive strategic transformation, long-term financial performance and retain key persons.

The Board of Directors 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, the second earning period from 1 January 2021 to 31 December 2023 and the third from 1 January 2022 to 31 December 2024. The potential share reward from the 2020–2022 earning period will be made in 2023, from the 2021–2023 earning period in 2024 and from the 2022-2024 earning period in 2025.

YIT's previous LTI Performance Share plan 2017–2019 had three one-year earning periods. There was a two-year commitment period associated with each earning period, after which the shares were transferred to participants still employed by YIT. The rewards from the earning period 2019 were paid out partly in cash and partly in company shares in May 2022. The purpose of the cash payment was to cover the taxes arising from the share reward.

The Deputy to President and CEO Antti Inkiä received a share payment of 12,540 shares and a cash payment of EUR 62,742 on May 7 2022 based on the 2019 performance measures ROCE and NPS.

LTI programs



LTI plan metrics and results

Plan and earning period	KPI	Weight	Performance
YIT LTIP 2022–2024	Absolute TSR	90%	Results can be assessed and disclosed after the earning period end.
	Sustainability	10%	
YIT LTIP 2021–2023	ROCE	45%	Results can be assessed and disclosed after the earning period end.
	Absolute TSR	45%	
	Sustainability	10%	
YIT LTIP 2020–2022	ROCE	70%	6.1%
	Absolute TSR	20%	
	NPS	10%	
YIT LTIP 2017–2019, earning period 2019	ROCE	80%	62.7%
	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 Deputy to President and CEO. The annual contribution of the plan was 20% of the fixed base salary in 2019-2022.

The contributions made to the supplementary pension scheme are disclosed in the below table.

Pension contributions (EUR)		2022	2021	2020	2019	2018
Heikki Vuorenmaa	President and CEO 28 Nov 2022 onwards	8,373				
Markku Moilanen	President and CEO 1 Apr 2021 to 27 Nov 2022	135,973	109,499			
Antti Inkilä	Interim President and CEO 23 Oct 2020 to 31 Mar 2021		24,000	11,535		
Kari Kauniskangas	President and CEO to 22 Oct 2020			98,598	112,116	3,795
Antti Inkilä	Deputy to President and CEO 1 Aug 2021 onwards	73,376	40,000			
Ilkka Salonen	Deputy to President and CEO to 31 Jul 2021		37,243	63,845	60,245	58,397

TERMINATION COMPENSATION

In respect to the service contract of the former YIT President and CEO Markku Moilanen, the following final salary and severance payments were agreed upon. The payment of the notice pay started on 1 December 2022 and ends 31 May 2023. The other elements of final salary and severance payments are made in course of 2022-2024.

Remuneration element	EUR, thousands
Salary from notice period (6 months)[1]	436.0
Unused holiday	12.0
12 months severance payment	742.0
Annual STIP 2022[2]	433.0
Long-term incentives	0.0
Total	**1,623.0**

[1] Includes supplementary pension
[2] Estimate made at year-end

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 were made in course of 2021 and 2022.

Remuneration element	EUR, thousands
Salary from notice period (6 months)	304.0
Unused holiday	107.0
12 months severance payment	609.0
Annual STIP 2020	0.0
Long-term incentive plan 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 ended 30 September 2022. The other elements of final salary and severance payments are made in course of 2022 and 2023.

Remuneration element	EUR, thousands
Salary from notice period (6 months)	159.6
Unused holiday and holiday bonus pay	0.0
6 months severance payment	159.6
Annual STIP 2021	27.3
Long-term incentive plan 2019	101.6
Total	**448.1**

SUMMARY OF AGGREGATED REMUNERATION

		2022							2021							2020	2019	2018
	Position	Annual salary	Benefits	Severance	Short-term incentives	Long-term incentives	Suppl. pension	Total	Annual salary	Benefits	Severance	Short-term incentives	Long-term incentives	Suppl. pension	Total	Total	Total	Total
Heikki Vuorenmaa	CEO 28 Nov 2022 onwards	47,553	22				8,373	55,948										
Markku Moilanen[1]	CEO 1 Apr 2021 to 27 Nov 2022	663,051	18,583	1,178,161	89,898		135,973	2,085,666	531,837	15,660				109,499	656,996			
Antti Inkilä	Interim CEO 23 Oct 2020 to 31 Mar 2021								120,280	3,630		60,000		24,000	207,911	102,678		
Kari Kauniskangas	CEO to 22 Oct 2020															1,901,595	999,341	848,271
Antti Inkilä	Deputy to CEO 1 Aug 2021 onwards	368,314	16,126		77,000	112,039	73,376	646,856	152,316	5,103				40,000	197,419			
Ilkka Salonen	Deputy to CEO to 31 Jul 2021								188,432	6,755			11,862	37,243	244,291	486,761	565,953	411,787

[1] The final Annual short-term incentive payment from 2022, EUR 432,969 based on year-end estimate, is reported as part of 2023 aggregated remuneration

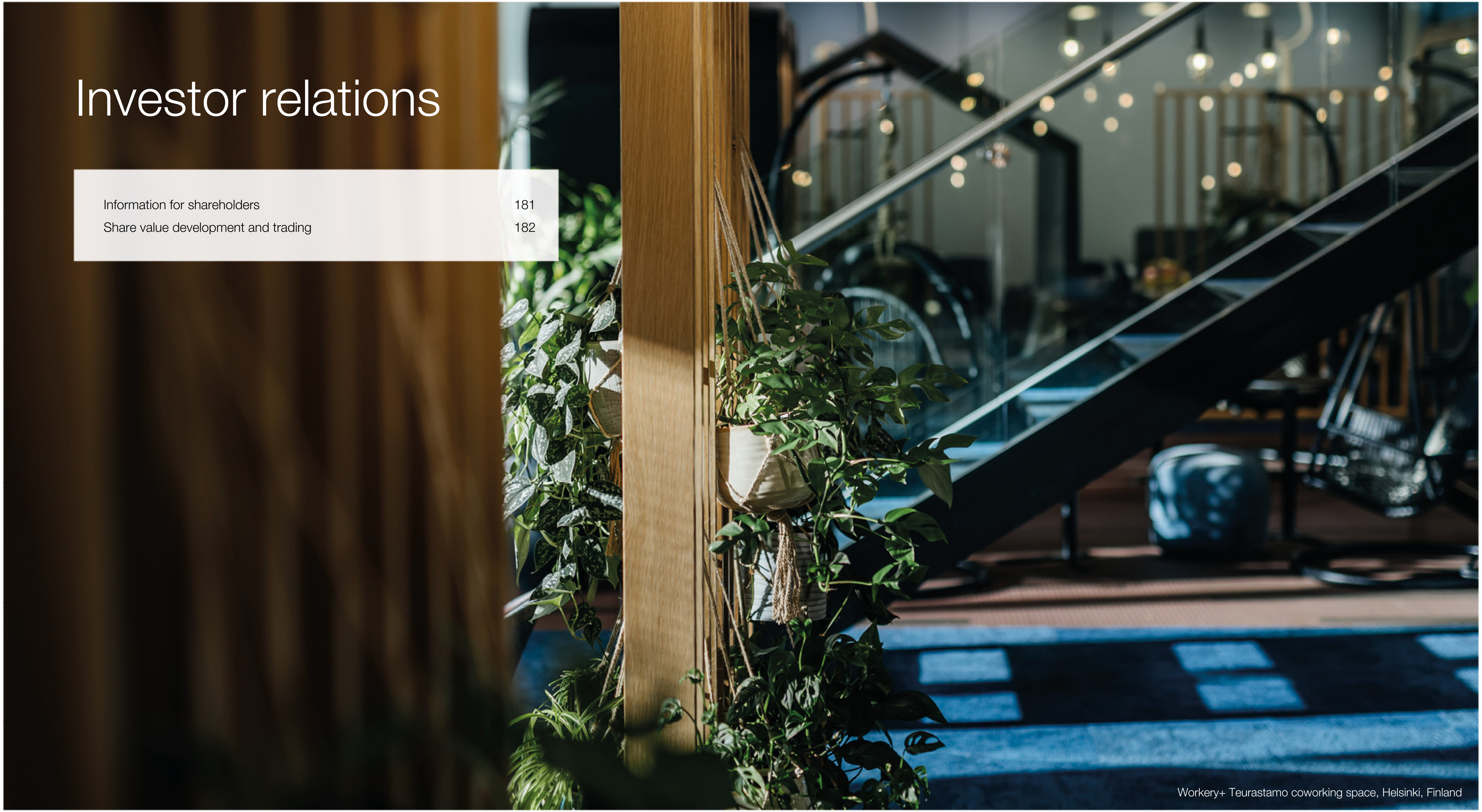
YIT expects its President and CEO to hold ownership in the company. The long-term incentive program aligns business strategy with the interests of company owners and the interests of the President and CEO. The following table discloses the details of YIT shares earned from the long-term incentive program and for which they have the earning opportunity.

	Position	Number of YIT shares earned but not yet transferred	Performance share earning opportunity
Heikki Vuorenmaa	CEO 28 Nov 2022 onwards	0	0
Markku Moilanen	CEO 1 Apr 2021 to 27 Nov 2022	0	0
Antti Inkilä[1]	Deputy to CEO 1 Aug 2021 onwards	2,624	74,000

[1] Earnings from YIT LTIP 2020–2022 earning period are due in 2023. These are gross shares before any taxes and other payments

[2] YIT LTIP 2021–2023 and 2022–2024 target earning opportunity disclosed. These are gross shares before any taxes and other payments

Investor relations



Workery+ Teurastamo coworking space, Helsinki, Finland

Information for shareholders

YIT INVESTOR RELATIONS

The aim of YIT investor relations is to support the appropriate valuation of the YIT share by continuously and consistently communicating all essential information on YIT to all market parties. Investor relations also aim to increase interest in the company among equity and debt investors as well as analysts, improve the loyalty of current shareholders, and reach new investors and analysts interested in the company.

YIT investor relations works on composing interim reports, the financial statements bulletin and stock exchange releases, creating investor presentations and planning and implementing investor communications as well as daily contact with investors and analysts. YIT also regularly arranges a Capital Markets Day for analysts and investors.

ACTIVITIES IN 2022

The popularity of virtual events adopted during the coronavirus pandemic and weakening of the market situation strongly affected to YIT investor relations activities in 2022. Altogether, YIT arranged over 30 investor events during the year. Roadshows and conference events were still held mainly virtually.

The publication dates of YIT's financial statement bulletin, half-year report and interim reports in 2021 were 4 February, 29 April, 28 July and 27 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.**

INVESTORS WEBSITE AND SOCIAL MEDIA

YIT as an investment, financial information and outlook, share and shareholders, corporate governance, investor calendar and events as well as financial reports and materials, among other things, can be found on the YIT investor website. In addition, IR newsletters with the latest Investor Relations updates are published regularly. All published newsletters can be found on the **YIT investor website.**

YIT's investor relations social media channel is **@YITInvestors** in Twitter. Among other things the latest news, financial information and events by YIT investor relations can be followed there.

FINANCIAL REPORTING AND SILENT PERIODS IN 2023

Financial Statements Bulletin 2022	10 February 2023
Interim Report January-March 2023	3 May 2023
Half-year Report January-June 2023	1 August 2023
Interim Report January-September 2023	1 November 2023

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.

ANNUAL GENERAL MEETING 2023

YIT Corporation's Annual General Meeting will be held on 16 March 2023.
Notice of the meeting and more information **www.yitgroup.com/agm2023**

IMPORTANT DATES RELATED TO THE ANNUAL GENERAL MEETING

- Notice of AGM published 10 February 2023.
- Registration and advance voting begins 10 February 2023 at 10:00 a.m. EET.
- Record date of the AGM 6 March 2023.
- Registration and advance voting ends 13 March 2023 at 10:00 a.m. EET.
- Annual General Meeting 16 March 2023 at 10:00 a.m. EET.
- Dividend record dates 21 March 2023 and 3 October 2023 at the earliest.
- Minutes of the AGM at Company's website 30 March 2023 at the latest.
- Proposed dividend payment dates 5 April 2023 and 11 October 2023 at the earliest.

CONTACT INFORMATION

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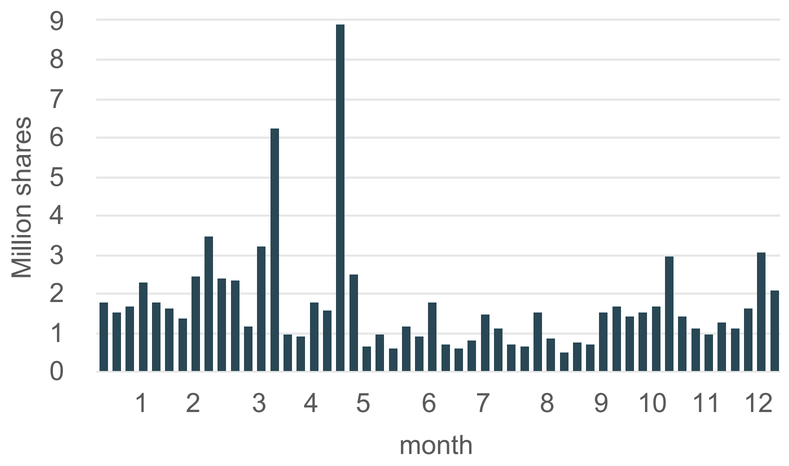
Tel. +358 20 433 111 (switchboard)

investorrelations@yit.fi
www.yitgroup.com/investors
Twitter: **@YITInvestors**

Share value development and trading

WEEKLY EXCHANGE OF SHARES 2022



SHARE PRICE DEVELOPMENT IN 2022

YIT's share price decreased approximately 43.27% during the reporting period. The opening price of YIT's share was EUR 4.34 on the first trading day of 2022. The closing price of the share at the end of the reporting period on 30 December 2022 was EUR 2.46. The highest price of the share during the reporting period was EUR 4.79, the lowest EUR 2.38 and the average price was EUR 3.41.

YIT Corporation's market capitalisation at the end of the reporting period on 31 December 2022 was EUR 515 million (901). The market capitalisation has been calculated excluding the shares held by the company.

The share turnover on the main market place Nasdaq Helsinki during the reporting period was approximately 91 million shares (91). The value of the share turnover was approximately EUR 315 million (439), source: Nasdaq Helsinki.

BASIC SHARE INFORMATION

Listed on: Nasdaq Helsinki Ltd
Trading code: YIT
ISIN code: FI009800643

Read more about **YIT as an investment**.

Mikonkatu 7 property renovation, Helsinki, Finland

Crown Bridges tramway, Helsinki, Finland

YIT

YIT is the largest Finnish and a significant North European development and construction company. We develop and build sustainable living environments: functional homes, future-proof public and commercial buildings, infrastructure for smooth mobility, and renewable energy solutions to benefit the climate. We employ around 5,000 professionals in nine countries: Finland, Sweden, Norway, Estonia, Latvia, Lithuania, the Czech Republic, Slovakia and Poland. Our revenue in 2022 was EUR 2.4 billion. YIT Corporation's share is listed on Nasdaq Helsinki. Read more: www.yitgroup.com

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