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Annual Review 2020

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Consolidated financial statements and Parent company's financial statements are audited. Data in electronic reporting format (ESEF) is unaudited.

This pdf file is not an xHTML document compliant with the ESEF (European Single Electronic Format) regulation.

YIT in brief

REVENUE

3,069 M€

ADJUSTED OPERATING PROFIT

85 M€

PERSONNEL

~7,400

COMBINED INJURY FREQUENCY (LTIF)

9.8

EMISSION REDUCTION (CO_2 e)

-21%

DIVIDEND PROPOSAL (PER SHARE)

0.14€

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

Report of the Board of Directors

LETTER BY THE CHAIRMAN OF THE BOARD: YIT'S RENEWAL IS ACCELERATING

A year of diverging developments in a challenging operating environment

The year 2020 was exceptional and challenging in many ways due to the COVID-19 epidemic. Employee health and ensuring the continuity of operations at our construction sites became our top priorities. Thanks to our quick reactions, good planning and strong commitment, we achieved good results in both of these respects. On behalf of the Board of Directors, I want to take this opportunity to thank the management and our entire personnel for their excellent work during the difficult year.

The uncertainty in residential and investment demand caused by COVID-19 had a negative impact on our business. We were forced to adapt our costs through furloughs and delay the start of new projects. In certain projects, there were delays on the client side, and the increased market yield requirements had a negative effect on the fair value of the Mall of Tripla in particular.

In addition to challenges arising from COVID-19, the year was characterised by inconsistencies in performance. Our residential construction segments – Housing Finland and CEE as well as Housing Russia – performed excellently, while project cost deviations particularly in the Business premises segment had a significant negative effect on our result. Overall, our adjusted operating profit for 2020 was weak.

While our best construction sites are the very best in all of Finland and they adhere to YIT's excellent project practices, the differences between strong performance and weak performance are too large. With this in mind, our first priority in 2021 will be to enhance project management and thereby improve our operating result.

Predictable, good dividend yield is important for our shareholders. Last year's weak Group profitability and translation differences in Russia have weakened our solvency. However, even in the prevailing uncertainty, we want to ensure our capability to invest in interesting projects and business opportunities, for instance, through plot investments and joint ventures. Consequently, the Board of Directors has come to a conclusion to propose the Annual General Meeting that a dividend of EUR 0.14 per share be paid for the year 2020.

New management to accelerate change

Improving project management calls for changes in our operating methods and company culture. To accelerate these changes, we decided to make a change in management: Kari Kauniskangas left his post as YIT's President and CEO in October 2020. I want to extend my warmest thanks to Kari for his commitment and contribution to the company over his long and distinguished career at YIT.

Markku Moilanen will join YIT as the new President and CEO in 2021. I welcome Markku to YIT to lead the company's strategic and operational renewal together with our management and entire personnel.

The changing environment requires renewal

Our operating environment and competitive landscape are changing at an increasingly rapid rate. Urbanisation, digital transformation, population trends and sustainability requirements are creating new challenges and opportunities that YIT must react to.

YIT's strategy is built around the core of sustainable urban development, which is based on these megatrends. We are in an excellent position to move forward: we have highly competent and committed employees, a strong and well-known brand, we are an attractive employer, we have excellent processes and operating models as well as a large plot reserve, excellent project portfolio and the financial resources to invest in the development of our business. At the same time, we need to have the humility to recognise the areas in which we must change; for example, through the renewal of our operating methods, strengthening our competencies and creating new kinds of partnerships.

The rate of change can be further increased by external shocks. For instance, the year of the pandemic has – partly due to restrictions – accelerated the development and implementation of new customer-oriented operating models, such as the use of digital solutions in sales and the customer interface, where we suddenly had to operate entirely digitally without in-person meetings.

One way to respond to the accelerating changes in the operating environment and the competitive landscape is to shift from traditional service- and product-oriented thinking to a genuinely agile approach focusing on customer needs and solutions. Ideally, this can create significant added value for customers and thereby enable us to differentiate ourselves from our competitors.

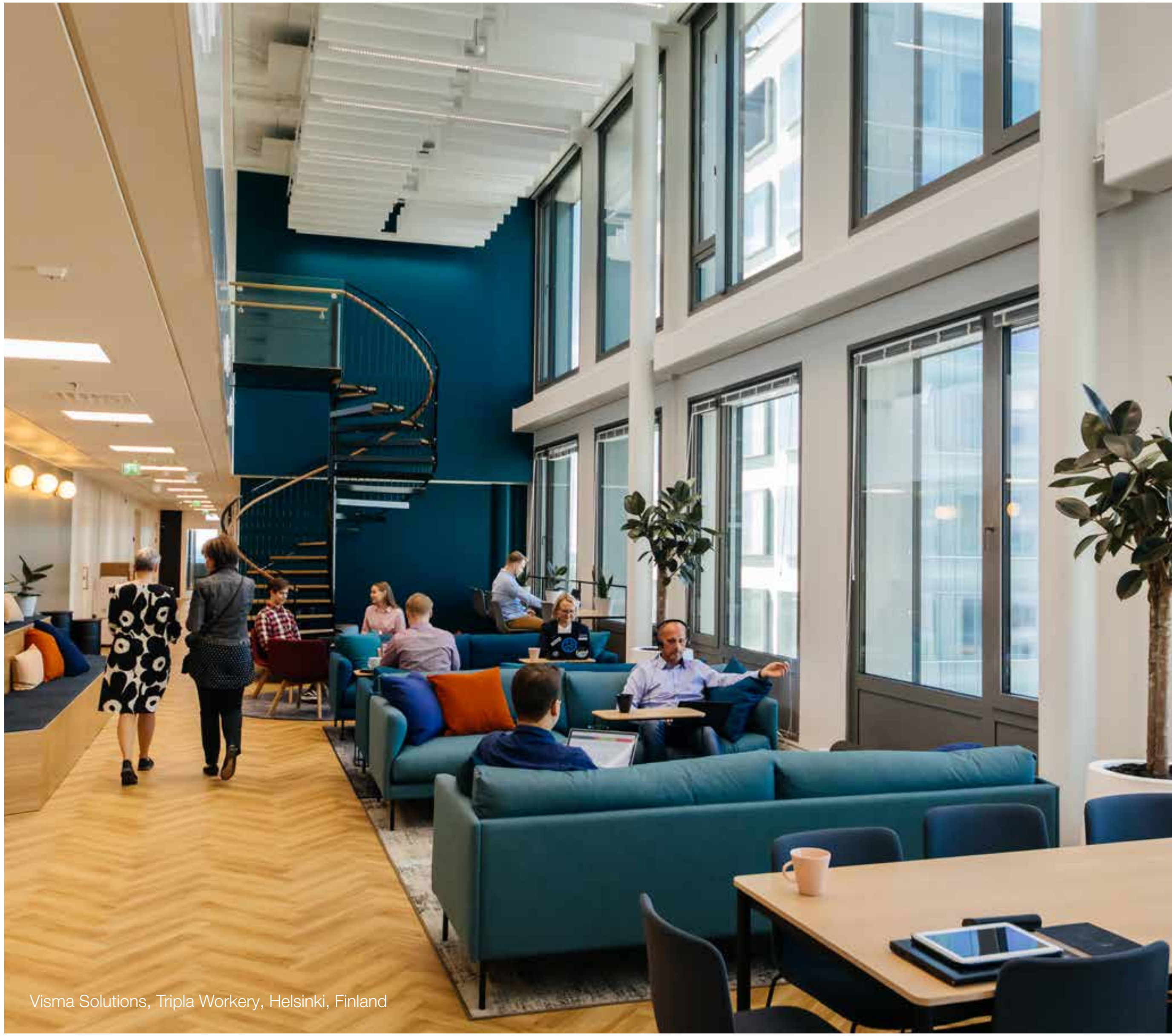
At YIT and in the broader construction industry, there is a need to rethink the relationships and partnerships between the various value chain participants that make up the industry ecosystem. Achieving significant improvements with respect to CO2 emissions, energy efficiency, productivity, occupational safety and quality would create tremendous business opportunities. However, this calls for moving from the current transaction-driven approach to new kinds of strategic cooperation between construction firms, designers, construction material suppliers, subcontractors and other parties.

Implementing these new approaches within YIT and with our various partners calls for the continuous development of our business model as well as the strengthening of competencies, corporate architecture, data management, application infrastructure and IT infrastructure. Above all, this process of renewal calls for a clear vision and strong change management.

Going forward, we will need to demonstrate even more of the innovativeness, speed and courage we have shown during the pandemic. These new insights will hopefully increase our organisation's capability and courage to question old truths and take significant steps to improve performance, overcome future strategic challenges and take advantage of opportunities.

Wishing you a successful year of renewal in 2021!

Harri-Pekka Kaukonen
Chairman of the Board



Visma Solutions, Tripla Workery, Helsinki, Finland

BUSINESS MODEL AND VALUE CREATION

YIT's business is based on urban development and the entire life cycle of the built environment. YIT develops and builds housing and living services, business premises and entire areas, and is a specialist in demanding infrastructure construction. At the core of its business model is a continuous flow of development projects that covers design, construction, ownership and service delivery.

YIT's service offering consists of four business areas: housing, business premises, infrastructure and partnership properties.

The housing business consists of the development and construction of apartments and entire residential areas as well as holiday homes. The main focus of operations is on self-developed projects, and YIT sells the apartments mainly itself to both consumers and investors. In addition, YIT offers and develops various living services and concepts.

The business premises business comprises both self-developed and contracted business premises construction as well as renovation construction. YIT implements a variety of projects for its customers, from schools to hospitals, industrial halls and commercial properties. YIT is specialised in life cycle projects, particularly with public sector customers.

The infrastructure business covers the construction of roads, bridges, railways and metro stations as well as ports and parking facilities, power plants, water supply and industrial facilities. YIT also offers wind power plant establishment solutions and related services and maintenance. In addition, YIT quarries tunnels and mines and reinforces the soil using various methods as well as provides road maintenance services.

The partnership properties business comprises project development for large self-developed projects, property management and the management and increase of value of YIT's investment assets through various service concepts.

VALUE FOR THE STAKEHOLDERS

As an urban developer, YIT creates value for its stakeholders through its entire business portfolio.

YIT's most important resources are its professional staff, strong financial capital, broad plot reserve, various building materials and natural resources as well as YIT's brand, corporate culture and long-term partnerships in the supply chain.

From these resources, YIT develops and builds value for people, society and the environment through its business.

Read more about **YIT's value creation model** and **impact of the business on the surrounding society**.

STRATEGY

In 2020, YIT continued its strategy execution by focusing even stronger on sustainable urban development and property investments. The company's target is to continue to strengthen its residential plot reserve focusing on capital regions and other strongest growth centres and to increase its capabilities further in project development. In property investments, strong partnerships and co-operation models enable implementing large urban projects with controlled capital use and a lower risk level. The company also continues to grow its long-term housing portfolio.

Balance sheet is further strengthened by streamlining business portfolio. In 2020, YIT completed the sale of the Nordic paving and mineral aggregates businesses and made a decision to close down operations in Norway.

YIT is involved in the entire life cycle of the built environment.

READ MORE ABOUT YIT'S BUSINESSES

YIT value creation: More life in sustainable cities

RESOURCES

PERSONNEL

- Competent and professional personnel in 10 countries (~ 7,400 employees)
- Employee competence development

FINANCIAL RESOURCES

- Equity (920 M€)
- Plot reserve (812 M€)
- Associated companies and joint ventures (80 M€)
- Investment property

INTANGIBLE ASSETS

- YIT brand
- Product and service concepts
- Company culture and values

NATURAL RESOURCES

- Building materials (materials and supplies 325 M€)
- Energy (308 GWh)

RELATIONAL CAPITAL

- Long customer relationships (consumers and investors)
- Reliable partner (~16,000 suppliers and subcontractors)
- External services (1,612 M€)

BUSINESS

BUSINESS AREAS

- Housing
- Business premises
- Infrastructure
- Partnership properties

OUTPUTS AND IMPACTS

FOR PERSONNEL

- Satisfied personnel (commitment index 80%)
- Direct and indirect employment effect (wages and salaries 372 M€)
- Safe work environment (combined LTIF 9.8)

FOR CUSTOMERS

- Satisfied customers (NPS 51)
- Sustainable and life facilitating services
- Better living environment

FOR PARTNERS

- Strategic partnerships
- Reliable customer for financiers (finance expenses 45 M€)

FOR ENVIRONMENT

- Emissions (71.8 ktCO2e)
- Momentary impacts (noise, dust, vibration)
- Waste (107 kt)
- Carbon neutral use of buildings
- Ecological products and services

FOR SOCIETY

- Development of sustainable urban areas
- Responsible corporate citisen (income taxes 3 M€)
- 100 Good Deeds -responsibility program

FOR OWNERS

- Stable and profitable investment (revenue 3,069 M€ and adjusted operating profit 85 M€)
- Dividends and appreciation (dividend proposal 0.14 € per share)

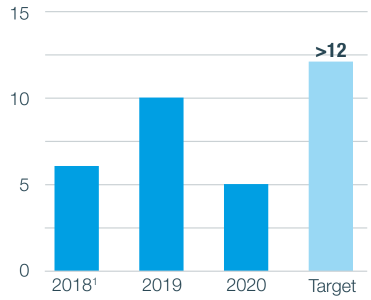
STRATEGIC TARGETS

YIT's strategic targets as confirmed by the Board of Directors are:

- >12% return on capital employed (ROCE)
- < 50% gearing
- Annually growing dividend per share
- Halving greenhouse gas emissions from 2019 by 2030

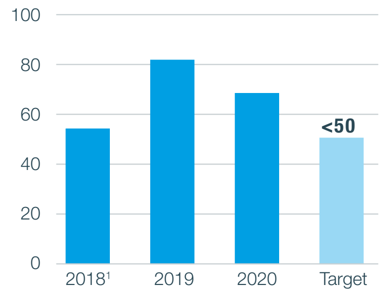
The main goal of the targets is a stable dividend yield over the cycles. During 2020, YIT's return on capital employed weakened as the result declined but measures to free up capital continued. The gearing improved significantly: in particular, the sale of the Nordic paving and mineral aggregates businesses supported the development of gearing. Dividend grew in line with the target. Related to year 2019, on top of the actual dividend, YIT's Board of Directors decided on an additional dividend payment of EUR 0.12 per share related to the completion of the sale of the Nordic paving and mineral aggregates business. During 2020, YIT achieved -21% emission reduction of own operations, including energy consumption, waste and business flights, and thus took a solid first step towards its emissions reduction target.

RETURN ON CAPITAL EMPLOYED (%, ROLLING 12 MONTHS)



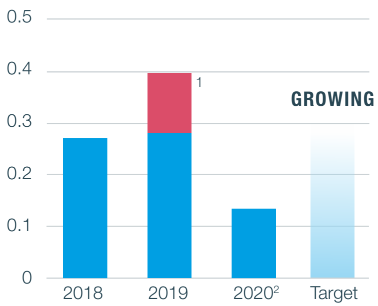
[1]excluding IFRS 16

GEARING (%)



[1]pro forma, excluding IFRS 16

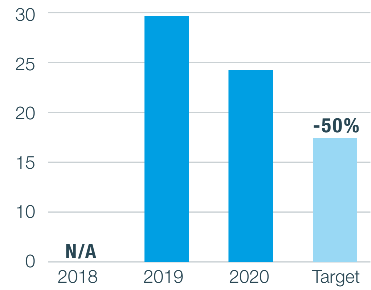
DIVIDEND PER SHARE (EUR)



[1]Additional dividend.

[2]Board of Director's proposal to AGM.

EMISSION INTENSITY OF OWN OPERATIONS (tCO_2e/REVENUE MEUR)



Tripla, Helsinki, Finland

OPERATING ENVIRONMENT

YIT operates in Finland, Sweden, Russia, the Baltic countries and Eastern Central Europe. YIT discontinued its operations in Denmark in March 2020 due to the sale of the Nordic paving and mineral aggregates businesses. In addition, YIT announced in October 2020 that it would close down its infrastructure business in Norway. The close down is estimated to last until 2022.

DEVELOPMENT OF THE OPERATING ENVIRONMENT IN 2020

During the reporting year, YIT's operating environment was hit by the COVID-19 pandemic along with the entire world. The effects began to show in YIT's operating countries in mid-March, and the extent of the effects varied within the year in line with the pandemic waves. During the year, the pandemic caused a few temporary site closures following the decisions of the authorities, delays in the authority processes, and general market uncertainty. YIT's operations remained uninterrupted in all countries in which it operates, taking into account the restrictions related to the COVID-19 pandemic.

Housing

In Finland, residential demand was at a good level in the beginning of the year, but fell sharply in the spring due to the COVID-19 pandemic. However, demand normalised quickly and returned to a strong level towards the end of the year. Housing company loan financing was stable but challenging due to the caution of banks. Consumers' access to mortgages also started to become more difficult towards the end of the year.

In the CEE countries, residential demand was at a good level at the beginning of the year, but weakened considerably in the spring due to the COVID-19 pandemic. Demand recovered during the summer and autumn, but uncertainty about the evolution of the COVID-19 pandemic created ongoing uncertainty. The pandemic slowed down the authorities' permitting processes, which delayed the commissioning of completed apartments.

Demand for housing in Russia was focused on reliable developers in the face of uncertainty caused by the COVID-19 pandemic. Mortgage interest rates remained low supporting demand, and the share of consumers purchasing apartments with mortgages increased during the year. In the Moscow region, all construction sites were closed for approximately one month during the spring 2020 through a decision by the authorities to prevent the spread of the COVID-19 pandemic.

Business premises

In Finland, public sector demand remained active despite the COVID-19 pandemic. Private customers postponed their purchasing decisions due to the uncertainty caused by the COVID-19 pandemic. In the CEE countries, fears of market development during the COVID-19 pandemic led to a declining price level in public contracting, but it began to stabilise towards the end of the year.

Infrastructure

In Finland, demand for infrastructure projects remained stable at the beginning of the year, but began to weaken as the COVID-19 pandemic caused delays in the project planning. In the summer of 2020, the Finnish state decided on stimulus packages for the infrastructure sector, which are expected to support demand from 2021 onwards.

In Sweden, the market remained solid supported by several ongoing major infrastructure projects and industrial investments. In the Baltic countries, the market environment remained challenging due to intense competition.

Partnership properties

Property investor decision making was postponed in the spring due to the uncertainty caused by the COVID-19 pandemic, but became more active again during the latter part of the year. The uncertainty caused by the COVID-19 pandemic had an impact on real estate yield requirements, which rose especially at the end of the year for commercial real estate in Finland.

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

FINANCIAL DEVELOPMENT

REVENUE

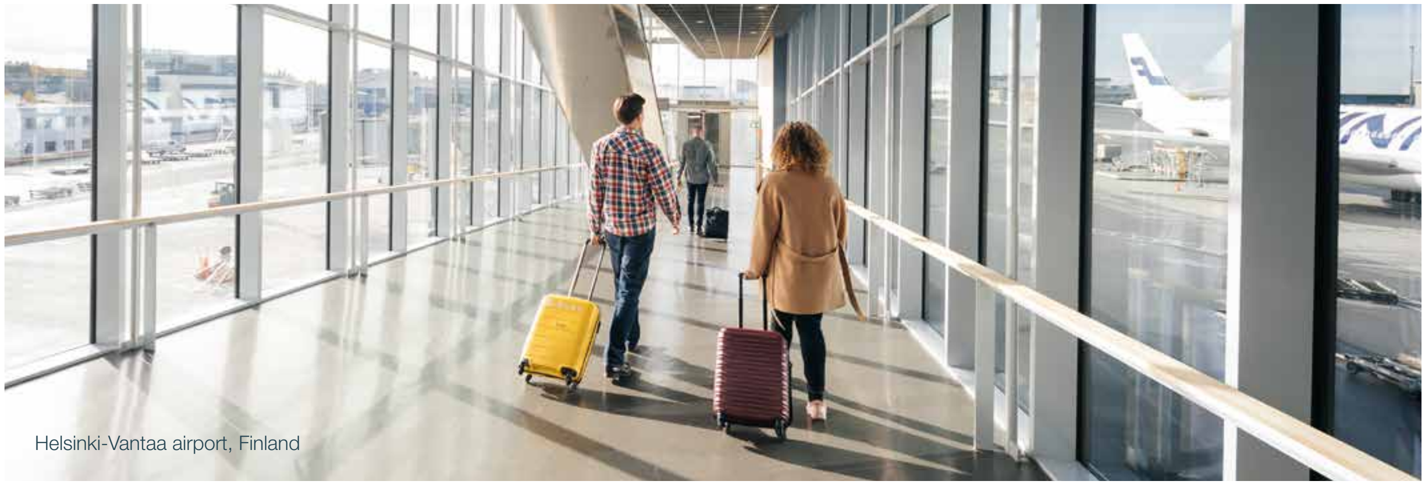
The Group's revenue amounted to EUR 3,069 million (3,392). Revenue increased in Housing Finland and CEE supported by an increase in consumer apartment completions. Revenue also increased in Housing Russia as a result of strong apartment sales levels, as well as the change in revenue recognition over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

RESULT

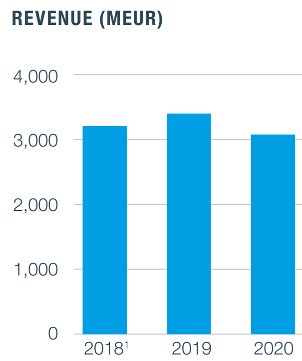
The Group's adjusted operating profit was EUR 85 million (165) and the adjusted operating profit margin 2.8% (4.9). The fair value changes amounted to EUR -15 million in 2020 compared to EUR 79 million in 2019. Operationally, the year was mixed. The housing segments posted strong results driven by higher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

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

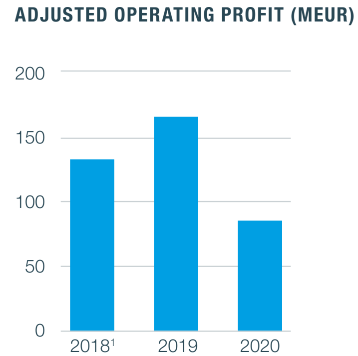
Result before taxes was EUR -6 million (40). Result for the period amounted to EUR -8 million (5) and result for the period including discontinued operations amounted to EUR 27 million (15). Gain on sale of Nordic paving and mineral aggregate businesses amounted to EUR 55 million.



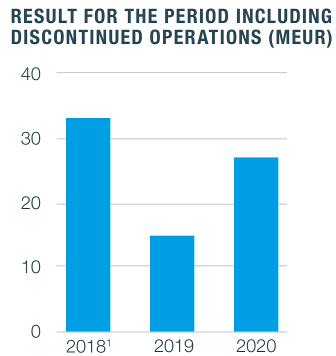
Helsinki-Vantaa airport, Finland



[1]pro forma



[1]pro forma



[1]pro forma

CASH FLOW AND FINANCIAL POSITION

Group's full year operating cash flow after investments was EUR 336 million (51). Full year cash flow from plot investments was EUR -155 million (-153), and cash flow from investments to associated companies and joint ventures was EUR -24 million (-34).

At the end of the period, interest-bearing debt amounted to EUR 1,114 million (1,051) and net interest-bearing debt to EUR 628 million (862). Equity ratio was 33% (34) and gearing ratio 68% (81). Net debt/adjusted EBITDA ratio was 5.0 (3.9). Net finance costs were EUR 41 million (40).

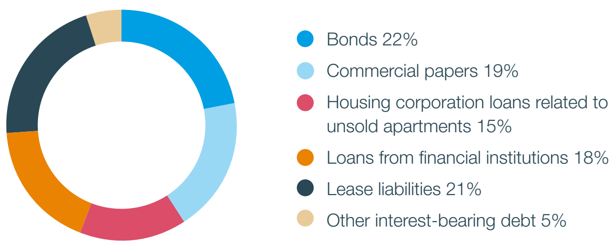
In the first quarter of 2020, YIT repaid a EUR 30 million term loan and agreed on a two-year term loan of EUR 50 million with a maturity date in March 2022. The agreement includes two options for a one-year extension. In addition, YIT agreed in the second quarter to extend EUR 255 million of its EUR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

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

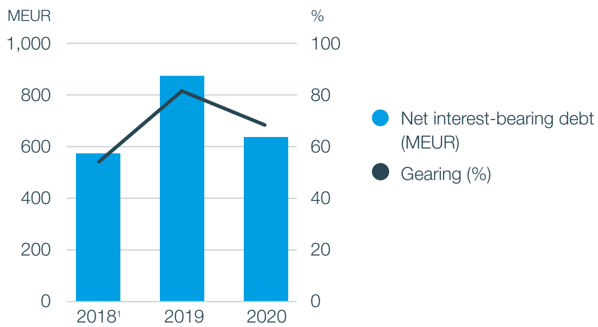
Capital employed was EUR 1,527 million (1,669) at the end of the year, out of which capital employed in Russia was 12% (18) resulting in EUR 186 million (294). Equity investments in Russia were EUR 271 million (352).

In Russia, the change in the housing act, which came into force in summer 2019, requires that in new residential development projects the consumer payments for housing shall be made to escrow accounts instead of direct payments to the contractor. The funds will be released to the contractor from the escrow accounts upon completion of the project. This change had a

INTEREST-BEARING DEBT PORTFOLIO

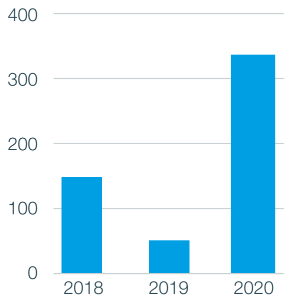


NET INTEREST-BEARING DEBT AND GEARING



¹excluding IFRS 16

OPERATING CASH FLOW AFTER INVESTMENTS (MEUR)



Hotel Holiday Inn Helsinki - Exbo, Helsinki, Finland negative impact of EUR 54 million (1) on YIT's cash flow in 2020. The Russian escrow accounts amounted to EUR 55 million (1) on 31 December 2020.

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

INVESTMENTS AND DIVESTMENTS

Full year gross capital expenditure was EUR 31 million (32), or 1.0% of revenue (0.9), of which EUR 26 million (21) leased.

Investments in plots were EUR 95 million (173), after which the plot reserve amounted to EUR 678 million (727). In addition, investments in leased plots amounted to EUR 13 million (20), after which the leased plot reserve amounted to EUR 134 million (126).

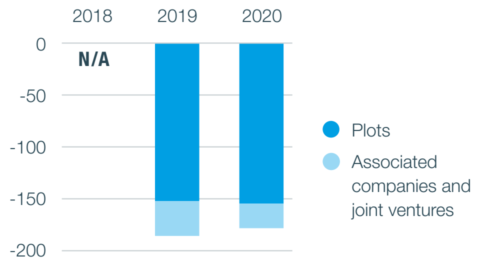
On 1 April 2020, the sale of YIT's paving and mineral aggregates businesses in Finland, Sweden, Norway and Denmark to Peab was completed. The debt-free purchase price amounted to EUR 288 million.

ORDER BOOK

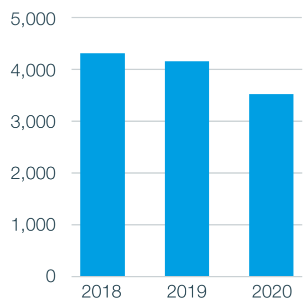
At the end of the year 2020, YIT's order book amounted to EUR 3,528 million (4,131). Order book decreased in housing segments and Infra segment whereas the combined order book of the Business premises and Partnership properties segments increased. At the end of the year, 82% of the order book was sold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

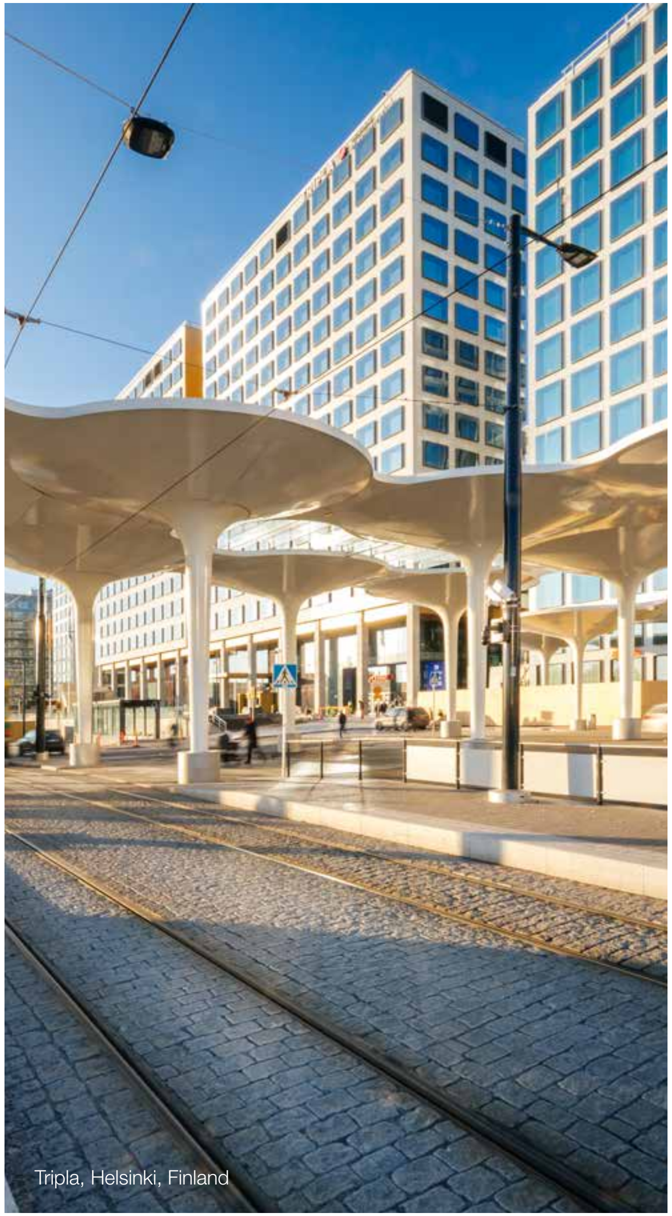
During 2020, numerous projects were added to YIT's order book, the most significant of which were schools and kindergartens implemented with the PPP model in Espoo, Finland (approx. EUR 235 million), the residential project in the hospital area in Koskela, Helsinki, Finland (approx. EUR 70 million), the second phase of the Tampere tram network in Finland (approx. EUR 62 million), the business premises project with Savo Consortium for Education in Finland (approx. EUR 62 million), road maintenance contracts in Finland (approx. EUR 56 million), the Lapland Central Hospital alliance project in Finland (approx. EUR 48 million), the Stockholm metro extension in Sweden (approx. EUR 40 million) and the Sodankylä multipurpose life cycle project in Finland (approx. EUR 35 million).

CASH FLOW OF INVESTMENTS (MEUR)



ORDER BOOK (MEUR)




Tripla, Helsinki, Finland

BUSINESSES

YIT has five reportable business segments: Housing Finland and CEE, Housing Russia, Business premises, Infrastructure and Partnership properties.

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

The Nordic paving and mineral aggregates operations sold on 1 April 2020 are reported in discontinued operations.

HOUSING FINLAND AND CEE

The segment's revenue increased to EUR 1,286 million (1,240) supported by an increase in consumer apartment completions. Revenue in the comparison period included a block sale of nearly 600 apartments to a joint venture. Adjusted operating profit increased to EUR 108 million (91) driven by strong apartment sales and improved margins. The segment's adjusted operating profit margin was 8.4% (7.4).

HOUSING RUSSIA

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

In 2020, the segment's revenue iincreased by 27% to EUR 305 million (240) as a result of strong apartment sales levels, as well as the change in revenue recognition over time. Revenue from continuing units was EUR 204 million. The impact of EUR-RUB exchange rates was EUR -43 million compared to the previous year. Adjusted operating profit increased to EUR 27 million (1), driven by strong apartment sales, increased margins, operational efficiency measures, as well as solid operations on sites despite the COVID-19 pandemic. The result was further supported by a plot sale of EUR 5 million. The impact of EUR-RUB exchange rates was EUR -4 million compared to the previous year. The segment's adjusted operating profit margin was 8.8% (0.5).

BUSINESS PREMISES

The segment's revenue decreased by 35% to EUR 761 million (1,177). The comparison period included revenue from the Tripla project and the real estate management business. Adjusted operating profit decreased to EUR -44 million (-7) largely due to financial settlements in three challenging projects which burdened the result by EUR 50 million. The segment's adjusted operating profit margin was -5.8% (-0.6).

INFRASTRUCTURE

In October 2020, YIT announced that it will start planning to close down its Infrastructure operations in Norway. The personnel reduction is approximately 130 people and the close down is estimated to last until 2022, when all ongoing construction projects have been finalised. From the third quarter 2020 onwards, the operating profit or loss from the businesses to be closed down will be recorded in adjusting items and will not be presented in adjusted operating profit.

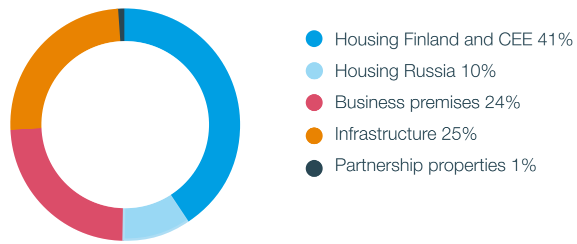
The segment's revenue decreased by 2%, to EUR 791 million (807) largely due to lower production volumes in Norway and the Baltic countries. Adjusted operating profit decreased to EUR 13 million (15) mainly due to margin reductions. The segment's adjusted operating profit margin was 1.6% (1.9).

PARTNERSHIP PROPERTIES

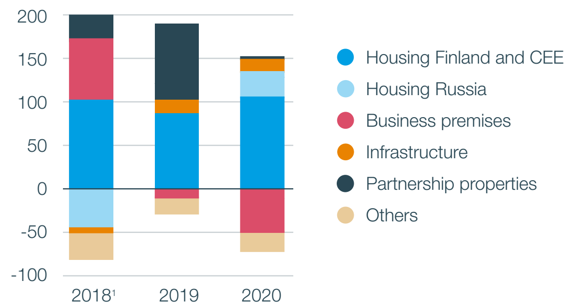
The segment's revenue was EUR 17 million (0). Adjusted operating profit decreased to EUR 5 million (83). The changes in fair values amounted EUR -15 million in 2020, compared to EUR 79 million in 2019. Operationally, the financial performance in 2020 was supported by the finalisation of the Espoo Keilaniemi project's real estate transaction in Finland as well as the sale of the housing stock of YIT's and Ålandsbanken's associated company ÅB Kodit I Ky.

YIT widened its investment portfolio by establishing a company with the OP-Rental Yield special fund investing in rental apartments. The investment value of the projects is approximately EUR 130 million, and YIT's share of the joint investment is 40%.

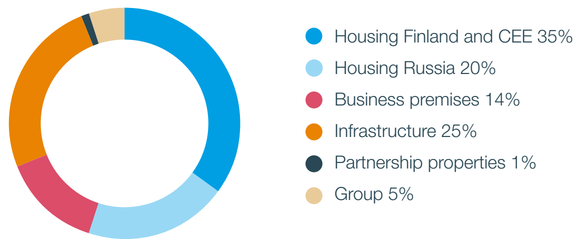
REVENUE BY SEGMENT



ADJUSTED OPERATING PROFIT BY SEGMENT (MEUR)



PERSONNEL BY SEGMENT



DISCONTINUED OPERATIONS

Discontinued operations include the Nordic paving and mineral aggregates operations sold on 1 April 2020 and related allocations. The revenue of the discontinued operations was EUR 27 million (540). Operating profit was EUR -22 million (12).

Tripla, Helsinki, Finland

RESEARCH AND DEVELOPMENT

YIT's research and development activities continued in 2020 in accordance with the themes of the company's strategy. The Group's investments in research and development amounted to EUR 25 million (23), which corresponds to 0.8% of net sales (0.7). Investments include internal resourcing and consulting in strategic development programs and technology investments. The company updated the calculation method for research and development investments during 2020, and the figures for the comparison periods have been updated in accordance with the new calculation method.

STRATEGIC DEVELOPMENT PROGRAMMES

In 2020, YIT continued its four strategic development programmes: Performance, Customer focus, Green growth and Services development.

The Performance program focuses on improving business mix, pricing, productivity, and project management. During the year, special emphasis was placed on developing project management through financial forecasting, supply chain management, production, personnel and the management system. Industrial construction was taken forward through product standardisation, prefabrication, data modeling, takt time production, and material flow management. Good results were achieved in shortening project lead times. The development of site management focused on quality management and occupational safety. The development of the Group's common management system continued and its implementation progressed in the Group's and business support functions.

The Customer Focus program aims to develop sales and the customer interface and to promote customer focus. Due to the COVID-19 pandemic, the development of the digital customer path was emphasised during the year. With regard to apartment sales, the sales process was transferred to digital channels in Finland and Russia, which served as a positive differentiating factor from competitors. Key customer work continued systematically. In addition the collection, reporting and utilisation of customer feedback from professional customers was developed.

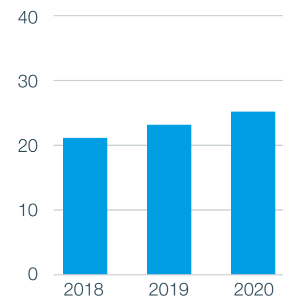
The Green Growth program focuses on integrating sustainable development into business operations. During the year, the priorities were to develop the capability of carbon footprint calculations and the development of renewable energy solutions, and to start planning for emission reductions in accordance with YIT's climate targets. In addition, the development of an internal sustainability reporting platform was continued, which allows projects to monitor, among other things, their energy consumption and the generation of waste on construction sites.

In the Services Development program new service business models are designed to support YIT's profitability. During the year, the development of customer-oriented service design was continued and the Workery+ concept of flexibly leased furnished office space was prepared. In addition, YIT conducted a study on future working practices together with Microsoft. The utilisation of data at different stages of the building life cycle was developed as part of YIT's own service business and in the KEKO development project supported by Business Finland. In addition, YIT made two significant minority investments in service technology companies, whose technologies can be used to improve indoor air conditions and energy efficiency in buildings.

OTHER RESEARCH AND DEVELOPMENT ACTIVITIES

In the financial management development project, the company has continued to harmonise financial and forecasting practices and systems. The first pilot of economic systems was put into production in Sweden and Norway at the turn of the year 2020-2021. In addition, the development of the company's core data management continued.
Knowledge management was developed by continuing to invest in the development of data and analytics capabilities, focusing on data collection, centralisation, standardisation and compilation.

RESEARCH AND DEVELOPMENT COSTS (MEUR)



SUSTAINABILITY

This section reviews YIT's non-financial information.

SUSTAINABILITY MANAGEMENT

Sustainable development is one of the four cornerstones of YIT's strategy. It guides business planning with aims to strengthen the company's sustainability performance. In addition, the strategy is supported by four development programmes, of which the Green Growth programme integrates sustainable development into business operations and seeks related new business opportunities.

The Board of Directors bears the highest responsibility for managing YIT's sustainable development. The Board of Directors discusses issues related to the overall sustainability as needed and decides on the company's long-term objectives. YIT's Group Management Team, led by the President and CEO, is responsible for the operational management of sustainability, setting annual targets and integrating them into operations. More detailed management practices are described by topic in the following chapters.

Climate change mitigation is one of YIT's strategic targets. Among other things, the company's objective is to halve its greenhouse gas emissions from its own operations and self-developed projects from 2019 to 2030. In addition, the company sets annual Group and segment-level targets for each key area of sustainable development. The progress of these targets is monitored in accordance with the agreed reporting principles in both the Group Management Team and the Board of Directors.

Sustainability themes have been integrated into the company's risk management. The identification and management of risks related to the environment, climate change, personnel, responsible procurement, human rights and the fight against corruption and the grey economy take place as part of the overall risk management and are implemented in accordance with common practices. In addition, YIT launched a detailed study on the risks and opportunities of climate change in autumn 2020. Risks and risk management are described in more detail in the chapter **Risks and risk management**.

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

Guiding principles

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

The YIT Code of Conduct was updated for 2019 and it contains the company's guiding principles in relation to customers, employees, shareholders, business partners, competitors, society and the environment. The Code of Conduct must be complied with always and in every section of YIT. Everyone at YIT has a reporting obligation when they suspect a violation, and a violation of the principles will result in an appropriate consequence.

YIT's Sustainability Policy was introduced in 2019 and it determines the company's state of mind and objectives in relation to the sustainability themes. The Sustainability Policy outlines the company's operations in relation to the environment, personnel and social affairs, human rights, economic activities, and ethics and governance.

YIT is committed to supporting the UN Sustainable Development Goals.

READ MORE

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

Key sustainable development themes

YIT has defined the most important sustainability themes for its operations with its stakeholders. The previous materiality analysis was carried out in the summer of 2018 with more than 2,000 stakeholder representatives, and the selected themes will continue to guide the company's operations. The most material sustainable development themes for YIT's operations are:

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

Impact of the business on the surrounding society

YIT's business has significant and long-term effects on the surrounding society. YIT's most significant impact on society consists of the results of its operations, meaning housing, business premises and infrastructure as well as projects for the development of wider urban environments. A built environment has a life cycle of decades, even centuries, so sustainable design and execution are essential for the impacts of YIT's operations, for example, in connection with climate change.

The positive impacts of the company's operations include, for example, sustainable and long-term living environments offered to customers, regional conversion projects, the development and utilisation of new sustainable products and services, and the direct and indirect employment effect. In addition, the company is a major taxpayer and creates value for its shareholders through dividends and an increase in market value.

The negative impacts are the use of raw materials and other materials, energy consumption and the resulting greenhouse gas emissions. Furthermore, waste is generated as a by-product of the company's operations. The aim is to reduce the negative effects by improving the productivity and efficiency of operations, developing existing products in a low-carbon direction and utilising circular economy solutions in YIT's operations.

In line with YIT's strategy, the company strives to generate positive value for society as a whole through sustainable urban development. In the summer 2020, YIT modelled the net impacts of its operations. The model creates a holistic overview of the environment, health, society and information. In YIT's operations, the most significant value created was in social infrastructure. YIT also creates positive value for the environment and health through various projects, such as hospitals, schools and renewable energy production facilities. The largest negative impact of YIT's operations is on the environment, as construction causes emissions and generates waste. YIT's net impact was +0.2, in other words, the company's products and services create more value than they cause costs or harm (Upright model version 0.3.331 10.12.2020). The average of companies listed on Nasdaq Helsinki was +0.7.

The company's business model is described in the chapter **Business model and value creation**.


Central library Oodi, Helsinki, Finland

ENVIRONMENT

YIT's operations have an impact on the environment through its modification, the use of natural resources and the long life cycle of products. The company strives to reduce the negative environmental impacts it causes on both its own operations and its products, and to provide customers with environmentally friendly solutions.

YIT Group's Board of Directors and Group Management Team define the Group's environmental objectives and monitor their implementation. Businesses are responsible for implementing objectives and development plans. The sustainability organisation supports business operations and coordinates Group-wide development projects as well as the Group's sustainability reporting. The general operating principles of environmental management are described in YIT's environmental principles. In addition, a procurement policy and a Supplier Code of Conduct are in place, which contain requirements for YIT's partners regarding environmental responsibility.

In autumn 2019, YIT set long-term targets for mitigating climate change:

- To halve greenhouse gas emissions from its own operations and self-developed projects by 2030 from 2019 levels
- To enable carbon-neutral heating, cooling and hot water in self-developed projects
- To report project-specific carbon footprint of self-developed projects from 2020 onwards

To support these long-term targets, the Group's and segments' annual objectives were set, and measures were incorporated into the segments' annual plans.

Environmental aspects in YIT's own operations

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

Measures and progress in 2020

During 2020, the planning of a roadmap to reduce emissions of YIT's own operations was launched. In 2020 YIT achieved a -21% reduction on the emission intensity of its own operations compared to 2019.

YIT's energy consumption declined slightly, but energy intensity remained at the previous year's level. Emissions from energy consumption decreased as the use of renewable electricity was introduced in Finland and Norway. In the comparison period, renewable electricity was used only in YIT's Lithuanian operations. The share of renewable electricity in the Group's electricity consumption rose to 56% (4).

During the year, measures were taken to improve the sorting and recycling of waste. In Slovakia, for example, an analysis of the costs and emissions of waste generated by construction sites was launched, with the aim of reducing waste through the Lean Construction method in the coming years. In Finland, the waste sorting rate increased to 70% (46). Overall, emissions from waste decreased slightly from the previous year.

Energy and waste reporting was standardised and expanded to cover all offices and construction sites under operational control throughout the Group's operating area. Project-specific energy reporting was developed in Finland during the year and will be introduced in all segments in 2021. The development of project-specific waste and energy reporting will continue in 2021. Environmental and waste reporting training was organised in several segments during the year.

Business flights and the resulting emissions decreased significantly primarily due to the COVID-19 pandemic.

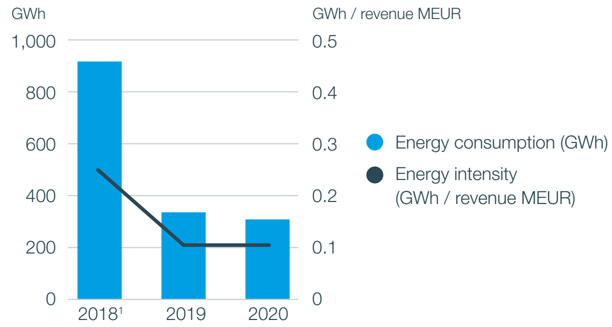
Reporting of environmental observations was promoted by developing a mobile tool for reporting observations. The tool will be introduced in Finland in January 2021.

Protecting biodiversity is also important in YIT's operations, and the most direct impact on biodiversity is in projects locally. YIT strives to take into account the conservation of biodiversity and species in the planning of projects and during the construction phase on sites. During the year, for example, the Jokeri Light Rail project in Helsinki made it possible for small animals to move with the help of a culvert and installed artificial nests for house martins.

Environmental issues are part of YIT's audits, and during the year environmental responsibility has been the focus of the audits, especially in the Infra segment. With the COVID-19 pandemic, audit methods were developed and the utilisation of a drone in YIT's internal site audits began in the segment towards the end of the year.

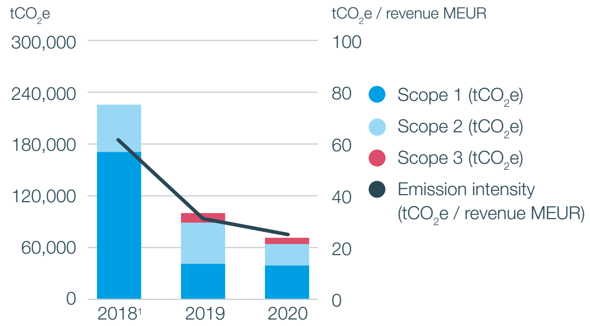
During the reporting year, there were a few minor environmental anomalies, such as minor oil spills, for which corrective measures were taken immediately at the sites in accordance with the action plans.

ENERGY CONSUMPTION AND INTENSITY



[1]includes discontinued operations

GREENHOUSE GAS EMISSIONS AND EMISSION INTENSITY



[1]includes discontinued operations

Environmental aspects in YIT's products and services

YIT strives to offer its customers environmentally friendly solutions, and to develop its products and services in a low-emission direction. The design takes into account the environmental aspects throughout the product's life cycle. This development is supported by YIT's long-term targets to halve the life cycle emissions of materials from self-developed projects by 2030 compared to 2019, calculate the carbon footprint of all self-developed projects and enable carbon-neutral heating, cooling and hot water in self-developed projects.

Measures and progress in 2020

Life cycle emissions of construction materials used in self-developed projects remained close to the level of the comparison year 2019, as during the year the primary focus was on developing the carbon footprint calculation capability of YIT's own personnel. The planning of a Group-wide emission reduction roadmap was started in cooperation with the business segments.

Project personnel were trained in carbon footprint calculation in all construction segments and in almost all operating countries. During the year, a preliminary carbon footprint calculation was performed at the design phase in nearly all self-developed projects (coverage 98%) and automation for accurate calculation was being developed. In addition, numerous other projects were calculated in the Business premises and Infrastructure segments to develop competence.

YIT has been involved in developing the carbon footprint calculation in the construction industry by participating in the piloting of low-carbon construction by the Finnish Ministry of the Environment in five projects. In addition, in the infrastructure industry, YIT wants to be actively involved in developing a unified carbon footprint calculation model. In autumn 2020, YIT also participated in the #Solution2020 Infra Hackathon to search for new innovations in calculating the carbon footprint of an infrastructure project and optimising a project's carbon footprint during the design phase. The Hackathon's results can be utilised in the further development of calculation and carbon footprint reduction measures.

YIT is actively exploring the possibilities of different material alternatives. During the year, construction began in Tampere on two of the first wooden module apartment buildings in YIT's history. In addition, the piloting of more environmentally friendly concrete will start in 2021 as part of the implementation of the emission reductions for self-developed projects.

Two theses were also carried out on the effects of different material solutions on emissions in the Housing Finland and CEE segment. The results of the research will be utilised, among other things, as part of the carbon footprint calculation and project emission reduction work.

The circular economy offers opportunities to reduce project emissions and environmental impact. During the year, for example, the Tampere Tramway Alliance project utilised surplus earth materials in, for instance, motorway noise barrier structures, and the Blominmäki wastewater treatment plant project in Espoo utilised surplus concrete as crushed concrete. In addition, a thesis in the Infra segment was completed to develop the recycling of land masses, and the results of the research will be used in the development of operations.

With regard to the carbon-neutral energy use of the projects built by YIT, the focus during the financial year was on developing a service-based geothermal heating solution in the first residential pilot projects. Moreover, the construction of three projects with geothermal heating were started during the year, which will be able to save 49% of the greenhouse gas emissions related to heating, cooling and hot water over the entire life cycle compared to a conventional district heating building. The utilisation of waste heat in hybrid projects was studied in the Business premises segment.

Managing a property's energy consumption is an essential part of minimising a property's life cycle emissions. YIT also strives to enable good indoor air conditions in all properties it builds. During the year, YIT made two significant minority investments in service technology companies, Nuuka Solutions Oy and IISY Oy, whose technologies can be used to improve the indoor air conditions and energy efficiency of buildings. The aim of the investments is to promote the development of the real estate sector towards more sustainable solutions, promote the achievement of YIT's climate targets, increase the value of the properties built and owned by YIT and improve the user experience.

YIT utilises various environmental certificates to support design and construction. For example, life cycle projects are planned with customers in accordance with the Finnish RTS environmental classification. During the year, the Sodankylä welfare centre Sopukka, built by YIT, was awarded a LEED Gold environmental certificate, and the K3 West warehouse property completed in Vantaa applied for a LEED Silver certificate. In addition, the Merenoja comprehensive school built by YIT in Kalajoki was Finland's first primary school to be awarded the Nordic Swan Ecolabel. In the Infra segment, both the Crown Bridges project in Helsinki and the Sockenplan metro project in Stockholm have applied for the international CEEQUAL certification.

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

Tampere Tramway Alliance, Tampere, Finland
Photo: Wiille Nyyssönen

SOCIAL AND PERSONNEL-RELATED ISSUES

Occupational safety, well-being at work and competence development are the most material social and personnel issues for YIT. As an attractive employer, YIT strives to take care of its personnel in all situations.

The personnel management approach is described in YIT's personnel principles and it is based on YIT's values: respect, cooperation, creativity and passion. Procedures for occupational safety management are described in the occupational health and safety principles. In addition, for procurement activities, there is both a procurement policy and a Supplier Code of Conduct, which include requirements for personnel and occupational safety.

YIT's Group Management Team defines the Group's occupational safety and personnel targets and monitors their implementation. Businesses are responsible for implementing the objectives, development plans and measures. Each supervisor has a responsibility for their subordinates. The personnel and occupational safety organisation support business operations and coordinates development projects and processes.

Measures and progress in 2020

During the financial year, the COVID-19 pandemic caused changes in YIT's operating environment as well as in the company's operating practices and employee working conditions. The company's primary focus was on ensuring the health and safety of personnel and business continuity, especially the functionality and resourcing of construction sites. The task force formed in the spring coordinated the instructions throughout the Group and ensured an open and regular dialogue with personnel representatives. YIT actively participated in cooperation with the national and regional authorities, labour market organisations, occupational health care and other actors in the construction industry to share information and develop best practices, for example, for tracing infection chains in the construction site environment. Business travel between countries was minimised and personnel mainly switched to remote work according to local guidelines. Construction sites were kept operational, with the exception of a few momentary stops due to official quarantines. Many proactive measures were taken at both offices and construction sites to ensure a safe working environment. During the year, 202 COVID-19 infections of the Group's own personnel were reported.

In January–December 2020, the Group employed an average of 7,377 people (7,635). Despite the COVID-19 pandemic, it was possible to provide summer jobs and internships for 804 young people (888). The share of women in the personnel was 24% (22). Attending employee figures are used in reporting the number of personnel.

Compensation and benefits

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

Personnel expenses in 2020 totalled EUR 372 million (406). In response to temporarily decreased demand and site delays caused by the COVID-19 pandemic, YIT adjusted its costs and furloughed a large part of its fixed white-collar employees for two weeks between April and August 2020.

More detailed information on remuneration can be found in **YIT's remuneration report**.

GROUP PERSONNEL

~7,400

PERSONNEL BY REGION

PERSONNEL BY GENDER

Occupational safety

Every employee is entitled to a safe working environment, and YIT invests heavily in occupational safety and accident prevention.

Measures and progress in 2020

During the financial year, occupational safety activities focused especially on the prevention of the challenges caused by the COVID-19 pandemic. Sites focused on a good level of hygiene and ensuring a safe working environment, even under exceptional circumstances. In Finland, among other things, a pilot of expanded weekly reporting was launched at eight different construction sites, the purpose of which was to pay special attention to topics related to hygiene, health and the ability to work in weekly reporting at construction sites.

Occupational safety reporting and monitoring were developed during the year. In order to develop transparency and a preventive culture related to occupational safety, YIT began to actively monitor dangerous situations related to occupational safety. During the year, more than 500 dangerous situations were reported, and, as desired, the number of reported incidents increased significantly from the previous year. In addition, the introduction of a digital tool for occupational safety observations continued in three operating countries after Finland, and the reporting of the observations was extended to include subcontractors. Since the beginning of 2020, YIT has renewed its accident reporting practices encompassing both its own personnel and subcontractors. The aim is to lead the safety development of the industry to a more comprehensive and transparent direction.

According to the new reporting model, the Group's combined accident frequency rate was 9.8 (10.7). The number of accidents decreased significantly in the spring due to the COVID-19 pandemic, but returned to its previous level during the summer and autumn. The combined accident frequency rate decreased from the previous year.

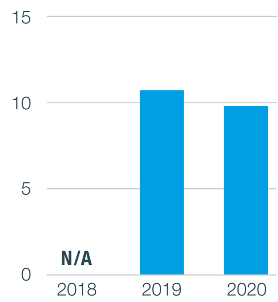
In May, YIT participated in the Occupational Safety Week of Confederation of Finnish Construction Industries RT throughout the Group.

The target level of site visits, aimed to emphasise the management's commitment, was adjusted in the spring following the COVID-19 pandemic, but despite the pandemic the number of site visits was higher than expected.

Occupational safety trainings were organised as planned, although the implementation took place online due to the pandemic. During the year, a new occupational safety training for the pre-design phase was started, which was completed by more than 400 supervisors.

The emphasis on occupational safety and implementation outside the construction sites also continued, as each employee took an occupational safety pledge as part of the annual performance and development discussions.

ACCIDENT FREQUENCY (COMBINED LTIF, ROLLING 12 MONTHS)



Tripla, Helsinki, Finland

Personnel's occupational well-being and competence development

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

Measures and progress in 2020

YIT conducts an annual Voice personnel survey, which monitors personnel well-being and thoughts. Employee satisfaction developed positively, as 98% of comparable results improved from the previous year. For example, the Spirit index, which describes cooperation and employee satisfaction, exceeded the set target level by one percentage point and was 77% (75). Satisfaction among trainees also remained high, as 97% (99) would like to work at YIT in the future. According to the Sustainability index related to ethical activities, personnel development opportunities and values, 77% (86) rated the company's business as good or excellent. Reconciliation between work and leisure was rated as good, and the result rose slightly from the previous year.

The results of the personnel survey in relation to the comparison group showed that at YIT, cooperation between units, support received from one's supervisor and development opportunities were perceived to be better. Conversely, for example, the ability of employees to influence the customer experience was perceived to be weaker than the top of the comparison group.

In order to develop and maintain the competence of personnel, the company organises a variety of trainings. In addition, annual performance and development discussions cover individual career opportunities and competence development needs.

The COVID-19 pandemic moved training to the online environment. Despite the situation, all planned training was arranged, and, for example, about 300 supervisors (183) participated in various supervisor trainings. In order to support the changed working methods, the company launched remote working training for all personnel, focusing on, among other things, the employee's self-knowledge, managing their own work and interaction skills.

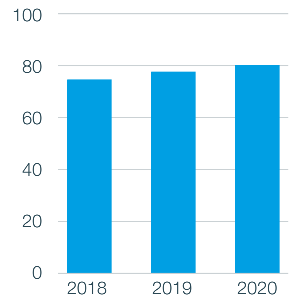
During the year, significant efforts were made to increase personnel awareness and understanding of key sustainability themes. In Finland, regular information sessions were held for personnel and sustainability was strongly integrated into internal communications throughout the Group. Personnel were extensively trained in environmental reporting and carbon footprint calculation, and each segment incorporated sustainability objectives into their annual plans. In addition, the management of the Group and the segments completed a three-part sustainability training.

YIT invests in supervisory work and during the year focused especially on open information flow. The Supervisor index, which is monitored annually, developed positively and rose to 79% (77). In addition, in Finland, the possibility for supervisors to grant absence was expanded so that the organisation could operate as flexibly as possible in suddenly changing situations.

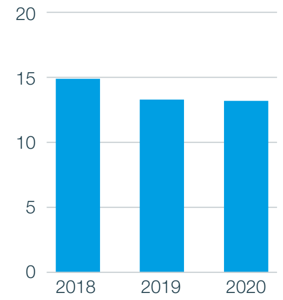
YIT also aims to invest in internal job rotation and career development. During the year, the focus was especially on the career rotation of personnel released from large completed projects.

Personnel turnover remained at the previous year's level and was 13.3% (13.4). The turnover rate including only resignations at own request was 7.0% (7.3).

PERSONNEL COMMITMENT INDEX (%)



EMPLOYEE TURNOVER (ROLLING 12 MONTHS, %)



RESPONSIBLE PROCUREMENT, HUMAN RIGHTS AND THE PREVENTION OF CORRUPTION, BRIBERY AND GREY ECONOMY

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

YIT is committed to respecting labour and human rights in its own operations and supply chain and aims to identify related risks. The company takes care of labour rights and ensures that all employees are treated fairly. The employees have freedom of association, and in Finland 84.3% (84.5) and in the Group as a whole 48.3% (49.3) of the personnel were covered by collective agreements. YIT does not tolerate harassment or bullying in the workplace.

The Code of Conduct is the basis for the fight against corruption, bribery and the grey economy and describes the general principles of the human rights policy. YIT has a risk management policy and corporate security principles in place. With regard to procurement activities, there are both a procurement policy and operating principles for YIT's partners (Supplier Code of Conduct), which guide activities in the field of human rights, corruption, corruption and the fight against the grey economy.

YIT Group's Group Management Team has a strategic responsibility in the prevention of corruption, bribery and the grey economy. In addition, the Group Management Team is responsible for respecting human rights and responsible procurement at the strategic level. The internal audit organisation supports the management in the development and supervision of risk management, internal control and good corporate governance.

The Group's business development function has a risk management and corporate security organisation, which is responsible for developing the Group's corporate security practices. It also has a procurement corporate responsibility team that assists the procurement organisation and construction sites in Finland in, for example, responsible subcontractor practices by training and advising and conducting internal audits. The procurement function is responsible for overseeing the human rights issues of subcontractors and the supply chain. The businesses have a responsibility to comply with YIT's Code of Conduct and good corporate governance in operational activities. Respect for human rights is a matter for all YIT personnel.

In addition, YIT is committed to complying with data protection requirements. Each YIT employee is responsible for compliance with data protection in their own duties. YIT has a data protection policy that describes YIT's personal data processing principles. YIT's data protection organisation is responsible for ensuring that operations comply with the Data Protection Regulation and assists in matters related to data protection.

Measures and progress in 2020

During the financial year, the development of good corporate governance and responsible operating practices continued. The harmonisation of project risk management started. The procurement's corporate responsibility team harmonised performance monitoring indicators related to subcontracting chaining, and the new indicators will be introduced in Finland and the CEE countries in 2021. In addition, the preliminary site induction was updated and information on the YIT Ethics Channel whistleblowing channel was added.

The number of corporate security investigations increased from the previous year and was 84 (59). 31% of the investigations, meaning 26, led to the termination of the contracts. The increase is explained by the increase in cases related to international procurement especially in large projects.

Nine corporate security training sessions were held during the year, and 120 people from all businesses participated. Around 80% of YIT's personnel completed the Code II online training as part of the orientation.

As part of the annual planning, YIT created a roadmap for responsible procurement for 2020–2022. The roadmap guides the development of procurement responsibility and includes, among other things, operational and strategic measures. Responsible procurement is coordinated by a working group that includes, in addition to procurement management, representatives from sustainability and corporate security organisations.

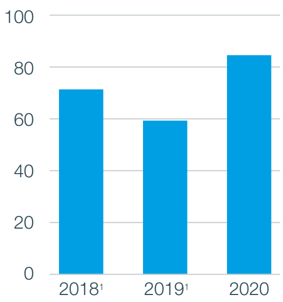
As a follow-up to the master's thesis on responsible procurement carried out in 2019, YIT launched a project in late 2020 to promote responsible procurement and prevent the grey economy. The purpose of the project is to investigate the employment rights of non-EU, third-country nationals working on YIT's construction sites in Finland and the implementation of the working conditions of all foreign workers. Following the survey of the current situation, an action plan will be drawn up to improve the monitoring of labour rights and to achieve fair and equal working conditions for employees.

Supply chain management is a key part of responsible sourcing. At the end of 2020, YIT decided to launch a project to harmonise the principles of supplier management during 2021–2022. The purpose of a Group-wide unified supplier management is to strengthen YIT's ability to steer its supply chain in connection with, among other things, the sustainable development themes.

The COVID-19 pandemic stopped YIT's supplier audits and visits, which delayed the development of supplier audits until 2021.

YIT updated its Supplier Code of Conduct to include more specific requirements related to human rights, occupational safety and the environment. An updated Supplier Code of Conduct is attached to each subcontract and material order. The unified document was introduced in all of YIT's operating countries. In addition, information on human rights in supply chains was added to the management system.

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



[1]include discontinued operations

KEY SUSTAINABILITY INDICATORS

SDG	Indicator	Unit	2020	2019	2018
11 Sustainable cities and communities	**SUSTAINABLE URBAN DEVELOPMENT**				
	Net impact	The Upright Project model	+0.2	-	-
13 Climate action; 12 Responsible consumption and production	**ENVIRONMENT**				
	Energy consumption	GWh	307.6	334.9	910.5[1]
	Emissions	tCO2e	71,794	100,564	225,487[1]
	Scope 1	tCO2e	39,776	41,682	171,427[1]
	Scope 2 (market-based)	tCO2e	24,899	47,692	54,060[1]
	Scope 3 (waste and business flights)	tCO2e	7,119	11,192	-
	Emissions intensity				
	Own operations (Scope 1, Scope 2 and Scope 3)	tCO2e/revenue M€	23.4	29.7	-
	Self-developed projects (materials)	kgCO2e/m2/year	9[2]	10	-
	Waste	1000 tonnes	107	148	-
	Sorting rate (Finland)	%	70[3]	46	-
8 Decent work and economic growth	**SOCIAL AND PERSONNEL MATTERS**				
	Accident frequency rate, combined (YIT personnel and subcontractors)	LTIF, rolling 12 months	9.8	10.7	-
	Fatal accidents (YIT personnel and subcontractors)	qty	0	1	1
	Personnel survey				
	Commitment index	%	80	77	74
	Supervisor index	%	79	77	76
	Spirit index	%	77	75	72
	Sustainability index	%	77	86	-
	Bullying cases	%	2.9	3.4	3.7
	Personnel turnover	%, rolling 12 months	13.3	13.4	15.0
16 Peace, justice and strong institutions	**RESPONSIBLE PROCUREMENT, HUMAN RIGHTS AND THE FIGHT AGAINST CORRUPTION, BRIBERY AND THE GREY ECONOMY**				
	Code of Conduct training	%	~80	79	80
	Investigations regarding potential crimes, misconduct or other deviations related to corporate security	qty	84	59[1]	71[1]
	Compliance with the Contractor's Obligations Act (Finland):				
	Subcontracting agreements	qty	approx. 8,900	approx 6,800[1]	approx. 8,700[1]
	Projects	qty	166	131[1]	141[1]

[1] Includes also discontinued operations.
[2] The company updated its calculation method during 2020 and carried out the calculation on a project-by-project basis at the design phase. The change in the calculation method will result in a maximum difference of 13% compared to 2019, with lower results according to the updated method.
[3] The company developed and expanded the coverage of waste reporting during 2020. Consequently, the figures for previous years are not fully comparable.

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

CORPORATE GOVERNANCE

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

RESOLUTIONS PASSED AT THE ANNUAL GENERAL MEETING

The Annual General Meeting of YIT Corporation held on 12 March 2020 adopted the 2019 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 0.28 be paid per share, or a total of approximately EUR 58.5 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 0.14 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 16 March 2020. It was decided that dividends for this instalment were paid on 7 April 2020. The second instalment of EUR 0.14 per share was paid in October 2020. 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, which, together with the payment date, was decided by the Board of Directors in its meeting scheduled for 18 September 2020.

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

Remuneration policy

Remuneration policy was presented to the Annual General Meeting. The Annual General Meeting resolved to support the presented policy.

Composition of the Board of Directors and their fees

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

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

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

In addition, it was decided that the award and payment of the fixed annual fee be contingent on the Board members committing to purchasing directly, based on the resolution of the Annual General Meeting, YIT Corporation shares amounting to 40% of the fixed annual fee from a regulated market (Nasdaq Helsinki Ltd) at a price determined by public trading. The shares were purchased within two weeks of the publication of the interim report for the period 1 January –31 March 2020.

In addition to the fixed annual fee, the Board members are paid a meeting fee of EUR 800 per meeting to Board member living in Finland and a meeting fee of EUR 2,000 per meeting to member living elsewhere in Europe. Additionally, it was decided that EUR 800 be paid per permanent or temporary committee meeting to a committee member living in Finland and EUR 2,000 to a committee member living elsewhere in Europe. Per diems are paid for trips in Finland and abroad in accordance with YIT Corporation's and tax authorities' travelling compensation regulations.

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

Election of the auditor and their fee

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

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 covers the purchasing of a maximum of 21,000,000 company shares using the company's unrestricted equity. The authorisation reverses the authorisation to purchase the company's own shares issued by the Annual General Meeting on 12 March 2019. The authorisation is valid until 30 June 2021.

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 a total of 42,000,000. The Board of Directors has the right to decide on all terms and conditions of issuing shares. The authorisation reverses the authorisation to decide on share issues by the Annual General Meeting on 12 March 2019. The authorisation is valid until 30 June 2021.

ORGANISATION OF THE BOARD OF DIRECTORS

YIT Corporation's Board of Directors held its organisational meeting on 12 March 2020. In the meeting, the Board decided on the composition of the Personnel Committee, the Audit Committee as well as the Investment and Project Committee.

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

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

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

SHARE-BASED INCENTIVE SCHEME

The Board of Directors of YIT Corporation decided on 16 March 2020, to launch a new long-term share-based incentive scheme for key persons.

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

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

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

CHANGES IN COMPANY MANAGEMENT

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

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

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

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

RISKS AND RISK MANAGEMENT

RISK MANAGEMENT

The purpose of YIT's risk management is to identify the most significant risks to the company's operations and manage them in a balanced way. Risk management aims to ensure the continuity of YIT's operations and the achievement of targets. YIT has a risk management policy that guides the management of the company's overall risk position. The policy describes the main principles of risk management at YIT. The risk management policy is approved by the Board of Directors of YIT. The Board of Directors guides and supervises the planning and execution of risk management and approves the company's risk-taking ability and risk appetite.

The Group's President and CEO retains overall responsibility for risk management. The President and CEO is responsible for the organisation, follow-up and implementation of risk management and the development of the risk management strategy. Business and support functions are responsible for risk management practices for their own part. The gate model is utilised in the risk management of projects; each gate includes a risk review.

Risk management is included in all of the Group's significant operating, reporting and management processes. Planning of the risk management, risk exposure assessment and operating environment analysis are part of the annual strategy 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 management and reporting practices. One key perspective in risk management is to also identify opportunities and actively take advantage of them.

YIT has categorised the risks that are significant to its operations into strategic, operational, financial and event risks.

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

YIT's headquarters, Helsinki, Finland

MOST SIGNIFICANT SHORT-TERM BUSINESS RISKS

Strategic risks

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

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

Operational risks

RISK	DESCRIPTION AND IMPACT OF THE RISK	RISK MANAGEMENT
Project risks	• Most of the company's business is project business, meaning that successful project management plays an integral role. Furthermore, major business premises and infrastructure projects account for a significant share of the company's expected operating profit in the coming years, meaning that successful project management in the projects is integral. • The most significant project management risks are related factors such as project management resources and capabilities, pricing, planning, scheduling, procurement, cost management and customer behaviour, as well as the management of sales risk in the company's self-developed business. • Associated companies and joint ventures involve risks relating to decision making, division of responsibility and financing and any disputes occurring in business. • Delays in certain building permit processes or handovers can transfer the order book, revenue, profit and cash flow from one quarter or year to another. • The warranty period associated with construction projects can involve risks.	• Continuously improving project management capability. • Developing the Group's shared management system. • Continuously developing the risk management and transparency of major projects based on lessons learned from previous projects. • Developing YIT's joint financial administration and forecasting systems. • In order to manage the warranty and liability period risks, separate gates with associated measures have been defined in accordance with the gate model. Project management continues until the risks no longer exist.
Risks related to contract and agreement disputes	• The implementation and completion of projects and liabilities and obligations during the warranty and maintenance period can give rise to disputes that can impair the profitability of the projects. • Additional and alteration work during the project in proportion to the original project package is a risk, especially in target price or price ceiling contracts.	• Actively influencing the preparation of general terms and conditions for the construction sector and compliance with them. • Engaging legal expertise in the preparation of new agreements in line with the valid guidelines and decision-making authorisation system. • Developing procurement-related agreement practices. • Complying with agreements.
Resource and personnel risks	• The availability of the resources needed for the planned production volume might prevent production as planned. • Any overheating of the construction market can have impacts on the prices and availability of resources. • Competitors' need for resources poses a risk of losing key personnel and expertise. • Changes in the scope of business operations can consume key employees' time, cause uncertainty among the personnel and activate competitors to attempt to recruit personnel. • Personnel changes in key positions.	• To support the identification of potential personnel resource risks, YIT annually creates a proactive personnel and training plan that outlines, in accordance with the Group's strategy, the competence needs, personnel needs and potential attrition due to retirement, for example. • Plans to also commit personnel in business change situations. • Competitive and fair remuneration. • Ensuring a systematic and target-oriented recruitment process.
Risks related to occupational safety and human rights	• Risks related to occupational safety are individual, such as various accidents and injuries. Most of the occupational accidents occurring at the company are related to tripping or slipping when moving around on-site. • Risks related to respecting human rights are associated with working conditions, harassment, racism, discrimination and unethical operating methods, among other things.	• Preventive occupational safety measures, such as safety planning, safety observations, on-site safety briefing practices and orientation training. • Investigation of accidents and dangerous situations and internal communications. • YIT's Code of Conduct and its development. • Increasing awareness of human rights. • YIT Ethics Channel.

RISK	DESCRIPTION AND IMPACT OF THE RISK	RISK MANAGEMENT
Procurement risks	• The high level of subcontracting in the construction industry and specialisation of areas of expertise may involve risks. • Foreign labour can involve risks, such as the realisation of labour and human rights. The mobility of labour within the EU has grown and the volume of labour from outside the EU has increased. • The efficiency of land acquisition and sufficiency of building rights can result in risks due to uncertainties outside of the project, such as changes in legislation, construction-related requirements and other regulations, interpretations by the authorities, general market development and availability. • Availability and delivery disturbances can delay the execution of projects and incur additional costs. • Matters relating to responsible subcontracting can cause risks and a significant negative impact on reputation. The globalisation of subcontracting can increase risks.	• The use of subcontracting chains is always subject to permission at YIT. • Proactive risk management in the design phase of projects and selection of partners. • Continuous monitoring of supply chains and partners through information systems and audits. • YIT's Supplier Code of Conduct and its development. • Supplier requirements relating to labour and human rights. • Developing the monitoring of foreign labour. • The efficiency risk of the procurement function is managed as part of project management, in addition to which the use of standard solutions will be increased. • Continuous development of matters relating to responsibility in procurement.
Environmental risks	• Operational risks related to environmental issues may be locally significant; for example, in the event of a fuel leak or soil contamination. The most significant acute environmental risks are related to the handling of hazardous materials.	• Construction sites' operating instructions for risk identification, prevention and management. • An environmental risk assessment is conducted in the planning phase for the largest projects.

Financial risks

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

Event risks

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

LEGAL PROCEEDINGS

DAMAGES RELATED TO THE ASPHALT CARTEL

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

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

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

QUALITY CONCERNS RELATED TO READY-MIXED CONCRETE

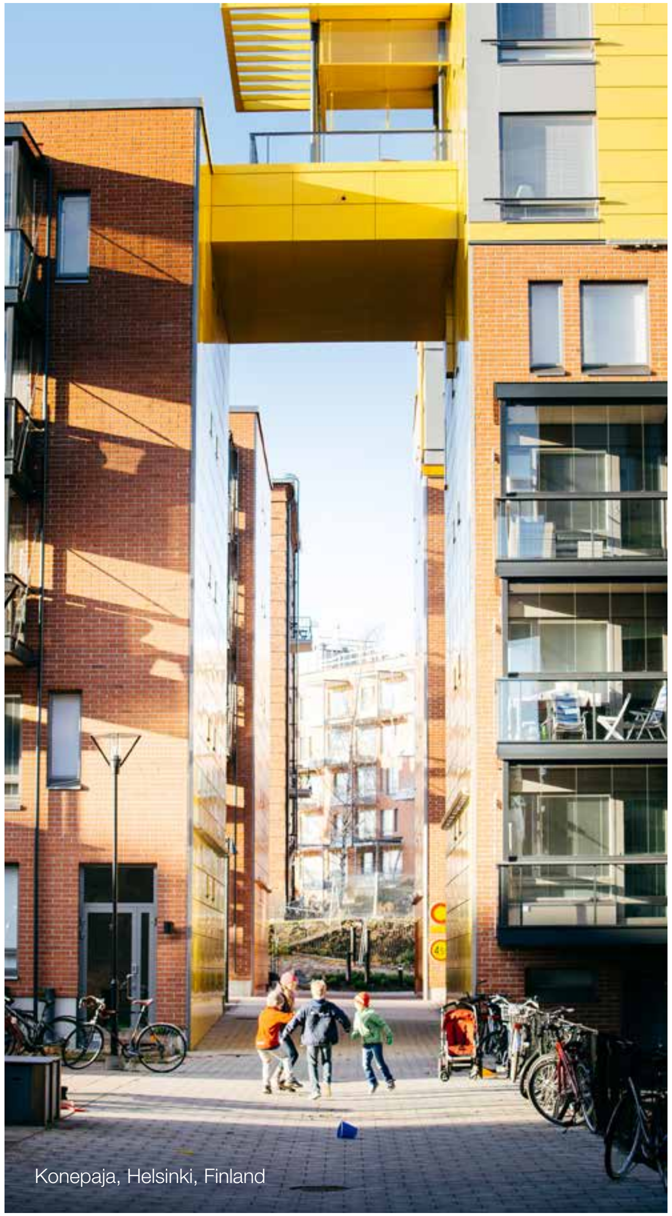
Ready-mixed concrete, among other things, has been used in construction business as a raw material. During the year 2016, especially in some infrastructure projects, suspicions arose that the ready-mixed concrete used in Finland would not entirely fulfil the predetermined quality requirements.

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

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

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

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



Konepaja, Helsinki, Finland

OUTLOOK AND GUIDANCE

SHORT-TERM MARKET OUTLOOK

Housing

In Finland, consumer activity is expected to stay at a good level, and institutional investors are returning more active. The availability of housing company loan financing is expected to remain stable but challenging. Access to consumer mortgages is delayed. Uncertainty caused by the COVID-19 pandemic continues.

In the Baltic countries, demand is expected to remain stable, and in the Central European countires, demand is expected to be at a good level. Uncertainty caused by the COVID-19 pandemic continues in both regions.

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

Business premises and Partnership properties

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

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

In the Central European countires, property investors are increasingly cautious due to the uncertainty caused by the COVID-19 pandemic. Rental demand is slowing down due to the uncertainty caused by the COVID-19 pandemic.

Infrastructure

In Finland, the uncertainty is expected to remain, and demand is expected to continue subdued due to delays in the development of infrastructure projects. State stimulus packages are expected to start supporting the sector from 2021 onwards. In the Baltic countries, the contracting market is expected to start recovering.

In Sweden, the market is expected to remain at a good level due to traffic infrastructure development programmes and urbanisation development. There are large-scale road and railway projects and industrial investments ongoing and in preparation.

GUIDANCE

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

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

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

Tripla - Greija village hall, 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.

In the beginning of 2020, 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 2020 was 209,083,556 (208,768,363).

TREASURY SHARES AND AUTHORISATIONS OF THE BOARD OF DIRECTORS

On 31 December 2020, YIT Corporation held 2,016,297 treasury shares.

The Annual General Meeting authorised the Board of Directors on 12 March 2020 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 2021.

The Board of Directors decided on 29 April 2020 and on 28 August 2020 on a directed share issue for the reward payment from the 2017 earnings period under YIT Group's Incentive Scheme and Lemminkäinen's Performance Share Program reward payment from the 2016 performance period as agreed in connection with the merger of YIT and Lemminkäinen. On 29 April 2020 and on 28 August 2020 YIT announced that in the share issues, in total 315,193 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 2020 the number of registered shareholders was 47,791 (43,178). A total of 13% (15) of the shares were owned by nominee-registered and non-Finnish investors.

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

The information is based on the shareholder register on 31 December 2020 maintained by Euroclear Finland Ltd. Each nominee-registered shareholder is recorded in the share register as a single shareholder. The ownership of many investors can be managed through one nominee-registered shareholder.

Major shareholders

	Shareholder	Number of shares	% of shares and votes
1	Tercero Invest AB	24,650,000	11.68
2	Varma Mutual Pension Insurance Company	15,945,975	7.55
3	PNT Group Oy	15,296,799	7.25
4	Conficap Oy	8,886,302	4.21
5	Pentti Heikki Oskari Estate	8,146,215	3.86
6	Ilmarinen Mutual Pension Insurance Company	5,984,339	2.83
7	Forstén Noora Eva Johanna	5,115,529	2.42
8	Elo Mutual Pension Insurance Company	4,396,850	2.08
9	Herlin Antti	3,445,180	1.63
10	Pentti Lauri Olli Samuel	3,398,845	1.61
11	Fideles Oy	3,188,800	1.51
12	Föreningen Konstsamfundet r.f.	3,000,000	1.42
13	The State Pension Fund	2,926,674	1.39
14	Pentti-von Walzel Anna Eva Kristina	2,760,599	1.31
15	Pentti-Kortman Eva Katarina	2,715,410	1.29
	200 largest shareholders total	151,363,609	71.70
	Nominee registered	21,538,449	10.20
	Other shares	38,197,795	18.10
	Total	**211,099,853**	**100.00**


YIT's headquarters, Helsinki, Finland

Ownership by the number of shares held

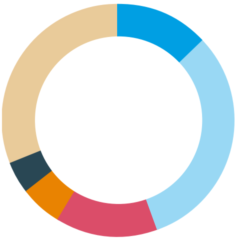
Number of shares	Number of shareholders	%	Number of shares	%
1–100	12,623	26.58	698,079	0.33
101–500	17,445	36.73	4,901,047	2.32
501–1,000	7,472	15.73	5,943,688	2.82
1,001–5,000	8,079	17.01	18,073,800	8.56
5,001–10,000	1,082	2.28	7,856,502	3.72
10,001–50,000	642	1.35	12,651,572	5.99
50,001–100,000	60	0.13	4,197,965	1.99
100,001–500,000	57	0.12	11,634,895	5.51
500,001–	31	0.07	145,142,305	68.76
Total	**47,491**	**100.00**	**211,099,853**	**100.00**

Board of Directors' and management's shareholding

	Number of shares	% of share capital
Board of Directors	2,879,487	1.36%
Interim President and CEO	28,849	0.01%
Deputy to the President and CEO	63,653	0.03%
Total	**2,971,989**	**1.40%**

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

Ownership by sector



- Nominee registered and non-Finnish holders 13%
- Households 32%
- General government 14%
- Financial and insurance corporations 6%
- Non-profit institutions 4%
- Non-financial corporations and housing corporations 31%

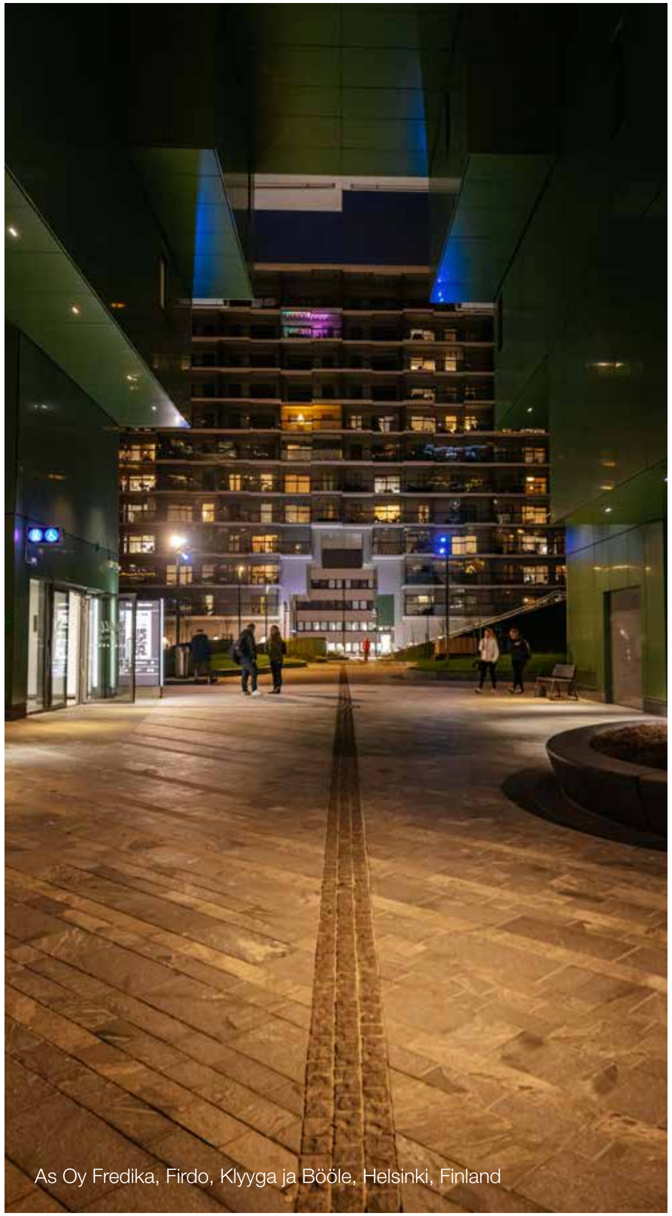
DIVIDEND

The Annual General Meeting of YIT Corporation held on 12 March 2020 decided that a dividend of EUR 0.28 be paid per share, or a total of approximately EUR 58.5 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. In addition, the Annual General Meeting authorised the Board of Directors to decide, at its discretion, on the payment of an extra dividend of no more than EUR 0.12 per share from the unrestricted equity. When considering the decision, the Board of Directors took into account the completion of the Nordic paving and mineral aggregates businesses transaction announced on 4 July 2019, and its conditions.

The first instalment of EUR 0.14 per share was paid on 7 April 2020. The second instalment of EUR 0.14 per share was paid on 6 October 2020.

On 18 September 2020, YIT Corporation's Board of Directors decided on the payment of the additional dividend of EUR 0.12 per share. The additional dividend was paid on 6 October 2020.

The total amount of dividends paid by YIT in 2020 was EUR 0.40 per share.



As Oy Fredika, Firdo, Klyyga ja Bööle, Helsinki, Finland

KEY FIGURES AND DEFINITIONS

SHARE-RELATED KEY FIGURES

		2020 IFRS	2019 IFRS	2018 IFRS	2017 IFRS	2016 IFRS
Earnings per share	EUR	0.13	0.07	0.19	0.45	-0.06
Earnings per share, diluted	EUR	0.13	0.07	0.19	0.44	-0.06
Earnings per share, continuing operations	EUR	-0.04	0.02	0.23	n/a	n/a
Dividend per share	EUR	0.14*	0.40	0.27	0.25	0.22
Equity per share	EUR	4.40	5.08	5.00	4.49	4.49
Dividend/earnings	%	107.7	571.9	144.7	55.6	-388.8
Effective dividend yield	%	2.84	6.71	5.28	3.92	2.90
Price/earnings multiple (P/E)	%	37.9	85.2	26.9	14.2	-134.1
Share price trend						
Average price	EUR	5.10	5.36	5.70	6.94	6.14
Low	EUR	3.58	4.77	4.56	5.97	4.32
High	EUR	7.12	6.20	7.25	8.09	8.07
Price at 31 Dec	EUR	4.93	5.96	5.11	6.37	7.59
Market capitalisation at 31 Dec	EUR million	1,031	1,244	1,073	801	953
Weighted average number of shares outstanding	1,000	208,966	210,492	203,002	125,730	125,577
Weighted average number of shares outstanding, diluted	1,000	209,536	211,450	203,778	127,636	127,366
Number of shares outstanding at 31 Dec	1,000	209,084	208,768	210,048	125,815	125,577

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

KEY FINANCIAL FIGURES

		2020 IFRS	2019 IFRS	2018 IFRS	2017 IFRS	2016 IFRS
Revenue	EUR million	3,069	3,392	3,138	1,994	1,678
of which activities outside Finland	EUR million	824	844	879	611	445
Operating profit	EUR million	35	80	100	86	18
% of revenue	%	1	2	3	4	1
Result for the financial year	EUR million	27	15	39	57	-7
% of revenue	%	1	0	1	3	0
Equity ratio	%	33	34	38	33	31
Net interest-bearing debt**	EUR million	628	862	563	453	599
Net debt/adjusted EBITDA, rolling 12 months		5	4	n/a	n/a	n/a
Gearing ratio*	%	68	81	54	80	112
ROCE, rolling 12 months**		5	10	n/a	n/a	n/a
Order book as at 31 Dec	EUR million	3,528	4,131	4,286	2,913	3,048
of which activities outside Finland	EUR million	988	1,175	1,000	803	973
Gross capital expenditures	EUR million	31	32	n/a	n/a	n/a
% of revenue	%	1	1	n/a	n/a	n/a
Operating cash flow after investments	EUR million	336	51	149	164	-43
Return on equity	%	3	1	4	10	-1
Number of employees at 31 Dec		7,045	7,417	7,556	5,427	5,261

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

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

DEFINITIONS OF KEY FIGURES

Definitions of financial key performance indicators

Key figure	Definition	Reason for use
Operating profit	Result for the period before taxes and finance expenses and finance income equalling to the subtotal presented in the consolidated income statement.	Operating profit shows result generated by operating activities excluding finance and tax related items.
Adjusted operating profit	Operating profit excluding adjusting items.	Adjusted operating profit is presented in addition to operating profit to reflect the underlying core business performance and to enhance comparability from period to period. Management believes that this alternative performance measure provides meaningful supplemental information by excluding items not part of YIT's core business operations thus improving comparability from period to period.
Adjusting items	Adjusting items are material items outside ordinary course of business such as write-down of inventories, impairment of goodwill, fair value changes related to redemption liability of non-controlling interests, integration costs related to merger, transaction costs related to merger, costs, compensations and reimbursements related to court proceedings, write-downs related to non-core businesses, operating profit from businesses to be closed down, gains or losses arising from the divestments of a business or part of a business, costs on the basis of statutory personnel negotiations and adaption measures, and cost impacts of the fair value adjustments from purchase price allocation, such as fair value adjustments on acquired inventory, depreciation of fair value adjustments on acquired property, plant and equipment and amortisation of fair value adjustments on acquired intangible assets relating to business combination accounting under the provisions of IFRS 3, referred to as purchase price allocation ("PPA"). (YIT has changed the definition of Adjusting items on January 1, 2020 to include fair value changes related to redemption liability of non-controlling interests).	
Capital employed	Capital employed includes tangible and intangible assets, shares in associates and joint ventures, investments, inventories, trade receivables and other non-interest bearing receivables, provisions, advance payments and other non-interest bearing debts excluding items related to taxes, finance items and profit distribution.	Capital employed presents capital employed of segment's operative business.
Interest-bearing debt	Non-current borrowings, current borrowings and non-current and current lease liabilities.	Interest-bearing debt is a key figure to measure YIT's total debt financing.
Net interest-bearing debt	Interest-bearing debt less cash and cash equivalents and interest-bearing receivables.	Net interest-bearing debt is an indicator to measure YIT's net debt financing.
Equity ratio	Total equity / total assets less advances received.	Equity ratio is a key figure to measure the relative proportion of equity used to finance YIT's assets.
Gearing ratio	Interest-bearing debt less cash and cash equivalents and interest-bearing receivables/total equity.	Gearing ratio is one of YIT's key longterm 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 capital employed, segments total (ROCE), %, rolling 12 months	Rolling 12 months adjusted operating profit/capital employed, segments total average. (YIT has changed the definition of return on capital employed on January 1, 2020 to include leases related entries)	Return on capital employed, % describes segment's relative profitability, in other words, the profit received from capital employed.
Operating cash flow after investments	Operating cash flow presented in cash flow statement after investments.	

Key figure	Definition	Reason for use
Gross capital expenditures	Investments in tangible and intangible assets, excluding additions in leases.	
Equity per share	Total equity divided by number of outstanding shares at the end of the period.	
Net debt / adjusted EBITDA ratio (rolling 12 months)	Net debt/rolling 12 months adjusted earnings before depreciations and amortisations (YIT has changed the definition of return on capital employed on January 1, 2020 to include leases related entries and to exclude EBITDA from discontinued operations).	Net debt to adjusted EBITDA gives investor information on ability to service debt.
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.	
Dividend per earnings, %	Dividend per share divided by earnings per share.	
Effective dividend yield, %	Dividend per share divided by closing price of the share, December 31.	
Price/earnings ratio (P/E-ratio)	Closing price of the share, December 31 divided by earnings per share.	

Definitions of non-financial key performance indicators

Key figure	Definition	Reason for use
Net impact	Upright model version 0.3.331 (10 December 2020).	The model by The Upright Project illustrates the net impacts of the outcomes of YIT's operations to the society.
Energy consumption	Consumption of direct and indirect energy sources in all YIT's offices, construction sites and transportation under operational control.	Energy consumption describes the energy intensity of YIT's operations.
Emissions	Scope 1, Scope 2 and Scope 3 emissions in total.	
Scope 1	Emissions of direct energy consumption in carbon dioxide equivalents. Includes all offices, construction sites and transportation under YIT's operational control.	Describes the direct emissions of energy consumption caused by YIT's operations.
Scope 2	Emissions of electricity and heat consumption in carbon dioxide equivalents. Includes all offices, construction sites and transportation under YIT's operational control. YIT reports both market and location-basd indicators in its separate GRI index but uses a market-based approach when calculating the total emissions.	Describes the indirect emissions of energy consumption caused by YIT's operations.
Scope 3	Emissions of waste and business flights in carbon dioxide equivalents. Includes all offices and sites under YIT's operational control and entire personnel.	Describes the indirect emissions of waste and business flights caused by YIT's operations.
Emission intensity:		
Own operations	Total emissions divided by revenue (tCO2e/M€).	Emission intensity of own operations describes emissions of YIT's operations with relation to business volume.
Self-developed projects	Emissions of materials' product phase and replacements divided by area of building divided by calculation period (kgCO2e/m2/year). In Finland, the area of a building is the net heated area, and in other countries the gross internal floor area. Calculation period is based on the calculation methodology in use. In Finland, self-developed projects are calculated using the Finnish Ministry of Environment's Method for the whole life carbon assessment of buildings in accordance with the version in force at the time of calculation. In all other countries, self-developed projects are calculated using the European Commission's Level(s) method in accordance with the version in force at the time of calculation. Both methods are based on the EN 15978 standard.	The emission intensity of self-developed projects describes the emissions caused by the projects designed and constructed by YIT in relation to the volume of construction and operating life of projects.
Waste	Amount of waste generated in all offices and construction sites under YIT's operational control. Amount of waste does not include land masses.	The amount of waste describes the material loss resulting from YIT's operations Reducing the amount of waste reflects the efficiency of operational activities.
Sorting rate	Amount of sorted waste divided by total amount of waste generated.	Sorting rate describes YIT's ability to sort waste. Waste management partner, if possible, has the ability to recycle the waste that has been sorted.
Combined accident frequency	Accidents of YIT's employees and subcontractors per one million hours worked. The accident frequency is calculated by dividing the number of workplace accidents that caused an absence of at least one day by one million hours worked. The accident frequency is calculated as a 12-month rolling average.	Accident frequency rate describes the accidents involving YIT's employees and subcontractors. This is significant for a healthy and safe working environment.
Fatal accidents	Deaths of YIT's and subcontractors' employees at YIT's construction sites.	Fatal accidents describes any fatalities that have occurred at YIT construction sites. This is significant for a healthy and safe working environment.

Key figure	Definition	Reason for use
Personnel survey:		
Commitment index	The result of the index is demonstrated as a percentage of positive values (values 4 and 5, on a scale from 1 to 5). Questions in the Commitment index: • I am proud of working for YIT. • If I was offered a similar position with similar salary and benefits in a different company, I would not leave YIT. • Overall, I am satisfied with YIT as a workplace • I am prepared to recommend YIT as a good place to work.	The commitment index describes the commitment of YIT's employees towards their employer. This is significant for the comfort of the personnel.
Leadership index	The result of the index is demonstrated as a percentage of positive values (values 4 and 5, on a scale from 1 to 5). Questions in the Leadership index: • My superior clearly communicates what is expected of me. • My superior cares about my well-being. • My superior supports me when needed. • My superior creates an atmosphere where people feel able to express their concerns and be heard.	The leadership index describes the satisfaction of YIT's employees regarding supervisory work. This is significant for the comfort of the personnel.
Spirit index	The result of the index is demonstrated as a percentage of positive values (values 4 and 5, on a scale from 1 to 5). Questions in the Spirit index: • I like coming to work. • We are making the needed changes to be successful in the future. • I understand the goals and direction of YIT. • I have access to the information I need to know what is going on at YIT. • I would recommend YIT as a great place to work. • The people I work with cooperate to get the job done.	The spirit index describes the wellbeing at work and cooperation of YIT's employees. This is significant for the comfort of the personnel.
Sustainability index	The result of the index is demonstrated as a percentage of positive values (values 4 and 5, on a scale from 1 to 5). Questions in the Sustainable development index: • I am satisfied with my development opportunities. • I dare to intervene if I see unethical or unsafe behaviour. • My superior places safety first. • YIT Values guide my day-to-day behaviour. • YIT looks after the well-being of personnel. • Environmental responsibility is implemented in our daily operations. • People are treated fairly at YIT.	The sustainability index describes the attitude and experiences of YIT's employees regarding ethical and responsible ways of action. This is significant for the comfort of the personnel and the compliance of common ways of working.
Cases of bullying	Share of personnel stating that they have experienced bullying.	Cases of bullying describes the frequency of bullying experienced by YIT's employees. This is significant for the comfort of the personnel and equal treatment.
Employee turnover	The share of employees who left YIT's service out of all employees. Calculated as a 12-month rolling average.	Describes YIT's attractiveness as an employer and employee commitment.
Code of Conduct training	Share of personnel who have completed the Code of Conduct training by the due date.	Completing the Code of Conduct training describes the number of employees who have completed the mandatory training. This is significant for the deployment of YIT's operating instructions.
Investigations regarding potential criminal activity, misconduct or other deviations related to corporate security	Internal and external as well as verified and unverified reports.	Investigations regarding potential criminal activity, misconduct or other deviations related to corporate security describes the number of submitted reports. This is significant for the compliance of ethical and common operating instructions and the deployment of a culture of taking action.
Inspections in line with the Contractor's Obligations Act:		
Subcontracting agreements	Number of completed inspections related to subcontracting agreements.	The inspections of subcontracting agreements describes the monitoring of realising the Finnish Contractor's Obligations Act. This is significant for preventing corruption, bribery and grey economy as well as mitigating financial risks.
Projects	Number of completed inspections related to projects.	The inspections of projects describes the monitoring of realising the Finnish Contractor's Obligations Act. This is significant for preventing corruption, bribery and grey economy as well as mitigating financial risks.

RECONCILIATION OF CERTAIN KEY FIGURES

RECONCILIATION OF ADJUSTED EBITDA (ROLLING 12 MONTHS)

EUR million	12/2020
Adjusted operating profit	**85**
Depreciations and amortisations	58
Depreciation and amortisation expenses from PPA	-3
Goodwill impairment	-15
Adjusted EBITDA	**125**

Consolidated Financial Statements

Business Center B66, Kaunas, Lithuania

CONSOLIDATED INCOME STATEMENT, IFRS

EUR million	Note	2020	2019
Revenue	1,2	**3,069**	**3,392**
Other operating income	5	30	22
Change in inventories of finished goods and in work in progress		-249	-205
Production for own use		0	0
Materials and supplies		-325	-524
External services		-1,612	-1,759
Personnel expenses	7	-372	-406
Other operating expenses	6	-456	-464
Changes in fair value of investments	28	-14	81
Share of results of associated companies and joint ventures	14	23	1
Depreciation, amortisation and impairment	11,12,13	-58	-58
Operating profit		**35**	**80**
Finance Income		4	6
Exchange rate differences (net)		1	-2
Finance expenses		-45	-45
Finance income and expenses, total	8	-41	-40
Result before taxes		**-6**	**40**
Income taxes	9	-3	-36
Result for the period, continuing operations		**-8**	**5**
Result for the period, discontinued operations	4	**35**	**10**
Result for the period		**27**	**15**
Attributable to			
Owners of YIT Corporation		26	15
Non-controlling interests		0	
Total		**27**	**15**
Earnings per share, attributable to the equity holders of the parent company		0	
Basic, EUR, total		0.13	0.07
Diluted, EUR, total		0.13	0.07
Basic, EUR, continuing operations	10	-0.04	0.02
Basic, EUR, discontinued operations	10	0.17	0.05
Diluted, EUR, continuing operations		-0.04	0.02
Diluted, EUR, discontinued operations		0.17	0.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME, IFRS

EUR million	Note	2020	2019
Result for the period		27	15
Items that may be reclassified to income statement			
Change in translation differences	21	-88	50
Translation differences reclassified to income statement	21	1	8
Items that may be reclassified to income statement, total		**-87**	**58**
Items that will not be reclassified to income statement			
Change in fair value of defined benefit pensions		0	0
Income tax relating to item above		0	0
Items that will not be reclassified to income statement, total		**0**	**0**
Other comprehensive income, total		**-87**	**58**
Total comprehensive income		**-60**	**73**
Attributable to			
Owners of YIT Corporation		-60	73
Non-controlling interests		0	
Total		**-60**	**73**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION, IFRS

EUR million	Note	2020	2019
ASSETS			
Non-current assets			
Property, plant and equipment	11	68	76
Leased property, plant and equipment	13	84	95
Goodwill	12	249	264
Other intangible assets	12	10	15
Investments in associated companies and joint ventures	14	80	56
Equity Investments	15	180	194
Interest-bearing receivables	16	49	47
Other receivables	16	11	12
Deferred tax assets	17	35	34
Non-current assets total		**764**	**793**
Current assets			
Inventories	18	1,376	1,741
Leased inventories	13	190	188
Trade and other receivables	19	417	484
Interest-bearing receivables	19	17	9
Income tax receivables		2	22
Cash and cash equivalents	20	419	132
Current assets total		**2,421**	**2,576**
Assets classified as held-for-sale	4		**333**
Total assets		**3,185**	**3,702**

EUR million	Note	2020	2019
EQUITY AND LIABILITIES			
Equity attributable to the equity holders of the parent company	21		
Share capital		150	150
Legal reserve		1	1
Unrestricted equity reserve		553	553
Treasury shares		-10	-12
Translation differences		-303	-216
Retained earnings		527	585
Equity attributable to owners of the parent company		**918**	**1,061**
Non-controlling interests		2	
Equity total		**920**	**1,061**
Non-current liabilities			
Deferred tax liabilities	17	10	9
Pension obligations	23	2	2
Provisions	24	78	78
Borrowings	25	286	355
Lease liabilities	13,25	174	206
Trade and other payables	26	27	57
Non-current liabilities total		**577**	**707**
Current liabilities			
Advances received	2	429	572
Trade and other payables	26	566	713
Income tax payables		3	2
Provisions	24	37	37
Borrowings	25	592	434
Lease liabilities	13,25	62	55
Current liabilities total		**1,688**	**1,814**
Liabilities directly associated with assets classified as held-for-sale	4		**120**
Liabilities total		**2,265**	**2,641**
Total equity and liabilities		**3,185**	**3,702**

CONSOLIDATED CASH FLOW STATEMENT, IFRS

EUR million	Note	2020	2019
Cash flow from operating activities			
Result for the financial year		27	15
Adjustments for			
Depreciation, amortisation and impairment	11,12,13	58	69
Other non-cash transactions		14	-77
Finance income and expenses		42	42
Gains on the sale of tangible and intangible assets		-57	-6
Taxes		-1	36
Total adjustments		56	65
Change in working capital			
Change in trade and other receivables		55	-20
Change in inventories		251	139
Change in current liabilities		-299	-7
Change in working capital, total		7	112
Interest paid		-48	-58
Other financial items		-7	-6
Interest received		4	3
Dividends received		0	0
Taxes paid		15	-43
Net cash generated from operating activities		**54**	**88**
Cash flow from investing activities			
Acquisition of subsidiaries, associated companies and joint ventures, net of cash		-27	-34
Purchases of property, plant and equipment		-13	-36
Purchases of intangible assets		0	-2
Proceeds from sale of subsidiaries, associated companies and joint ventures		306	13
Proceeds from sale of property, plant and equipment and intangible assets		16	21
Proceeds from sale of equity investments		0	0
Net cash used in investing activities		**282**	**-38**

EUR million	Note	2020	2019
Operating cash flow after investments		**336**	**51**
Cash flow from financing activities			
Change in equity	21	2	-7
Change in loan receivables	25	-10	4
Proceeds from current borrowings	25	513	643
Repayment of current borrowings	25	-448	-622
Proceeds from non-current borrowings	25	57	50
Repayment of non-current borrowings	25	-30	-150
Payments of lease liabilities	25	-35	-48
Dividends paid	21	-84	-57
Net cash used in financing activities		**-35**	**-188**
Net change in cash and cash equivalents		301	-137
Cash and cash equivalents at the beginning of the financial year		132	264
Foreign exchange rate effect on cash and cash equivalents		-14	5
Cash and cash equivalents at end of period	20	**419**	**132**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS

EUR million	Note	Share Capital	Legal reserve	Unrestricted equity reserve	Translation differences	Treasury shares	Retained earnings	Equity attributable to owners of parent company	Non-controlling interests	Equity total
Equity on January 1, 2019		**150**	**1**	**553**	**-274**	**-6**	**625**	**1,050**		**1,050**
Comprehensive income										
Result for the period							15	15		15
Change in fair value of defined benefit pension							0	0		0
Income tax relating to item above							0	0		0
Translation differences	21				50			50		50
Translation differences reclassified to income statement	21				8			8		8
Comprehensive income for the period, total					**58**		**15**	**73**		**73**
Transactions with owners										
Dividend distribution	21						-57	-57		-57
Share-based incentive schemes	7					1	1	2		2
Acquisition of treasury shares	21					-8		-8		-8
Transactions with owners, total						**-7**	**-55**	**-62**		**-62**
Equity on December 31, 2019		**150**	**1**	**553**	**-216**	**-12**	**585**	**1,061**		**1,061**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY, IFRS

EUR million	Note	Share Capital	Legal reserve	Unrestricted equity reserve	Translation differences	Treasury shares	Retained earnings	Equity attributable to owners of parent company	Non-controlling interests	Equity total
Equity on January 1, 2020		**150**	**1**	**553**	**-216**	**-12**	**585**	**1,061**		**1,061**
Comprehensive income										
Result for the period							26	26	0	27
Change in fair value of defined benefit pension							0	0		0
Income tax relating to item above							0	0		0
Translation differences	21				-88			-88	0	-88
Translation differences reclassified to income statement	21				1			1		1
Comprehensive income for the period, total					**-87**		**27**	**-60**	**0**	**-60**
Transactions with owners										
Dividend distribution	21						-84	-84		-84
Share-based incentive schemes	7						-1	-1		-1
Acquisition of treasury shares	21					2		2		2
Transactions with owners, total						**2**	**-85**	**-83**		**-83**
Other items										
Non-controlling interests from business combinations									2	2
Other items, total									2	2
Equity on December 31, 2020		**150**	**1**	**553**	**-303**	**-10**	**527**	**918**	**2**	**920**

IFRS ACCOUNTING POLICIES OF THE FINANCIAL STATEMENTS, DECEMBER 31, 2020

GENERAL INFORMATION

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

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

YIT Corporation's Board of Directors approved these consolidated financial statements for publication in its meeting held on February 2, 2021. Copies of the consolidated financial statements will be available on the company's website from week 8 of 2021 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, and they comply with the IAS and IFRS standards and respective SIC and IFRIC Interpretations effective on December 31, 2020. International Financial Reporting Standards refer to standards and their interpretations approved for adoption within the EU in accordance with the procedure enacted in EU regulation (EC) 1606/2002, included in the Finnish Accounting Act and regulations based on it. The notes to the consolidated financial statements are also in accordance with Finnish accounting and corporate legislation supplemental to the IFRS standards. The notes are an integral part of these consolidated financial statements. In the financial statements, the figures are presented in million euros, but the figures are presented in more detail if giving a true view requires it. The financial statements are based on original cost, except for the assets presented below, which have been valued at fair value in accordance with the applicable standards.

MANAGEMENT JUDGEMENT RELATED TO APPLICATION OF ACCOUNTING POLICIES OF THE FINANCIAL STATEMENTS AND KEY ACCOUNTING ESTIMATES AND ASSUMPTIONS

When preparing the financial statements, the company's management has had to make accounting estimates and assumptions about the future, as well as judgement-based decisions on 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.

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

Assessment of power when making consolidation decisions

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

Recognition and measurement of revenue

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 below.

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 as well as the timing of the fulfilment of the performance obligations.

Number of performance obligations

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

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

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

Determining the measure of progress

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

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

Estimates and assumptions used in goodwill impairment testing

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

Recoverability of deferred taxes

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

Measurement and recognition of leases

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

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

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

Inventories

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

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

Assumptions used in measuring pension benefits

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

Valuation of equity investments

YIT has one (Tripla Mall Ky) equity investment whose current fair value valuation is significantly based on the valuation of the property. The key inputs in the fair valuation of the property are the yield, vacancy rate as well as the compound annual growth rate of the net operating income. YIT's management has had to use its consideration and estimates to specify them. The management of the company follows constantly the indicators and their development relating to fair valuation of the equity investments. A more detailed description of estimates and assumptions concerning valuation of equity investments is given in the notes to the financial statements.

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.

APPLICATION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS FROM JANUARY 1, 2020

The amendments effective as of January 1, 2020 did not have impact on the consolidated financial statements.

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

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

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

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

Associates and joint ventures

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

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

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's ownership and they are realised to income statement when control of the service or product is transferred outside the Group's 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

Mutual property companies of which YIT owns less than 100% are treated as joint operations. YIT also carries out construction services through consortia. A construction consortium is not an independent legal entity, but the contracting parties are directly responsible for its operations and liabilities. YIT includes in its consolidated financial statements its share of the income, expenses, assets and liabilities of the joint operations.

Transactions with non-controlling interests

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

When the Group ceases to have control, any remaining interest in the entity is re-measured at fair value on the date control ceases, with the change in the carrying amount recognised 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.

SEGMENT REPORTING

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

Group and segment reporting is prepared in accordance with the International Financial Reporting Standards (IFRS). Segments' revenue, depreciation, amortisation, impairment, operating profit and adjusted operating profit are reported regularly to the 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, advance payments and other non-interest bearing debts excluding items related to taxes, distribution of profits and finance items are reported.

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

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

In the financial statements of 2019, YIT classified its Nordic paving and mineral aggregates businesses as assets held-for-sale and reported them as discontinued operations. The assets and liabilities related to discontinued operations were presented as separate line items in the statement of financial position as assets held-for-sale until the sale. The sale was completed on April 1, 2020. 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.

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 gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within "Finance income and costs". All other foreign exchange gains and losses are presented in the income statement above operating profit. Non-monetary items are mainly valued at the transaction date's foreign exchange rates. The foreign exchange rate gains or losses related to non-monetary items valued at fair value are included in the change of the fair value.

Translation of the financial statements of foreign group companies

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

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

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

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

		Average rate		Balance sheet rate	
		1–12/20	1–12/19	12/20	12/19
1 EUR =	CZK	26.4595	25.6693	26.2420	25.4060
	PLN	4.4436	4.2974	4.5597	4.2568
	RUB	82.6883	72.4484	91.4671	69.9563
	SEK	10.4875	10.5871	10.0343	10.4468
	NOK	10.7261	9.8505	10.4703	9.8638
	DKK	7.4543	7.4661	7.4409	7.4715

REVENUE FROM CUSTOMER CONTRACTS

The services and products provided by YIT are described in segment note for each segment.

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 project's measure of progress. For YIT, costs to fulfil contracts are typically costs related to plots of land in construction projects in which the plot and the construction service constitute one performance obligation. Costs to fulfil contracts are presented in the statement of financial position in the line item inventories. In some specific contracts with customers, there is a significant timing difference between the payment from the customer and the transfer of the promised goods or services to the customer. YIT applies a practical expedient and does not adjust the promised amount of consideration for the effects of a significant financing component, when the period between the payment from the customer and the transfer of the promised goods or services to the customer is expected to be one year or less. A significant financing component is accounted for if the 12 months financing position is exceeded and the annual average interest expense is significant with respect to the contract.

Performance obligations

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

Timing of revenue recognition and determining the measure of progress

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

Contract assets and liabilities

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

Special aspects regarding revenue recognition

Self-developed residential construction in Finland

TRANSACTION PRICE AND TIMING OF REVENUE RECOGNITION

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. 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 corporation 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 are considered as non-cash consideration which is presented, based on the substance of the transaction, as advances received i.e. it is recognised similarly to the transaction price paid in cash. Housing company loans of unfinished residential development projects are presented in the consolidated statement of financial position either in borrowings (unsold apartments) or as a contract liability in advances received (sold apartments). At the time of the project's completion, the amount presented as advances received is recognised as revenue.

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. According to the Finnish Housing Transactions Act, the customer has a possibility to cancel the contract before the apartment is transferred to the customer. The buyer pays a compensation to the seller, but the compensation does not cover the work done with a mark-up. Therefore, the over time recognition criteria are not fulfilled.

Self-developed residential construction in CEE- countries

TIMING OF REVENUE RECOGNITION

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

Self-developed residential construction in Russia

TIMING OF REVENUE RECOGNITION AND DETERMING MEASURE OF PROGRESS

During the first quarter 2020, YIT assessed current legislation, legal practice and terms of its sales contracts in Russia. The current legislation and legal practice make the sales contract non-cancellable for the customer. Due to this, YIT also reassessed the criteria for revenue recognition over time in Russian residential development projects. As a change to previous practice, YIT has a right to payment for performance completed to date during the whole construction period based on legislation and legal practice. Therefore, the criteria for revenue recognition over time are fulfilled and from the first quarter onward, YIT has recognised revenue over time from its Russian residential development projects. The change in sales contracts' enforceable rights and obligations for ongoing projects at the time of modification was accounted for as a contract modification in accordance with IFRS 15 using a cumulative catch-up method.

In the comparison year 2019, revenues from residential development projects were recognised at a point in time after obtaining permission from the authorities.

YIT uses an input-based method for determining the measure of progress. The measure of progress is determined in proportion of realised costs at time of reporting to estimated total costs of the project.

COSTS OF FULFILLING A CONTRACT

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

Self-developed real estate construction

DETERMINING PERFORMANCE OBLIGATIONS

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

DETERMINING TRANSACTION PRICE

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

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. These bonuses include significant management judgement which has been described in more detail in Management judgement related to application of accounting policies of the financial statements and key accounting estimates and assumptions.

TIMING OF REVENUE RECOGNITION AND DETERMINING MEASURE OF PROGRESS

The criteria for revenue recognition over time are met in most customer contracts related to contracting because the work is usually done on customer's land area. In other words, the customer has control over the asset under construction. YIT uses an input-based method to measure the progress. The measure of progress is determined in proportion of realised costs at time of reporting to estimated total costs or stage of physical completion, which is determined in proportion of cost incurred from completed stages of construction to estimated total costs.

Wind power projects

PERFORMANCE OBLIGATIONS

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

TIMING OF REVENUE RECOGNITION

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

Discontinued operations (paving and mineral aggregates businesses)

PERFORMANCE OBLIGATIONS AND TRANSACTION PRICE

The performance obligation is determined by the scope of the work. Most paving services include variable elements in transaction prices in the form of indices, delay penalties and quality penalties. In supplying mineral aggregates and asphalt mass, the performance obligation is goods sold, such as crushed gravel, screened sand, cobblestones or asphalt mass. In providing services, the performance obligation is the scope of the work, such as quarrying the customer's rock. Most of the paving services are short-term, with invoicing after completion. In long-term paving services, YIT receives payments based on the paving service's progress, which corresponds to satisfying the performance obligation.

TIMING OF REVENUE RECOGNITION AND DETERMINING MEASURE OF PROGRESS

Revenue from paving services is recognised over time. Paving services are performed within a short period of time, except for occasional long-term projects. Revenue from short-term paving projects is recognised over time based on milestones i.e. using the output-based method. The measure of progress using the output-based method is based on realised units, such as produced asphalt mass tonnes in proportion to estimated total tonnes or achieved milestones compared to determined milestones of the whole paving project. Revenue from long-term paving projects is recognised over time using an input-based method.

A mineral aggregates excavation and crushing service performed on land owned by the customer is recognised as revenue over time. The service is recognised as revenue using an input based method, and it is based on the realised costs relative to the estimated total cost.

Revenue from the sale of mineral aggregates and asphalt mass is recognised as revenue at a point in time.

Life cycle projects (service concession arrangements)

In life cycle 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 projects are used in large public construction and renovation projects, and the customer is typically the public sector. YIT is engaged in life cycle projects in which YIT itself is responsible for all contractual obligations to the customer as well as projects that are carried out using a joint venture or a consortium together with another party. In all 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 life cycle projects in which YIT is a direct contracting party to the customer are financed by the customer. In these life cycle 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 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.

Life cycle projects in which the contracting 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. The joint venture is consolidated into YIT's consolidated financial statements using the equity method. For the consolidation, the joint venture's financial statements have been changed to correspond to YIT's accounting policies. YIT acts as the contractor and service provider for the joint venture, and YIT recognises revenue using the previously explained method.

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

INTEREST AND DIVIDENDS

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

EMPLOYEE BENEFITS

Pension liabilities

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

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

Share-based payments

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 an equity-settled plan.

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 (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 and commitment 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.

LEASE AGREEMENTS

YIT Group as lessee

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

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

The Group recognises lease payments related to short-term leases (lease term is 12 months or less) and leases for which the underlying asset is of low value on straight-line basis as an expense in 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 re-assessments or lease modifications. A reassessment of the lease liability takes place, if the cash flow changes based on the original terms and conditions of the lease, for example, if the lease term changes or if the lease payments change based on an index or a variable rate.

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

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

Measurement and presentation of right-of-use asset

Right-of-use assets are measured at cost based on the amount of the initial measurement of lease liability. Initial direct costs, restoration costs or any lease payments made at or before the commencement date less any lease incentives received are also included in the measurement of the right-of-use asset. The right-of-use assets 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 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 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 in the lease liability in the statement of financial position. The plot lease agreement related to self-developed 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 in lease liability or advances received depending on the degree of sale.

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

YIT Group as lessor

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

INCOME TAXES

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

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

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

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

GOVERNMENT GRANTS

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

TANGIBLE ASSETS

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

- Buildings and constructions 10–40 years
- Machinery and equipment 3–15 years
- Other tangible assets 10–40 years

The residual values and economic lifetimes of assets are assessed in each closing. If necessary, they are adjusted to reflect the changes in the expected financial benefits. Capital gains or losses on the sale of property, plant and equipment are included in other operating income or losses.
Normal maintenance and repair costs are expensed as incurred. Significant improvements or additional investments are capitalised as part of the cost of the corresponding asset and depreciated over the remaining useful economic life of the asset to which they pertain, if it is likely that the company will derive future economic benefit from the investment.

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

INVESTMENT PROPERTY

Investment properties are properties or land held by the Company to earn rentals or for capital appreciation or both and which are not held for use for the Company, use in the operations or sale in the ordinary course of business. Associated companies and joint ventures involved in real estate investing which are consolidated into YIT's consolidated financial statements using equity method have investment properties as defined in IAS 40 Investment properties-standard. 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 and market approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets or a group of assets, such as a business. The income approach converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts. Properties under construction are measured at fair value when the fair value can be reliably measured. Otherwise properties under construction are measured at cost. Associated company and joint venture use an external independent appraiser to define the fair value.

An investment property is derecognised from the statement of financial position on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in 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 and the value is presented in note 14.

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

INTANGIBLE ASSETS

Goodwill

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

Other intangible assets

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

Other intangible assets acquired in connection with business acquisitions are recognised if they fulfil the definition of other intangible assets: the asset will yield future economic benefit, they can be specified or are based on agreements or legal rights. Other intangible assets recognised in connection with business acquisitions include, among others, brands and trademarks, customer agreements and customer relationships. Acquired software and licences are capitalised based on the costs incurred to acquire and bring to use the specific software. The cost is amortised on a straight-line basis over the estimated useful life. In IT projects that are classified as strategic, own work is capitalised on the statement of financial position insofar as the capitalisation criteria are met in respect of cost monitoring, etc.

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

The amortisation periods of other intangible assets are as follows:

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

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

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

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

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

INVENTORIES

Inventories are measured either at the lower of acquisition cost or net realisable value. The acquisition cost of materials and supplies is primarily determined using the FIFO method (first-in, first-out). The acquisition cost of mineral aggregates and bitumen is determined using the weighted average method.

The cost of products and goods comprises raw materials, planning costs, direct costs of labour, other direct costs and the appropriate portion of the variable general costs of manufacture and fixed overhead. Additionally, the cost of work in progress and shares in completed housing and real estate companies comprises the value of the plot. YIT has acquired land areas in Finland and abroad for the purpose of construction. The acquisition of a land area may be carried out by buying the ownership of property or of shares in a plot-owning company. The acquisition cost arising from YIT's acquisitions of plot-owning companies has been included in the total amount of land areas or work in progress in inventories.

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

Borrowing costs are capitalised to acquisition cost of inventory if the inventory item meets the criteria.

The accounting principle related to lease plots has been described in the section Lease agreements.

FINANCIAL ASSETS AND LIABILITIES

Financial assets

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

Financial assets measured at fair value through profit and loss

Financial assets measured at fair value through profit or loss include all investments and derivative contracts acquired for trading purposes. These derivative contracts include interest rate, foreign exchange and commodity derivatives. Derivatives are carried at fair values based on market prices and generally accepted valuation models. Changes in the fair values are recognised according to the nature of the derivative, either in the Group's financial items or in other operating income or expenses. Measurement at fair value is described in detail in note 28.

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

Impairment of financial assets

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

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

TRADE RECEIVABLES AND ASSETS BASED ON CUSTOMER CONTRACTS

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

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

LOAN RECEIVABLES

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

Financial liabilities

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

Financial liabilities measured at fair value through profit or loss include derivative contracts. These derivative contracts include interest rate, foreign exchange and commodity derivatives. Derivatives are carried at fair values based on market prices and generally accepted valuation models. Changes in the fair values are recognised according to the nature of the derivative, either in the Group's financial items or in other operating income or expenses. Fees paid on the establishment of loan facilities are capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which they relate.

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

Fair value of derivative instruments and hedge accounting

Derivatives are initially recognised at fair value on the statement of financial position on the date a derivative contract is entered into and subsequently re-measured at their fair value on each reporting date. Changes in the fair values of derivatives are recognised in the financial items through profit or loss. YIT does not use hedge accounting.

TREASURY SHARES

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

PROVISIONS

Provisions are 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 current value of the costs required to cover the obligation. If compensation for a share of the obligation can be received from a third party, the compensation is recorded as a separate asset item when it is practically certain that said compensation will be received.

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

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

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

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

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

The company 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.

CONTINGENT LIABILITIES AND ASSETS

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

EARNINGS PER SHARE

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS, IFRS

1. SEGMENT INFORMATION AND MARKET AREAS

The Housing Finland and CEE segment's business comprises development and construction of apartments, entire residential areas and leisure-time residences. YIT also offers and develops different living services and concepts. Residential construction projects are mainly residential development and negotiation projects which are mainly new development projects. The customers are private consumers and investors. Private consumers and investors purchase one or a few apartments from residential development projects, whereas investors purchase several apartments from residential development projects, a residential building or multiple residential buildings. The segment's geographical markets are Finland, the Czech Republic, Slovakia, Poland, Estonia, Latvia and Lithuania.

The Housing Russia segment's business comprises development and construction of apartments and entire residential areas in Russia. YIT develops apartments and residential areas on a self-developed basis in Russia. Residential construction customers are private consumers. YIT also provides property management and maintenance services for apartments and offers and develops a wide range of living services in Russia.

The Business premises segment consists of business premises businesses as well as residential contracting. Business premises projects include constructing commercial, industrial and public buildings, renovations. Projects are built for investors and owner-occupiers. Most of the projects are project management contracting, design and build-projects, alliances and life cycle projects. Renovation constructing services are ranging from small-scale surface renovation to wholesale refurbishment of entire buildings. Business premises segment has also self-developed business premises projects. These are projects which have not been sold when the construction starts. Geographically the segment's business is focused in Finland. The segment's geographical markets are Finland, Estonia, Latvia, Lithuania, Poland and Slovakia.

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

Infrastructure includes road and street construction and maintenance, bridge building and repairing, railway construction, hydraulic and foundation engineering, underground construction, excavation, other earthworks and public utilities as well as wind power park development and contracting. Infrastructure services in the Baltic countries also include paving services and selling asphalt mass. For infra services, the customer is often the public sector. The segment operates in Finland, Sweden, Norway, Estonia, Latvia and Lithuania.

Other items include Group internal services, rental revenue from external customers, Group level unallocated costs and eliminations of internal margins. Merger related fair value allocations and goodwill have not been allocated to the segments' capital employed but are reported in segment level in "Other items". In 2019 "Other items" also included paving business in Russia, which was divested.

Changes

Following the organisational change on May 1, 2020, the real estate management and project development businesses were transferred from the Business premises segment into the Partnership properties segment. Comparative period figures were not adjusted.

Seasonality of business

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

Segment financial information

2020

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

* PPA refers to merger related fair value adjustments.

2019

EUR million	Housing Finland and CEE	Housing Russia	Business premises	Infrastructure	Partnership properties	Other items	Group, IFRS
Revenue	**1,240**	**240**	**1,177**	**807**	**0**	**-73**	**3,392**
Revenue from external customers	1,240	240	1,175	791	0	-55	3,392
Revenue Group internal		1	2	15		-18	
Depreciation, amortisation and impairment	-5	-5	-2	-18		-28	-58
Operating profit	**91**	**-47**	**-7**	**14**	**83**	**-54**	**80**
Operating profit margin, %	7.4	-19.4	-0.6	1.8			2.4
Adjusting items		48		1		37	85
Court proceedings						-2	-2
Restructurings and divestments				0			0
Integration costs related to merger		0				9	9
Operating profit from operations to be closed		48		0		25	73
Inventory fair value adjustment from PPA*						2	2
Depreciation and amortisation expenses from PPA*						2	2
Adjusted operating profit	**91**	**1**	**-7**	**15**	**83**	**-18**	**165**
Adjusted operating profit margin, %	7.4	0.5	-0.6	1.9			4.9

* PPA refers to merger related fair value adjustments.

Capital employed by segments

EUR million	31 Dec 2020	31 Dec 2019
Housing Finland and CEE	700	697
Housing Russia	180	277
Business premises	-44	65
Infrastructure	48	52
Partnership properties	331	254
Other items	312	325
Capital employed, total	**1,527**	**1,669**

Geographical information

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

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

EUR million	31 Dec 2020	31 Dec 2019
Finland	441	436
Russia	5	18
CEE		
Baltics	15	16
The Czech Republic, Slovakia and Poland	12	7
Scandinavia		
Sweden	14	14
Norway	3	14
Group total	**490**	**505**

2. REVENUE FROM CUSTOMER CONTRACTS

Disaggregation of revenue

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

2020

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

2020

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

2019

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

2019

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

Contract assets and liabilities

EUR million	31 Dec 2020	31 Dec 2019
Contract assets	224	209
Contract liabilities	429	572

Contract liabilities include advances received. Advances received include payments from customers exceeding the work progress in over time recognised projects, customer payments related to sold but unrecognised self-developed projects and housing company loans related to them and lease liabilities of leased plots. Housing company loans included in the advances received amounted to EUR 121 million (130) and lease liabilities of leased plots were EUR 41 million at December 31, 2020 (26).

Performance obligations

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

EUR million	31 Dec 2020	31 Dec 2019
Transaction price to be recognised as revenue later	2,573	2,830
To be recognised next year	1,521	1,755
To be recognised later	1,052	1,076

Life cycle projects

Project	Contract date	Construction phase	Maintenance phase	Total value, EUR million*
Oulu, Kastelli community centre	06/2006	completed	ends 2039	86
Kuopio, schools and day-care centre	12/2009	completed	ends 2036	94
Pudasjärvi, school campus	03/2014	completed	ends 2041	41
Hollola, Heinsuo and Kalliola schools	06/2015	completed	ends 2037	49
Pudasjärvi, care facility	11/2015	completed	ends 2036	12
Porvoo, schools and day-care centres	12/2015	completed	ends 2038	61
Kuopio, Jynkkä and Karttula schools	06/2016	completed	ends 2038	37
E18 Hamina- Vaalimaa	06/2015	completed	ends 2034	378
Parkano, school campus	03/2017	completed	ends 2039	25
Sodankylä Health center	06/2017	completed	ends 2039	31
Kuopio, Hiltulanlahti school	12/2017	completed	ends 2039	26
Imatra, School campus	05/2018	completed	ends 2040	55
Kuopio, Kuntolaakso	12/2017	completed	-**	18
Kirsti school and day-care centre	10/2017	completed	-**	22
Viherlaakso schools	12/2016	ends 2022	-**	27
Espoo, Tuomarila school	10/2019	ends 2021	-**	16
Espoo, Laajalahti school	10/2019	ends 2022	-**	16
Helsinki, Vuosaari school	08/2019	ends 2021	-**	20
Espoo, Lintuvaara school and day-care centre	01/2014	completed	-**	15
Espoo, Päivänkehrä school	03/2015	completed	-**	14
Kokkola, Torkinmäki school	04/2015	completed	-**	9
Hämeenlinna, Nummikeskus	06/2016	completed	-**	19
Jyväskylä, Huhtasuo schoolcentre	03/2012	completed	-**	26
Lappeenranta, Lauritsala school	11/2019	ends 2021	ends 2041	32
Pudasjärvi, wellness centre	10/2019	ends 2021	ends 2041	36
Juva, school campus	01/2019	ends 2021	ends 2040	33
Espoo, schools	01/2020	ends 2024	ends 2042	300

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

3. ACQUISITIONS AND DISPOSALS OF BUSINESSES

There were no material business acquisitions during financial year 2020. YIT sold its' paving and mineral aggregates businesses in Finland, Sweden, Norway and Denmark to Peab on April 1, 2020. Impacts of the sale are described in more detail in note Discontinued operations. There were no other material sales during financial year 2020.

4. DISCONTINUED OPERATIONS

On July 4, 2019, YIT announced having signed an agreement with Peab on the sale of YIT's paving and mineral aggregates businesses in Finland, Sweden, Norway and Denmark. The transaction comprised the operations of the company's Paving segment with the exclusion of the road maintenance business in Finland and paving business in Russia. In the financial statements of 2019, YIT classified its Nordic paving and mineral aggregates businesses as assets held-for-sale and reported them as discontinued operations. The sale was successfully completed on April 1, 2020. For the financial year 2020, the income statement and cash flows used in discontinued operations are therefore presented for the three-month period from January 1, 2020 to April 1, 2020.

Result of discontinued operations

EUR million	2020	2019
Revenue	**27**	**540**
Other operating income	1	3
Change in inventories of finished goods and in work in progress	8	-5
Production for own use	0	1
Materials and supplies	-11	-168
External services	-11	-145
Personnel expenses	-17	-125
Other operating expenses	-17	-78
Share of results in associated companies and joint ventures	-1	1
Depreciation, amortisation and impairment		-11
Operating profit	**-22**	**12**
Finance income	0	0
Finance expenses	-1	-2
Finance income and expenses, total	-1	-2
Result before taxes	**-23**	**10**
Income taxes	4	-0
Result for the period, discontinued operations	**-19**	**10**
Gain on sale of discontinued operations	**55**	
Result from discontinued operations	**35**	**10**

Cash flows (used in) discontinued operations

EUR million	2020	2019
Net cash used in operating activities	-24	18
Net cash used in investing activities	277	-16
Net cash used in financing activities	-6	-11
Net cash flow for the period	**247**	**-9**

Effect of disposal on financial position

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

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

Other items include translation differences of -2 million euros

Effect of discontinued operations on statement of financial position

EUR million	31 Dec 2019
Assets classified as held-for-sale	
Property, plant and equipment	113
Leased property, plant and equipment	40
Goodwill	55
Other intangible assets	23
Investments in associated companies and joint ventures	6
Deferred tax assets	0
Inventories	49
Trade and other receivables	47
Assets classified as held-for-sale, total	**333**
Liabilities directly associated with assets classified as held-for-sale	
Deferred tax liabilities	18
Provisions	9
Lease liabilities	33
Advances received	0
Trade and other payables	60
Income tax payables	0
Liabilities directly associated with assets classified as held-for-sale, total	**120**

5. OTHER OPERATING INCOME

EUR million	2020	2019
Gain on sales of property, plant and equipment	4	5
Rental income	5	7
Gain from hedging purchases and sales*	1	1
Fair value changes related to redemption liability of non-controlling interests	8	
Other income	11	9
Total	**30**	**22**

* Gains from hedging purchases and sales includes realised gains and changes in fair values of commodity derivatives which are used for hedging bitumen purchases and currency derivatives which are used for hedging purchases and sales.

6. OTHER OPERATING EXPENSES

EUR million	2020	2019
Losses on the sale of property, plant and equipment and intangible assets	-2	-1
Rental expenses	-54	-58
Voluntary indirect personnel expenses	-12	-13
Travel expenses	-16	-19
IT expenses	-29	-33
Premises expenses	-10	-9
Other costs from customer contracts	-287	-289
Losses from hedging purchases and sales*	0	-2
Other expenses	-46	-40
Total	**-456**	**-464**

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

Group's reseach and development expenses including discontinued operations amounted to EUR 25 million (23).

Audit fees

EUR million	2020	2019
PricewaterhouseCoopers		
Statutory audit	-1,0	-1,2
Tax services	0,0	-0,2
Other services	-0,2	-0,5
Total	**-1,2**	**-1,9**

The fees for other than statutory audit services provided by PricewaterhouseCoopers Oy for YIT Group companies amounted to EUR 0.1 million in 2020. The fees included tax services EUR 0.0 million and other services EUR 0.1 million.

7. EMPLOYEE BENEFITS AND NUMBER OF PERSONNEL

EUR million	2020	2019
Wages and salaries	-308	-341
Pension costs, defined contribution plan	-40	-46
Pension costs, defined benefit plan	0	0
Share-based compensations	-3	-4
Other indirect employee costs	-21	-15
Total	**-372**	**-406**

Personnel by business segment

Number of personnel by business segment at the end of the period	31 Dec 2020	31 Dec 2019
Housing Finland and CEE	2,479	2,549
Housing Russia	1,400	1,278
Business premises	958	1,232
Infrastructure	1,792	2,017
Partnership properties	90	4
Group services	326	337
Total	**7,045**	**7,417**

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

Share-based payments

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

Plan of 2017–2019

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

Plan of 2020–2022

The Board of Directors of YIT Corporation decided on March 16, 2020, to launch a new long-term share-based incentive plan for key persons. The earning periods of the incentive plan are for three years. A potential bonus will be determined on the basis of the indicators decided annually by the Board of Directors of YIT Corporation for each earning period and their target levels. Return on capital employed (ROCE), absolute TSR (Total Shareholder Return) and the Group's Net Promoter Score (NPS) have been set for 2020-2022. The Board of Directors also decides on the approximately 260 key persons from YIT's operative countries to be included in the incentive plan for each earning period. After the three-year earning period and the confirmation of the annual report, the shares are transferred to key persons employed by the company. A maximum of approximately 2,100,000 gross shares can be distributed each year. Furthermore, the Board of Directors recommends that the Group Management Team members aims to hold along with the long-term incentive plan YIT shares equaling half of the value of his/her annual salary as long as he/she is the member of the Group Management Team. The Board of Directors recommends that the President and CEO aims to hold YIT shares equaling the value of his annual salary. Under all circumstances, the Board of Directors has the right to change the bonuses.

Plan of 2016-2018 (transferred from Lemminkäinen)

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

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

Share-based plan information

	Plan of 2020–2022	Plan of 2017–2019			Plan of 2016–2018 (transferred from Lemminkäinen)
	2020	**2019**	**2018**	**2017**	**2016**
Grant date	Mar 31, 2020	Mar 25, 2019	Aug 15, 2018	Apr 4, 2017	Mar 2, 2016
Maximum number of shares	2,100,000	1,150,000	1,150,000	700,000	1,445,840
Earning period start date	Jan 1, 2020	Jan 1, 2019	Jan 1, 2018	Jan 1, 2017	Jan 1, 2016
Earning period end date	Dec 31, 2022	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016
Commitment period end date	May 31, 2023	May 31, 2022	May 31, 2021	May 31, 2020	Sep 30, 2017 / Sep 30, 2018 / Sep 30, 2019 / Sep 30, 2020
Vesting conditions	ROCE %, Net Promoter Score (NPS), absolute total shareholder return (TSR) and continued employment	ROCE %, Net Promoter Score (NPS) and continued employment	ROCE %, Net Promoter Score (NPS) and continued employment	Return on investment (ROI), Net Promoter Score (NPS) and continued employment	ROCE %, operating profit and continued employment
Payment method	Cash & equity	Cash & equity	Cash & equity	Cash & equity	Cash & equity
Description of shares	Gross share	Net share	Net share	Net share	Gross share
Number of persons at the end of reporting period	283	273	259	0	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 is paid in addition to the number of shares presented.

Changes in number of shares during the reporting period

	Plan of 2020–2022	Plan of 2017–2019			Plan of 2016–2018 (transferred from Lemminkäinen)
	2020	**2019**	**2018**	**2017**	**2016**
Outstanding shares 1 Jan 2020, pcs		1,043,583	49,100	313,375	81,058
Shares granted	1,958,000				
Shares forfeited	-88,000	-59,469	-3.600	-15,805	-813
Shares excercised		-7 524	-600	-297,570	-80 244
Shares expired		-378, 694			
Outstanding shares 31 Dec 2020, pcs	1,870,000	597, 896	44,900	0	0

Information regarding fair value determination

	Plan of 2020–2022	Plan of 2017–2019	
	2020	**2019**	**2018**
Grant date	Mar 31, 2020	Mar 25, 2019	Aug 15, 2018
Share price at grant date, EUR	4.04	5.10	5.40
Share price at the end of the reporting period, EUR	4.93	4.93	4.93
Expected dividends, EUR	1.16	0.81	0.81
Valuation model	Monte Carlo		
Risk-free interest rate, %	-0.5		
Expected volatility, %	31.0		
Maturity, years	2.80		
Fair value, EUR million 31 Dec 2020	0	1	0

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

Effect of share-based incentive plans on profit and loss and to balance sheet

	2020	2019
Total expenses for the financial year regarding share-based payments	-3	-3
Total expenses for the financial year regarding equity-settled share-based payments	-1	-1
Liabilities arising from share-based payments	3	3

The company 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.

8. FINANCE INCOME AND EXPENSES

EUR million	2020	2019
Finance income		
Interest income on loans and other receivables	4	3
Other finance income	0	3
Finance income total	**4**	**6**
Finance expenses		
Interest expenses on financial liabilities recognised at amortised cost	-20	-22
Interest expenses on lease liabilities	-15	-15
Interest expenses on interest rate derivatives	-1	-2
Other interest and finance expenses	-10	-11
Interest expenses capitalised on qualifying assets	1	6
Finance expenses total	**-45**	**-45**
Exchange rate differences, net	1	-2
Finance income and expenses total	**-41**	**-40**
Exchange rate differences recognised in income statement		
Exchange rate differences in operating income and expenses	1	-1
Exchange rate differences in financial items	1	0
Exchange rate differences total	**1**	**0**

9. INCOME TAXES

Income taxes in the income statement

EUR million	2020	2019
Income taxes for the financial year	-5	-6
Taxes for prior years	0	0
Deferred taxes	3	-30
Total income taxes	**-3**	**-36**

Tax reconciliation

EUR million	2020	2019
Result before taxes	**-6**	**40**
Income taxes at the tax rate in Finland 20.0%	1	-8
Effect of different tax rates outside Finland	1	0
Tax exempt income and non-deductible expenses	-2	-1
Net results of associated companies and joint ventures	1	0
Unrecognised tax on loss for the period	-4	-10
Write-down of deferred tax assets relating to tax losses	0	-18
Taxes for prior years	0	0
Income taxes in the income statement	**-3**	**-36**

10. EARNINGS PER SHARE

	Basic		Diluted	
	2020	**2019**	**2020**	**2019**
Result attributable to the equity holders of the company, EUR million	26	15	26	15
Weighted outstanding basic number of shares during the period, million shares	209	210	209	210
Potentially dilutive shares of share based incentive plans during the period, million shares			1	1
Weighted outstanding adjusted dilutive number of shares during the period, million shares			210	211
Earnings per share, EUR/ share	0.13	0.07	0.13	0.07
Earnings per share, continuing operations, EUR/ share	-0.04	0.02	-0.04	0.02
Earnings per share, discontinued operations, EUR/ share	0.17	0.05	0.17	0.05

11. PROPERTY, PLANT AND EQUIPMENT

2020

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

2019

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments and work in progress	Total
Historical cost at January 1	19	32	304	47	2	404
IFRS 16 adjustment		0	-30			-31
Adjusted historical cost at January 1	19	32	273	47	2	374
Exchange rate differences	0	1	1	0	0	2
Increases	0	2	21	2	11	36
Decreases	0	-1	-5	-1	0	-8
Transfers to assets classified as held-for-sale	-8	-8	-104	-21	-5	-147
Reclassifications		1	7	3	-7	4
Historical cost at December 31	**10**	**26**	**194**	**30**	**1**	**261**
Accumulated depreciation and impairment at January 1		-10	-172	-20		-202
IFRS 16 adjustment		0	12			12
Adjusted accumulated depreciation and impairment at January 1		-10	-161	-20		-191
Exchange rate differences		0	-1	0		-1
Depreciation, continuing operations		-2	-16	-2		-20
Depreciation, discontinued operations		0	-4	-1		-5
Impairment, continuing operations		-1	-1			-2
Transfers to assets classified as held-for-sale		1	29	3		33
Accumulated depreciation of reclassifications		0	0	0		0
Accumulated depreciation and impairment at December 31		**-12**	**-154**	**-20**		**-185**
Adjusted carrying value January 1	19	23	113	27	2	183
Carrying value December 31	**10**	**15**	**40**	**10**	**1**	**76**

12. INTANGIBLE ASSETS

2020

EUR million	Goodwill	Other intangible assets	Advance payments	Other intangible assets total
Historical cost at January 1	264	48	0	48
Exchange rate differences	0	0		0
Increases		0		0
Decreases	-15	0	0	0
Reclassifications		-6		-6
Historical cost at December 31	**249**	**42**	**0**	**42**
Accumulated depreciation and impairment at January 1		-33	0	-33
Exchange rate differences		0		0
Depreciation		-5		-5
Accumulated depreciation of reclassifications		6		6
Accumulated depreciation and impairment at December 31		**-32**	**0**	**-32**
Carrying value January 1	264	14	0	15
Carrying value December 31	**249**	**10**	**0**	**10**

2019

EUR million	Goodwill	Other intangible assets	Advance payments	Other intangible assets total
Historical cost at January 1	319	80	2	83
Exchange rate differences		0		
Increases		0	2	2
Decreases	-1	0	0	-1
Reclassifications		0	-4	-4
Transfers to assets classified as held-for-sale	-55	-32		-32
Historical cost at December 31	**264**	**48**	**0**	**48**
Accumulated depreciation and impairment at January 1		-35		-35
Exchange rate differences		0		
Depreciation, continuing operations		-6		-6
Depreciation, discontinued operations		-1		-1
Transfers to assets classified as held-for-sale		9		9
Accumulated depreciation and impairment at December 31		**-33**	**0**	**-33**
Carrying value January 1	319	45	2	47
Carrying value December 31	**264**	**14**	**0**	**15**

Goodwill

For goodwill testing, goodwill is allocated to cash-generating units or groups of cash-generating units at the acquisition date, that are expected to benefit from the goodwill arising from the business combination. Following the organisational change on May 1, 2020, the real estate management and project development businesses were transferred from the Business premises segment into the Partnership properties segment. As a result of the organisational change, EUR 6 million goodwill was allocated to Partnership properties business unit. The goodwill allocation was done based on discounted future cash flows of the units.

Goodwill allocation to the tested business unit or unit groups

EUR million	2020	Discount rate, % (WACC before taxes)
Housing Finland and CEE	105	6.3*
Business premises	81	5.6*
Infrastructure	57	7.0*
Partnership properties	6	5.6*
Goodwill, total	**249**	

EUR million	2019	Discount rate, % (WACC before taxes)
Housing Finland and CEE	105	6.5*
Housing Russia	13	14.7
Business premises	87	6.0*
Infrastructure	60	7.1*
Goodwill, total	**264**	

*Average, weighted with county-specific capital employed

Goodwill impairments during the financial year

In Q1 2020, YIT assessed that the overall uncertainty resulting from the coronavirus pandemic is an impairment indication. The tests carried out during the fourth quarter of 2019 indicated that a reasonable change in the key assumptions used in cash flow forecasts could lead to impairment of goodwill in the Housing Russia segment. Therefore, YIT carried out goodwill impairment tests for Housing Russia during the first quarter of 2020. Impairment tests for other units were not carried out because the recoverable amounts exceeded the carrying amounts of the tested assets substantially in 2019.

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

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

Annual goodwill impairment tests

Goodwill tests are carried out using value-in-use calculations. Value in use is calculated by discounting future cash flows to their present value. If the present value is lower than the carrying amount, the difference is recognised through profit or loss in the current year. The goodwill tests carried out during the fourth quarter of 2019 and 2020 showed that the present values of the future cash flows exceeded the carrying amounts in all segments. The recoverable amounts of all of the tested units exceeded the carrying amounts of the tested assets substantially in 2020.

Cash flow forecasts and assumptions used in annual goodwill impairment tests

The cash-generating units' cash flow forecasts were prepared for a five-year planning period based on the action plan created by management and the Group's strategy. Cash flow forecasts include the management estimates of coronavirus pandemic (COVID-19) impacts for the forecast period. Estimates of the impacts of the coronavirus pandemic (COVID-19), included in the cash flow forecasts, are based on actual available data and the current market situation. Material uncertainties in the estimates are related to a prolonged coronavirus pandemic (COVID-19) and therefore possible weakening especially in aparment and business premise markets. Cash flows beyond the forecasting period are calculated using the end value method. All the operating segments' forecasts are based on the assumption of 1% (1%) annual growth, which is lower than the European Central Bank's target inflation rate over the medium term. The estimates are based on previous experience of trends in these markets. Forecasts by several research institutes related to growth, demand and price trends have also been utilised when preparing the estimates. The pre-tax Weighted Average Cost of Capital (WACC pre-tax) defined by the Group is used as the discount rate. It takes into account the risk-free interest rate, the expected market rate of return, the industry's beta value and debt interest rate, including the interest rate margin, calculated for each unit. When determining the debt interest rate level, the Group takes into account the interest rate levels of financing used in operations on a segment-specific and country-specific basis. The components of the discount rate are weighted according to the average target capital structure of the segment. In the calculation of the discount rate for the unit being tested, the Group uses country-specific discount rates that are weighted by country-specific capital employed.

13. LEASES

Description of lease agreements

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

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

Right-of-use assets

Leased property, plant and equipment

2020

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

*Increases include the effect of index changes

2019

EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Impact of adoption of IFRS 16 at January 1	**8**	**78**	**52**	**0**	**138**
Exchange rate differences	0	0	0		0
Increases*	4	14	22		39
Decreases	-1	-1	-5		-7
Depreciation and impairment, continuing operations	-1	-18	-11		-30
Depreciation and impairment, discontinued operations	0	-1	-4	0	-5
Transferred to assets classified as held-for-sale	-4	-5	-31	0	-40
Carrying value December 31	**5**	**67**	**23**	**0**	**95**

*Increases include the effect of index changes

Leased inventories

2020

EUR million	Land areas	Total
Carrying value January 1	**188**	**188**
Exchange rate differences	-1	-1
Increases*	35	35
Decreases	-33	-33
Carrying value December 31	**190**	**190**

*Increases include the effect of index changes

2019

EUR million	Land areas	Total
Impact of adoption of IFRS 16 at January 1	**187**	**187**
Exchange rate differences	0	0
Increases*	26	26
Decreases	-25	-25
Carrying value December 31	**188**	**188**

*Increases include the effect of index changes

Lease liabilities

Maturity analysis of contractual undiscounted cash flows

EUR million	2020	2019
Less than one year	32	34
From one to three years	53	55
From three to five years	40	44
From five to ten years	77	87
Over ten years	287	319
Undiscounted lease liabilities, total	**489**	**540**

Items recognised in the income statement

EUR million	2020	2019
Change in inventories of finished goods and in work in progress	-30	-22
Expenses related to short-term leases and low-value assets	-54	-58
Depreciation and impairment of rights-of-use assets	-25	-30
Interest on lease liabilities	-15	-15

YIT Group as lessor

The future minimum lease receivables under non-cancellable operating leases

EUR million	2020	2019
No later than 1 year	3	3
1–5 years	4	3
Total	**6**	**6**

Rental income from subleasing the right-of-use assets amounted to EUR 5 million.
The Group 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 extention options after the initial expiry date. The minimum lease amount is calculated until the earliest possible date of termination.

14. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

Investments in associated companies and joint ventures

EUR million	Segment	Business	Domicile	Ownership 2020	Ownership 2019	Carrying value 2020	Carrying value 2019
Joint ventures							
FinCap Asunnot Oy	Partnership properties	Real estate investing	Finland	49.00%	49.00%	15	14
Projekti GH Oy	Partnership properties	Project development	Finland	33.33%	33.33%	1	1
Regenero Oy	Partnership properties	Project development	Finland	50.00%	50.00%	20	15
Nuppu Housing s.r.o	Housing Finland and CEE	Project development	Slovakia	50.00%	50.00%	3	0
Zwirn area s.r.o	Housing Finland and CEE	Project development	Slovakia	50.00%	50.00%	2	1
Pradiaren 1900 s.r.o	Business premises	Project development	Slovakia	50.00%	50.00%	1	0
Tieyhtiö Vaalimaa Oy	Partnership properties	PPP project company	Finland	20.00%	20.00%	0	0
Campus Marian Kehitys Oy	Partnership properties	Project development	Finland	50.00%	50.00%	1	1
Kumppanuuskoulut Oy	Partnership properties	PPP project company	Finland	20.00%		0	
Nuuka Solutions Oy	Partnership properties	Services	Finland	20.20%		3	
Joint ventures total						**44**	**31**
Associated companies							
ÅB Kodit I Ky	Partnership properties	Real estate investing	Finland	40.00%	40.00%	19	12
Ålandsbanken Lunastustontti I Ky	Partnership properties	Real estate investing	Finland	20.00%	20.00%	9	9
YCE Housing I Ky	Partnership properties	Project development	Finland	40.00%	40.00%	1	4
IISY Oy	Partnership properties	Services	Finland	20.20%		1	
OP Vuokrakoti Ky	Partnership properties	Real estate investing	Finland	40.00%		5	
Associated companies total						**35**	**25**

Changes in carrying values

EUR million	Associated companies	Joint ventures	Total 2020	Associated companies	Joint ventures	Total 2019
Carrying value January 1	25	31	56	16	135	151
Share of results	6	17	23	2	-1	1
Increases	14	10	24	19	17	36
Decreases	-6	-5	-10	-11	-116	-127
Dividend received during the financial year	-3	-9	-12			
Transfer to assets classified as held-for-sale					-6	-6
Carrying value December 31	**35**	**44**	**80**	**25**	**31**	**56**

During the financial year 2019, the Group waived its significant influence over Tripla Mall Ky, after which the ownership is not consolidated according to the equity method as a joint venture. The ownership will be treated as an equity investment, which will be recognised at fair value throught profit or loss based on business model. During the financial year 2019, Nordasfalt AS was transferred to assets classified as held-for-sale.

Additional information from recognising at fair value is given in Note Financial assets and liabilities by category.

Summary of financial information for the associated companies and joint ventures

EUR million	Associated companies	Joint ventures	Total 2020	Associated companies	Joint ventures	Total 2019
Condensed Statement of Financial Position						
Investment properties	45	110	155	29	106	135
Other non-current assets	100	382	482	85	354	362
Current assets	39	136	175	67	104	170
Non-current liabilities	51	461	512	52	446	420
Current liabilities	26	93	118	37	64	101
Net assets	**108**	**74**	**181**	**92**	**54**	**146**
Income Statement						
Revenue	36	111	147	98	34	133
Result for the period	13	35	47	8	1	10
of which IAS 40 change in fair value	8	1	9	0	0	7
Dividends received by YIT	**3**	**9**	**12**	**0**	**1**	**1**

Financial Information of material joint ventures

The Group did not have individually material associated companies or joint ventures at the end of financial year 2020.

Commitments

The company has investment commitments concerning associated companies and joint ventures in total of EUR 46 million.

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

Investment properties in associated companies and joint ventures

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

EUR million	2020	2019
Fair value of investment properties on January 1	**138**	
Acquisitions	40	131
Sales	-33	
Gains and losses from changes in fair value	9	7
Fair value of investment properties on December 31	**155**	**138**

The fair value in investment properties as of 2019 includes investment properties classified as held-for-sale amounting to EUR 3 million.

	31 Dec 2020			31 Dec 2019		
EUR million	Investment properties under construction	Completed investment properties	Investment properties in total	Investment properties under construction	Completed investment properties	Investment properties in total
Measured based on income					5	5
Measured based on market value	45	110	155		109	109
Measured based on cost				24		24
Total	**45**	**110**	**155**	**24**	**114**	**138**

The fair value of completed investment properties as of 2019 includes investment properties classified as held-for-sale amounting to EUR 3 million.

15. EQUITY INVESTMENTS

EUR million	2020	2019
Carrying value January 1	194	2
Increases		192
Decreases	0	0
Changes in fair value	-15	
Carrying value December 31	**180**	**194**

The most significant individual equity investment is Tripla Mall Ky, which was moved from investments in associated companies and joint ventures item in 2019 when YIT's significant influence in the investee ended. More information related to fair valuation in note Financial assets and liabilities by category.

16. NON-CURRENT RECEIVABLES

EUR million	31 Dec 2020	31 Dec 2019
Trade receivables	2	3
Interest-bearing receivables	49	47
Other receivables	9	9
Total	**60**	**59**

17. DEFERRED TAX ASSETS AND LIABILITIES

EUR million	31 Dec 2020	31 Dec 2019
Deferred tax assets	35	34
Deferred tax liabilities	10	9
Deferred taxes, net	**25**	**25**

Changes during the financial year in deferred tax assets and liabilities

2020

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

From accumulated losses of which some part are not approved by the tax authorities, deferred tax assets of EUR 31 million (32) have not been recognised. The unrecognised deferred tax assets from losses in 2020 are mainly from the companies in Russia, Norway and Sweden. According to the Estonian and Latvian tax systems, the companies are not taxed until the profits are distributed out of the company. Thus, the company is able to determine the reversal date of the temporary difference and therefore, no deferred tax has been recognised related those countries.

2019

EUR million	January 1	Exchange rate difference	Transfers to assets classified as held-for-sale	Recognised in income statement	Recognised in comprehensive income/equity	December 31
Deferred tax assets						
Provisions	17	0	0	6		22
Tax losses carried forward	19	2		-2		19
Pension benefits	1	0		0	0	0
Revenue recognition over time	17	1		-14		4
Inventories	10	0		-9		2
Other items	7	0		-1		6
Offsetting of deferred taxes	-7	0		-12		-18
Total deferred tax assets	**64**	**3**	**0**	**-33**	**0**	**34**
Deferred tax liabilities						
Capitalisation of intangible assets	2			-2		0
Accumulated depreciation differences	10	0	-6	-1		4
Pension benefits				0		0
Revenue recognition over time	5	0		-4		2
Inventories	1	0		0		1
Equity investments	0		0	16		16
Other items	17	0	-13	1		6
Offsetting of deferred taxes	-7			-12		-18
Total deferred tax liabilities	**29**	**0**	**-18**	**-2**		**9**

18. INVENTORIES

EUR million	31 Dec 2020	31 Dec 2019
Raw materials and consumables	10	17
Work in progress	482	727
Land areas and plot-owing companies	678	727
Shares in completed housing and real estate companies	151	203
Advance payments	51	61
Other inventories	3	5
Total inventories	**1,376**	**1,741**
Leased invetories	**190**	**188**

The specification of leased inventories can be found in note Leases.
In year 2020 the company made write-downs related to plots in the Housing Russia segment EUR 18 million (28) and in the Business premises segment related to work in progress EUR 7 million.

19. TRADE AND OTHER RECEIVABLES

EUR million	31 Dec 2020	31 Dec 2019
Trade receivables	131	215
Interest-bearing loan receivables	17	9
Contract assets	224	209
Accrued income	14	11
Receivables from derivative agreements	1	0
Other receivables	47	48
Total	**434**	**493**

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

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

EUR million	31 Dec 2020	31 Dec 2019
Trade and other receivables	434	493
Contract assets	-224	-209
Accrued income	-14	-11
Receivables from derivative agreements	-1	0
Total	**195**	**272**

20. CASH AND CASH EQUIVALENTS

EUR million	31 Dec 2020	31 Dec 2019
Cash in hand and in banks	419	132

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

21. EQUITY

Share capital and treasury shares

	Number of outstanding shares	Share capital, EUR million	Treasury shares, EUR million
January 1, 2019	210,048,010	150	-6
Transfer of treasury shares	220,353		1
Acquisition of treasury shares	-1,500,000		-8
December 31, 2019	**208,768,363**	**150**	**-12**
January 1, 2020	208,768,363	150	-12
Transfer of treasury shares	315,193		2
December 31, 2020	**209,083,556**	**150**	**-10**

At December 31, 2020 the total number of YIT Corporations's shares was 211,099,853 and the share capital amounted to EUR 150 million. All issued and subscribed shares have been fully paid. Shares do not have a nominal value.

Treasury shares

2020	Amount, pcs.
January 1	2,331,490
Transfer of treasury shares	-315,193
December 31	**2,016,297**

The consideration paid for the treasury shares amounted to EUR 10 million and is disclosed as a separate reserve in equity. The consideration paid for treasury shares decreases the distributable funds of YIT Corporation. On March 12, 2020, the Annual General Meeting of YIT Corporation resolved to authorise the Board of Directors to decide on the acquisition of treasury shares and share issues as proposed by the Board of Directors.

The Board of Directors decided on April 29, 2020 and August 28, 2019 on a directed share issues for YIT's and Lemminkäinen's Performance Share Program reward payment from the 2016 performance period as agreed in connection with the merger of YIT and Lemminkäinen. On May 7, 2020 and September 10, 2020, YIT announced that in the share issues, a total of 315,193 YIT Corporation shares were issued and conveyed without consideration to the key persons participating in the incentive plan according to the terms and conditions of the incentive plan.

On December 31, 2020, YIT Corporation held 2,016,297 treasury shares.

Legal reserve

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

Unrestricted equity reserve

The 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 the exchange rate differences recognised in Group consolidation. In addition, on the net investment in foreign subsidiaries, which are hedged with currency forwards, the portion of the gains and losses of effective hedges is recognised in translation differences. There were no hedges of a net investment in a foreign operation in 2020 and 2019.
At the year end of 2020 cumulative translation differences amounted to EUR 303 million (216) of which EUR 304 million (211) related to operations in Russia. The change in translation differences was EUR 87 million (58).

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.

Dividends

Dividend paid and proposed	**2020**	**2019**
Dividend paid during the financial year		
Per share for the previous year, EUR	0.40	0.27
In total for the previous year, EUR million	84	57
Board of Directors' proposal for approval by the AGM		
Per share for the financial year, EUR	0.14	0.40
In total for the financial year, EUR million	29	84

22. SALARIES AND FEES TO THE MANAGEMENT

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

Decision-making regarding remuneration

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

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

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

Remuneration of Board members

The Annual General Meeting 2020 decided that the Board of Directors be paid fixed annual remuneration for the term ending at the close of the next Annual General Meeting. The remuneration of the Chairman of the Board is EUR 100,000 per year (2019: EUR 100,000), the remuneration of the Vice Chairman of the Board and the Chairman of the Audit Committee is EUR 70,000 per year (2019: Vice Chairman of the Board EUR 70,000 and the Chairman of the Audit Committee EUR 70,000) and the remuneration of the other members of the Board is EUR 50,000 per year (2019: EUR 50,000).

The award and payment of the fixed annual remuneration is contingent on the Board members committing to purchasing directly, based on the resolution of the Annual General Meeting, YIT Corporation shares amounting to 40% of the fixed annual fee from a regulated market (Nasdaq Helsinki Ltd) at a price determined by public trading, and that the shares in question be purchased directly on behalf of the Board members. The shares have been purchased within two weeks of the publication of the interim report for the period January 1–March 31, 2020.

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

The members of the Shareholders' Nomination Board, including the expert member, will be paid a meeting fee of EUR 800 per a Board meeting and the Chairman be paid EUR 1,600 per a Board meeting. As part of measures to compensate the company's weakened financial situation, the Board of the Directors renounced unanimously 10% of their fixed annual fees. The remuneration of the Board of the Directors has been decided at the Annual General Meeting on March 12, 2020.

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 2020, the company booked social security costs of EUR 0.6 million (EUR 0.7 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	**2020**	**2019**
Short-term employee benefits	3.1	3.6
Former President and CEO*	0.6	0.7
Interim President and CEO**	0.1	
Key management personnel other than the President and CEO	2.5	2.9
Post-employment benefits	0.6	0.5
Former President and CEO*	0.1	0.1
Key management personnel other than the President and CEO	0.5	0.4
Termination benefits	1.3	
Former President and CEO*	1.0	
Key management personnel other than the President and CEO	0.3	
Share-based payments	0.6	0.3
Former President and CEO*	0.1	0.1
Key management personnel other than the President and CEO	0.5	0.2
Remuneration of key management personnel, total	**5.6**	**4.4**

* Former President and CEO Kari Kauniskangas until October 22, 2020
** Interim President and CEO Antti Inkilä from October 23, 2020

Short-term employee benefits

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

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

The maximum performance bonus payable to the President and CEO was 70 per cent of the annual remuneration and 50 per cent for other members of the Group Management Team (salary and fringe benefits).

Post-employment benefits

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

23. PENSION OBLIGATIONS

EUR million	2020	2019
Pension benefits		
Balance sheet obligations	2	2
Income statement charge	0	0

In 2020 and 2019, the Group had defined benefit pension plans resulting from supplementary pension insurance in Finland. The pension liability has been calculated based on among other things the number of years employed and the salary level. The pension plans are managed in insurance companies, which are managed according to the local pension legislation.

Determination of pension obligations

EUR million	31 Dec 2020	31 Dec 2019
Present value of funded obligations	20	28
Fair value of plan assets	-18	-25
Pension liability, net	**2**	**2**

Changes in present value of the obligation

EUR million	2020	2019
Obligation at 1 January	28	28
Service cost	0	
Interest cost	0	0
Actuarial gains/losses	-7	2
Benefits paid	-2	-2
Obligation at 31 December	**20**	**28**

Fair value changes of plan assets

EUR million	2020	2019
Plan assets at 1 January	25	25
Expected return of plan assets	0	0
Remeasurments	-6	2
Employer contribution	0	0
Benefits paid	-2	-2
Plan assets at 31 December	**18**	**25**

Actuarial assumptions

	2020	2019
Discount rate	0.5%	0.1%
Rate of salary increase	1.3%	1.2%
Rate of pension increases	1.4%	1.3%

Future payments

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

EUR million	2020	2019
Due within one year	2	2
Due in 1–5 years	5	7
Due in 5–10 years	5	7
Due in 10–15 years	4	5
Due in 15–20 years	2	4
Due in 20–25 years	1	2
Due in 25–30 years	1	1
Due after more than 30 years	0	1
Total	**21**	**28**

Sensitivity analysis

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

EUR million	2020	2019
Interest increase by 0.5%	-1	-1
Interest decrease by 0.5%	1	2

24. PROVISIONS

EUR million	Warranty provision	10-year liability commitments	Onerous contracts	Legal provisions	Other provisions	2020 Total	2019 Total
January 1	**17**	**69**	**2**	**19**	**8**	**114**	**127**
Exchange rate difference	-1		0	0	-1	-2	1
Increase of provisions	9	1	4	1	10	25	46
Provisions used	-8	0	-5	-3	-5	-20	-48
Reversals of unused provisions				-2	0	-2	-3
Transfers to assets classified as held-for-sale							-9
December 31	**18**	**69**	**2**	**15**	**12**	**115**	**114**
Non-current	**2**	**58**	**0**	**15**	**4**	**78**	**78**
Current	16	12	1	1	7	37	37
Total	**18**	**69**	**2**	**15**	**12**	**115**	**114**

The effect of discounting on the total amount of provisions was EUR 0 million (0).

25. INTEREST-BEARING FINANCIAL LIABILITIES

Non-current financial liabilities

EUR million	31 Dec 2020	31 Dec 2019
Bonds	150	249
Loans from financial institutions	100	70
Other interest-bearing liabilities	37	36
Total	**286**	**355**

Current financial liabilities

EUR million	31 Dec 2020	31 Dec 2019
Bonds	100	
Loans from financial institutions	100	110
Commercial papers	216	141
Housing corporation loans	163	183
Other interest-bearing liabilities	13	
Total	**592**	**434**

Loans from financial institutions at December 31, 2020 were non-recurring loans taken from banks. The commercial papers have been drawn up under the company's EUR 400 million Finnish commercial paper program. Housing company loans presented in financial liabilities relate to unsold apartments' share of housing company loans in residential development projects and the loans have a long maturity. Details of the bonds are shown below.

Information about the bonds

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

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

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

Non-current lease liabilities

EUR million	31 Dec 2020	31 Dec 2019
Lease liabilities	174	206

Current lease liabilities

EUR million	31 Dec 2020	31 Dec 2019
Lease liabilities	62	55

Reconciliation of interest-bearing financial liabilities

2020

EUR million	Current	Non-current	Lease liabilities	Total
Interest-bearing financial liabilities 1 Jan	**434**	**355**	**261**	**1,051**
Short-term part of the long-term liabilities	-110	110		
Cash flows	498	27	-35	490
Share of housing loans concerning sold apartments*	-432			-432
Changes in lease liabilities			9	9
Other non-cash changes**	-1	1		-0
Short-term part of the long-term liabilities	207	-207		0
Interest-bearing financial liabilities 31 Dec	**595**	**286**	**235**	**1,117**

2019

EUR million	Current	Non-current	Finance lease liabilities	Lease liabilities	Total
Interest-bearing financial liabilities 1 Jan	**459**	**415**	**18**		**892**
Short-term part of the long-term liabilities	-154	154			
Effect from IFRS 16 implementation			-18	318	301
Cash flows	451	-100		-48	302
Share of housing loans concerning sold apartments*	-431				-431
Changes in lease liabilities				22	22
Other non-cash changes**	-2	-2		-31	-36
Short-term part of the long-term liabilities	110	-110			
Interest-bearing financial liabilities 31 Dec	**434**	**355**		**261**	**1,051**

*Housing company loans of unfinished residential development projects are transferred to advances received. Housing company loans of finished apartments are recognised as a non-cash consideration directly as revenue. These transfers are presented as repayments of current borrowings in cash flow statement.
**Foreign exchange rate differences are included in Other non-cash changes. Other non-cash changes also include financial liabilities trasferred to discontinued operations.

26. TRADE AND OTHER PAYABLES

Non-current liabilities

EUR million	31 Dec 2020	31 Dec 2019
Trade payables	14	32
Liabilities of derivative agreements	1	1
Other liabilities	12	23
Total	**27**	**57**

Current liabilities

EUR million	31 Dec 2020	31 Dec 2019
Trade payables	182	258
Other accrued expenses	135	142
Accrued expenses in projects	171	183
Liabilities of derivative agreements	2	2
Other payables	75	129
Total	**566**	**713**

Other accrued expenses

EUR million	31 Dec 2020	31 Dec 2019
Accrued employee-related liabilities	65	80
Interest liabilities	2	1
Other accrued expenses	69	60

Reconciliation to the categorisation of trade and other payables (Note Financial assets and liabilities by category)

EUR million	31 Dec 2020	31 Dec 2019
Non-current trade and other liabilities	27	57
Liabilities of derivative agreements	-1	-1
Total	**26**	**56**
Current trade and other payables	566	713
Other accrued expenses	-135	-142
Liabilities of derivative agreements	-2	-2
Accrued expenses for projects	-171	-183
Total	**257**	**387**

27. DERIVATIVE INSTRUMENTS

	31 Dec 2020				31 Dec 2019			
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	198	1	-2	-1	104	0	-1	-1
Interest rate derivatives	60		-1	-1	180		-2	-2
Commodity derivatives	1	0		0	5	0	-1	-1
Total	**259**	**1**	**-2**	**-1**	**289**	**0**	**-3**	**-3**

All derivative instruments are utilised for hedging purposes according to the Group's treasury policy. The derivatives are used in order to reduce business risks, interest rate risks and to hedge balance sheet items denominated in foreign currencies. YIT did not apply hedge accounting in 2020.

In some cases, above mentioned financial derivatives are subject to master netting or similar arrangements which are enforceable in some circumstances. According to these arrangements, above mentioned derivative assets and liabilities could be settled on a net basis. Netting arrangements are enforceable according to typical negligence events or other events of default as the general terms for derivative transactions applies. Items, to which settlement on a net basis could be applied under certain conditions, are recognised on gross basis in the statement of financial position. Net figures would have been EUR 1 million (0) smaller than the gross figures presented in the table.

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

28. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

31 Dec 2020
EUR million

Measurement category	Financial assets recognised at fair value through other comprehensive income	Financial assets recognised at amortised cost	Financial assets and liabilities recognised at fair value through profit and loss	Financial liabilities recognised at amortised cost	Carrying amount	Fair value	Fair value measurement hierarchy	Note
Non-current financial assets								
Equity investments	2		177		180	180	Level 3	15
Trade, loan and other receivables		51			51	48		16
Loan receivables			8		8	8	Level 3	16
Current financial assets								
Trade, loan and other receivables*		195			195	195		19
Derivative assets			1		1	1	Level 2	19
Cash and cash equivalents		419			419	419		20
Financial assets by category, total	**2**	**666**	**186**		**854**	**851**		
Non-current financial liabilities								
Interest-bearing liabilities				286	286	283		25
Trade and other payables				26	26	24		26
Derivative assets			1		1	1	Level 2	26
Current financial liabilities								
Interest-bearing liabilities				592	592	593		25
Trade and other payables**				257	257	257		26
Derivative liabilities			2		2	2	Level 2	26
Financial liabilities by category, total			**3**	**1,162**	**1,164**	**1,160**		

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

31 Dec 2019
EUR million

Measurement category	Financial assets recognised at fair value through other comprehensive income	Financial assets recognised at amortised cost	Financial assets and liabilities recognised at fair value through profit and loss	Financial liabilities recognised at amortised cost	Carrying amount	Fair value	Fair value measurement hierarchy	Note
Non-current financial assets								
Equity investments	2		192		194	194	Level 3	15
Trade, loan and other receivables		50			50	51		16
Loan receivables			8		8	8	Level 3	16
Current financial assets								
Trade, loan and other receivables*		272			272	272		19
Derivative assets			0		0	0	Level 2	19
Cash and cash equivalents		132			132	132		20
Financial assets by category, total	**2**	**454**	**200**		**657**	**657**		
Non-current financial liabilities								
Interest-bearing liabilities				355	355	362		25
Trade and other payables				56	56	52		26
Derivative liabilities			1		1	1	Level 2	26
Current financial liabilities								
Interest-bearing liabilities				434	434	434		25
Trade and other payables**				387	387	387		26
Derivative liabilities			2		2	2	Level 2	26
Financial liabilities by category, total			**3**	**1,232**	**1,235**	**1,238**		

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

The fair values of bonds are based on the market price at the reporting date. The fair values of other non-current receivables and liabilities are based on discounted cash flows. The discount rate is defined to be the rate YIT Group was to pay for equivalent external loans at the end of the reporting period. It consists of risk free market rate and company and maturity related risk premium of 2,68-3,02% (Dec 31, 2019: 1.95-2.39%). The fair values of current receivables and liabilities are equal to their carrying amounts.

Fair value measurement

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

Level 1

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

Level 2

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

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

Level 3

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

Fair value measurements using significant unobservable inputs (level 3)

	Valuation technique	Significant unobservable inputs	Base value 2020	Base value 2019	Sensitivity of the input to fair value for YIT	Additional information regarding the input
Equity investments recognised at fair value through profit and loss	Discounted Cash Flow (DCF) method, 10 year period	Compound annual growth rate (CAGR) of Net Operating Income (NOI) for the entire valuation period	5.45%*	4.25%	1 percentage point increase (decrease) in the input value leads to a EUR 23 million increase (EUR 23 million decrease) in the fair value of the asset.	The change in the input value is estimated through a coefficient that increases/decreases the growth of all annual NOI cash flows identically, therefore depicting a scenario where the NOI of commercial facility and parking facility follows a higher/lower growth trajectory during the valuation period.
		Extra coefficient for the discount factor used for the cash flows of parking	25%	25%	25 percentage point increase (decrease) in the input value leads to a EUR 8 million decrease (EUR 4 million increase) in the fair value of the asset.	The purpose of the input value is to act as a variable taking into account the uncertainty related to estimating the future NOI of a new parking facility.
		Exit yield	5.25% - 5.75%	4.60% - 5.75%	5 percentage increase (decrease) in the input values leads to a EUR 16 million decrease (EUR 16 million increase) in the fair value of the asset.	Separate exit yields used for different parts of the shopping center.
Loan receivables recognised at fair value through profit and loss	Discounted Cash Flow (DCF) method	Discount rate	2.31%	2.45%	1 percentage point increase (decrease) in the input value leads to a decrease of EUR 1 million (or increase of EUR 1 million).	The input value rate reflects the exit yield of the investor.

A significant negative change of the coronavirus pandemic and/or increased restrictions imposed by authorities could affect negatively the future cash flows of equity investments, which would have an effect on the valuation of the property.

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

Description of valuation techniques

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

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 expires in 2024. If the equity multiple is in the agreed target range, YIT is entitled to its original share of the fair value of the investment. The equity multiple is defined as the ratio between the equity value, which is projected in the fair value model, and realised equity investments in Tripla Mall Ky. At the balance sheet date, the modeling of the profit-sharing agreement indicates that the equity multiple is at the target range, and therefore has no effect on the YIT share. If the equity multiple increased by 5 percent, it would still remain in the target range. If the equity multiple decreased by 5 percent, it would still remain in the target range. Fair value changes resulting from the profit-sharing agreement are reported in consolidated income statement in the row "Change in fair value of investments".

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

Level 3 reconciliation

	2020	2019
Fair value at 1 Jan	**202**	**2**
Additions		119
Decreases	-1	0
Change in fair value from equity investments recognised in income statement	-14	77
Change in fair value from loan receivables recognised in income statement	0	4
Fair value at 31 Dec	**187**	**202**

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

Valuation processes

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

29. FINANCIAL RISK MANAGEMENT

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

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

The 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.

YIT has also assessed the implications of the coronavirus pandemic in regard to its most significant financial risks. Out of these, the funding and liquidity risks have been seen from YIT's perspective as the main risks affected by the turbulence in the market. YIT has a strong liquidity position, which was further improved by the sale of the Nordic paving and mineral aggregates businesses.

Liquidity risk

The Group seeks to ensure the availability of funding, optimise the use of liquid assets in funding its business operations and 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 the Group'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. Due to the nature of the Group's business operations, seasonal borrowing is of great importance. 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.

Liquidity of the Group 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 2020 was EUR 419 million (132). The total amount of the Group's commercial paper programme is EUR 400 million (400), of which was unused EUR 184 million (259) at the end of reporting period. At the end of the reporting period, the Group had available committed credit facilities amounting to EUR 300 million (300) and overdraft limits amounting to EUR 47 million (47). Committed credit facility is available until August 2021 with a total amount of 300 million euros. In the second quarter of 2020, YIT agreed to extend EUR 255 million of its EUR 300 million committed revolving facility agreement with one year to August 2022. In addition, committed housing company and project loan limits related to apartment projects amounted to EUR 147 million (281) at the end of the reporting period. Part of the Group's existing financial agreements and limits require that certain financial covenants are met. Key financial covenants are equity ratio, gearing and interest coverage. It is essential that the Group's key figures stay at an adequate level to meet the covenant requirements.

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 and amounted to EUR 163 million (183) at the end of the financial year. Regarding unsold apartments housing company loans will be paid with financial consideration for the apartments in question 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 December 31, 2020 (December 31, 2019). Cash flows of foreign currency denominated loans are translated into euros at the foreign exchange rates prevailing at the balance sheet date. Cash flows of foreign currency forward contracts are translated into euros at forward rates.

Contractual cash flows of financial liabilities and derivative instruments

2020

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

2019

EUR million	2020	2021	2022	2023	2024	2025-	Total
Interest-bearing liabilities	451*	143	67	163	10	0	834
Lease liabilities	34	29	26	24	20	406	540
Trade and other payables	387	24	3	5	12	12	442
Interest rate derivatives	1	0	0				2
Foreign exchange derivatives			0				
cash outflow	104		0				104
cash inflow	-103						-103
Commodity derivatives							
cash outflow	1	0					1
cash inflow	0						0
Guarantees given on behalf of others	1	1	0	0			2
Total	**875**	**196**	**97**	**193**	**42**	**418**	**1,821**

*Includes housing company loans related to unsold apartments EUR 163 million (183).

Interest rate risk

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

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

The Group can have both variable- and fixed-rate long-term borrowings. The ratio of fixed- and variable-rate borrowings can be changed by using interest rate derivatives. The Group has used interest rate swaps for managing interest rate risks. 39 per cent (63) of the interest rate porfolio was at fixed rate at the end of the reporting period.

According to interest rate sensitivity analysis, an increase of one percentage point in interest rates would have reduced the Group's net financial expenses by EUR 2 million (0) before taxes. Similar decrease in interest rates would have increased net financial expenses by EUR 3 million (3). Change of one percentage point in interest rates would have had no significant impact on the Group's balance sheet. Sensitivity analysis inculdes floating rate items of the year-end balance sheet net debt, and interest rate derivatives. Potential negative interest rates and possible interest rate floors related to negative interests, are taken into account in the sensitivity calculations.

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

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

Credit and counterparty risk

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

Operating units are responsible for the credit risk related to operating items, such as trade receivables. Operating units are responsible for the credit risk of loan receivables acquired in connection with business operations. Customers and the nature of the agreements differ between the Group's segments. Customer-specific credit risk management is carried out in the segments' finance departments in cooperation with the operating units. The Group manages credit risk related to operating items by holding the ownership of construction projects until payment is received; taking advance payments; accelerated payment programmes of projects; payment guarantees; site-specific mortgages; credit risk insurance policies; and a 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 through sale of receivables. These transfers meet the conditions set out in IFRS 9 for derecognition of financial assets. The Group does not have any significant concentrations of credit risk as the clientele is widespread and geographically divided into the countries in which the Group operates. During the reporting period no material credit losses were recognised. The operating units are not expecting any unusual credit risk arising from trade receivables, loan receivables or construction contracts.

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

Expected credit losses

	2020			2019		
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	82	0	0.6	135	0	0.1
1-60 days	21	0	0.5	22	0	0.1
61-90 days	4	0	6.2	2	0	2.5
91-180 days	2	0	2.0	18	1	3.1
Over 181 days	23	0	0.6	38	0	0.4
Total trade receivables	**133**	**1**		**215**	**1**	
Contract assets	**224**	**1**	**0.3**	**209**	**0**	**0.1**
Total	**357**	**2**		**424**	**1**	
Loan receivables	**74**			**65**		
Total loan receivables	**74**			**65**		

Foreign exchange rate risk

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

Translation risk consists of foreign exchange rate differences arising from the translation of the income statements and the statement of financial position of foreign group companies into the Group's functional currency. Translation risk recorded in accounting is caused by equity investments in foreign entities and their retained earnings, the effects of which are recorded under translation differences in shareholders' equity. By decision of the Board of Directors, the net investments in foreign operations are not hedged from the changes in foreign exchange rates. The change in foreign exchange rates decreased the value of the Group's net investments in equity by EUR 88 million (increased 50) compared to the end of the previous year. EUR 93 million (49) of the change in year 2020 was caused by Russian rouble. A decrease or increase of ten percent in the euro exchange rate against Russian rouble would have had an impact of EUR 25 million (32) on translation differences under consolidated equity at the reporting date.

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

Subsidiaries' commercial contracts cause foreign exchange risk for the Group. However, the contracts are mainly made in the units' own functional currencies. The Group seeks to hedge business currency risks primarily by operative means. The remaining transaction risk is hedged by using e.g. foreign exchange derivatives. Business units are responsible for identifying, reporting, forecasting and hedging their transaction risk positions internally with Group Treasury. The Group Treasury is responsible for hedging the Group's risk positions as external transactions in accordance with the treasury policy. During 2020 there were no significant open foreign exchage rate risks related to commercial contracts.

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

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

Commodity price risk

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

Management of capital and the capital structure

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

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

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

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

The Group may from time to time seek to repurchase its outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. The amounts involved may be material. The Group may decide to hold, cancel or sell such repurchased debt. Possible subsequent sales of repurchased debt may be made against cash or other compensation or in exchange for equity securities and

such sales may be executed as open market offers, privately negotiated transactions or otherwise. Repurchases or exchanges of outstanding debt or subsequent sales or exchanges of repurchased debt, if any, will depend on prevailing market conditions, the Group's liquidity requirements, contractual restrictions and other factors.
YIT has reorganised its debt portfolio and funding sources during the reporting period as follows: In the first quarter of 2020, YIT repaid a EUR 30 million term loan and agreed on a two-year term loan of EUR 50 million with a maturity date in March 2022. The agreement includes two options for a one-year extension. In addition, YIT agreed in the second quarter to extend EUR 255 million of its EUR 300 million committed revolving credit facility with one year to August 2022. YIT also agreed on a one-year extension of its EUR 30 million and EUR 50 million term loans. The new maturity date for the EUR 30 million term loan is in June 2021 and the new maturity date for the EUR 50 million term loan is in October 2021.

There are quarterly monitored financial covenants included in Group's credit agreements. These covenants are equity ratio, gearing and interest coverage. There is also an incurrence based interest coverage covenant included in the company's bonds. The company has met its covenants. If the Group'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 prepayments of the loans or restrict the company's ability to raise certain types of funding.

Financial indicators	2020	2019
Interest-bearing liabilities, EUR million	1,114	1,051
Interest-bearing receivables, EUR million	66	57
Cash and cash equivalents, EUR million	419	132
Net interest-bearing debt, EUR million*	628	862
Equity, EUR million	920	1,061
Equity ratio, %	33	34
Gearing ratio, %	68	81

30. COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	2020	2019
Guarantees		
Guarantees on behalf of others	1	2
Guarantees on behalf of consortia	10	10
Guarantees on behalf of its associated companies and joint ventures	5	0
Guarantees on behalf of parent and other Group companies	1,053	1,657
Other commitments		
Investment commitments	46	35
Purchase commitments	201	228

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

As a result of the partial demerger registered on June 30, 2013, YIT Corporation has secondary liability for guarantees transferred to Caverion Corporation, with a maximum total amount of EUR 6 million (8) on December 31, 2020.

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

Litigation

Damages related to the asphalt cartel

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

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

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

Quality concerns related to ready-mixed concrete

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

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

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

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

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

31. SUBSIDIARIES

Name	Domicile	Ownership of the parent company, %	Ownership of the Group, %	Ownership of the non-controlling interest, %
UAB Lemcon Vilnius	Lithuania	100%	100.00%	
YIT Kalusto Oy	Finland	100%	100.00%	
YIT Suomi Oy	Finland	100%	100.00%	
YIT Ventures Oy	Finland	100%	100.00%	
Finn-Stroi Oy	Finland		100.00%	
Lemcon HR Oy	Finland		100.00%	
Living services Russia Oy	Finland		100.00%	
Tortum Oy Ab	Finland		100.00%	
Urepol Oy	Finland		100.00%	
YIT International Oy	Finland		100.00%	
YIT Invest Export Oy	Finland		100.00%	
YIT IT East Oy	Finland		100.00%	
YIT Mars Oy	Finland		100.00%	
YIT Neptunus Oy	Finland		100.00%	
YIT Russia Oy	Finland		100.00%	
YIT Salym Development Oy	Finland		100.00%	
YIT Saturnus Oy	Finland		100.00%	
YIT Sirius Oy	Finland		100.00%	
YIT Talon Tekniikka Oy*	Finland		87.07%	12.93%
YIT Uranus Oy	Finland		100.00%	
YIT Eesti AS	Estonia		100.00%	
AS Koidu Kinnisvara	Estonia		100.00%	
SIA "YIT Infra Latvija"	Latvia		100.00%	
SIA "YIT Latvija"	Latvia		100.00%	
UAB "YIT Lietuva"	Lithuania		100.00%	
YIT Infra Norge AS	Norway		100.00%	
YIT Development SP. Z O.O.	Poland		100.00%	
YIT Plus sp. Z O.O.	Poland		100.00%	
Lemminkäinen Polska Sp.ZOO	Poland		100.00%	
YIT Sverige AB	Sweden		100.00%	
YIT Slovakia a.s.	Slovakia		100.00%	
YIT Stavo s.r.o	Czech Republic		100.00%	
AO YIT Moscow Region	Russia		100.00%	
AO YIT Saint-Petersburg	Russia		100.00%	

Name	Domicile	Ownership of the parent company, %	Ownership of the Group, %	Ownership of the non-controlling interest, %
Brusnika Ekaterinburg Service	Russia		50.01%	49.99%
Brusnika Novosibirsk Sevice	Russia		50.01%	49.99%
Brusnika Surgut Service	Russia		50.01%	49.99%
Brusnika Tyumen Service	Russia		50.01%	49.99%
LLC 3 Grazdanskay	Russia		100.00%	
LLC Service and Comfort	Russia		50.01%	49.99%
OOO Handy Solutions	Russia		100.00%	
OOO Lemminkäinen Stroy	Russia		100.00%	
OOO Ural YIT Service	Russia		50.01%	49.99%
OOO YIT Service Don	Russia		100.00%	
OOO YIT-Service	Russia		100.00%	
OOO YIT Service Kazan	Russia		100.00%	
OOO YIT Service Tyumen	Russia		50.01%	49.99%
OOO YIT SSC	Russia		100.00%	
OOO YITService	Russia		100.00%	
YIT Brusnika Holding	Russia		50.01%	49.99%
YIT Brusnika Vidnoe	Russia		50.01%	49.99%
YIT CountryStroi	Russia		100.00%	

* Talon tekniikka Oy is treated as 100%. Company has an obligation to redeem the non-controlling interest within an agreed period for which reason the share of the non-controlling interest has not recognised in the statement of financial position. The obligation has been measured at fair value and recorded as a liability in the consolidated statement of financial position.

The table does not include housing and real estate companies nor housing and real estate project companies registered outside of Finland.

32. RELATED PARTY TRANSACTIONS

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

EUR million	2020	2019
Sale of goods and services		
Key management personnel	0.4	0.7
Associated companies and joint ventures	96	339
Total	**97**	**340**
Purhace of goods and services		
Associated companies and joint ventures		6
Trade and other receivables		
Associated companies and joint ventures	19	18
Loan receivables		
Associated companies and joint ventures	28	19
Trade and other payables		
Associated companies and joint ventures	0	0

The sale of goods and services to key management personnel was the sale of apartments in year 2020 and 2019. 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.

33. IFRS STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET EFFECTIVE

The company has not applied any standards, amendments to standards or interpretations, that will become effect after the beginning of financial year starting January 1, 2020. The company does not expect any significant impact on the financial statements from any published, but not yet effective, IFRS standad, IFRIC interpretation, IFRS yearly improvement or change.

Parent company's financial statements

UPM's headquarters, Helsinki, Finland

INCOME STATEMENT, PARENT COMPANY, FAS

EUR thousand	Note	2020	2019
REVENUE		**67,099**	**74,910**
Other operating income	2	3,355	11,788
Personnel expenses	3	-29,480	-31,834
Depreciation and impairment	4	-4,045	-5,551
Other operating expenses	5	-65,579	-77,629
Operating profit/loss		**-28,650**	**-28,315**
Financial income and expenses	6	106,839	-4,452
Profit before appropriations and taxes		**78,188**	**-32,768**
Appropriations	7	53,100	20,223
Income taxes	8		-169
Profit for the financial year		**131,288**	**-12,714**

BALANCE SHEET, PARENT COMPANY, FAS

EUR thousand	Note	2020	2019
Assets			
Non-current assets			
Intangible assets	9		
Intangible rights		1,828	4,099
Other capitalized expenditure		2,431	2,837
Advance payments			141
Total intangible assets		4,259	7,077
Property, plant and equipment	9		
Land and water areas		6,367	6,367
Buildings and structures		2,929	3,773
Machinery and equipment		1,092	1,579
Other tangible assets		139	162
Total property, plant and equipment		10,526	11,881
Investments	10		
Shares in Group companies		1,244,372	1,299,718
Other shares and holdings		541	541
Total investments		1,244,914	1,300,260
Total non-current assets		**1,259,699**	**1,319,218**
Current assets			
Long-term receivables	11		
Receivables from Group companies		130,185	262,840
Total long-term receivables		130,185	262,840
Short-term receivables	11		
Trade receivables		275	278
Receivables from Group companies		192,010	163,311
Other receivables		2,353	3,027
Accrued income		2,763	16,774
Total receivables		197,401	183,390
Cash and cash equivalents		357,111	63,049
Total current assets		**684,696**	**509,279**
Total assets		**1,944,395**	**1,828,497**

EUR thousand	Note	2020	2019
Equity and liabilities			
Equity	12		
Share capital		149,717	149,717
Other reserves			
Unrestricted equity reserve		563,895	564,021
Retained earnings		135,813	230,459
Profit/loss for the financial year		131,288	-12,714
Total equity		**980,713**	**931,483**
Provisions	13	**2,618**	**6,853**
Liabilities			
Non-current liabilities	15		
Bonds		150,000	250,000
Loans from credit institutions		100,000	70,000
Non-current accrued liabilities		624	1,052
Total non-current liabilities		250,624	**321,052**
Current liabilities	16		
Bonds		100,000	
Loans from credit institutions		100,000	110,000
Advances received		25	26
Trade payables		5,107	7,934
Current liabilities to group companies		273,185	291,421
Other current liabilities		221,249	148,702
Accrued expenses		10,875	11,026
Total current liabilities		710,441	569,109
Total liabilities		**961,064**	**890,161**
TOTAL EQUITY AND LIABILITIES		**1,944,395**	**1,828,497**

CASH FLOW STATEMENT, PARENT COMPANY, FAS

EUR thousand	2020	2019
Cash flow from operating activities		
Profit/loss before appropriations	**78,188**	**-32,768**
Adjustments for:		
Depreciations	4,045	5,551
Other non-cash transactions	-3,966	-8,800
Gains on the sale of tangible and intangible assets		-2,037
Financial income and expenses	-106,839	4,452
Cash flow before change in working capital	-28,571	-33,602
Change in working capital		
Change in trade and other receivables	16,533	32,282
Change in current liabilities	-5,819	2,451
Net cash flow from operating activities before financial items and taxes	-17,857	1,132
Interest paid and other finance expenses	-64,374	-51,285
Dividends received	7,324	0
Interest received and financial income	43,663	47,086
Taxes paid	14,913	-21,740
Net cash generated from operating activities	**-16,331**	**-24,806**
Cash flow from investing activities		
Purchases of tangible and intangible assets	-99	-2,365
Proceeds from sale of tangible and intangible assets		2,845
Purchase of investments	-3,849	-110,000
Proceeds from sale of investments	167,282	55
Net cash used in investing activities	**163,334**	**-109,465**

EUR thousand	2020	2019
Cash flow from financing activities		
Change in loan receivables	114,534	156,479
Change in current loans	74,973	-101,954
Proceeds from borrowings	50,000	50,000
Repayment of borrowings	-30,000	-150,000
Dividends paid and other distribution of assets	-83,589	-56,716
Group contributions received	20,100	88,410
Purchases/sales of treasury shares	1,041	-6,740
Net cash used in financing activities	**147,059**	**-20,521**
Net change in cash and cash equivalents	**294,061**	**-154,792**
Cash and cash equivalents at the beginning of the financial year	63,049	217,841
Cash and cash equivalents at the end of the financial year	357,111	63,049

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 January 1–December 31, 2020.

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 risk management

Financial risk management of YIT Corporation is centralised to Treasury department. The principles of financial risk management of the Group are presented in more detail in the consolidated financial statements in the note Financial risk management.

The derivatives are used in order to reduce business risks, interest rate risks and to hedge balance sheet items denominated in foreign currencies.

Foreign exchange derivatives are used to hedge against changes in forecasted foreign currency-denominated cash flows and changes in value of receivables and liabilities in foreign currencies. The company has used foreign exchange forward contracts which are re-measured at the balance sheet date by using the foreign exchange forward rates prevailing on the balance sheet date.

Interest rate derivatives are used to hedge against changes affecting the result, balance sheet and cash flows due to interest rate fluctuations. The company has used interest rate swaps which are re-measured by discounting the contractual future cash flows to the present value.

YIT Corporation's subsidiaries operating in the paving business use commodity derivatives to manage bitumen price risk. The execution of some of those derivatives with external counterparties is centralised to YIT Corporation, and the corresponding internal derivative contracts are executed with intra-Group transactions with each subsidiary. Consequently, commodity derivatives do not affect YIT Corporation's income statement significantly.

Derivative instruments have been utilised for hedging purposes. The Company has not applied hedge accounting. Changes in the fair values are recognised according to the nature of the derivative, either in the financial items or in other operating income or expenses. Interest related to interest rate swaps are recognised under interest income and expenses in the income statement, and interest accrued is entered under accrued income and accrued expenses on the balance sheet.

Non-current assets and depreciation

Tangible and intangible assets are recognised on the balance sheet at historical cost less depreciation according to plan. Depreciation according to plan is calculated as straight-line depreciation on the basis of the estimated useful life of tangible and intangible assets.

Depreciation periods are as follows:

Intangible assets	
IT programs	2-5 years
Other capitalised expenditure	5-10 years
Tangible assets	
Buildings and structures	10-40 years
Machinery and equipment	3-10 years

Subsidiary shares and other shares and holdings included in investments under non-current assets are measured at historical cost or fair value, whichever is lower.

Provisions

Provisions represent future expenses to the payment of which the parent company is committed and which are not likely to generate corresponding income, or future losses the realisation of which must be considered evident.

Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits that can be withdrawn on demand and other short-term liquid investments with original maturities of three months or less.

Research and development expenses

Research and development expenses are recognised as an annual expense in the year they arise.

Pensions

The statutory pension security in the parent company is provided by an external pension insurance company. Pension expenditure is expensed in the year it accrues.

Leasing

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

Taxes

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

2. OTHER OPERATING INCOME

EUR thousand	2020	2019
Capital gains on disposals of fixed assets		2,041
Changes in provisions	1,510	2,427
Gain on merger		3,158
Other	1,845	4,162
Total	**3,355**	**11,788**

Audit fee

EUR thousand	2020	2019
PricewaterhouseCoopers Oy, Authorised Public Accountants		
Statutory audit	352	366
Tax services	17	109
Other services	108	388
Total	**477**	**863**

3. INFORMATION CONCERNING PERSONNEL AND KEY MANAGEMENT

EUR thousand	2020	2019
Personnel expenses		
Wages, salaries and fees	24,417	25,755
Pension expenses	4,190	5,417
Other indirect personnel costs	873	662
Total	**29,480**	**31,834**
Salaries and fees to the management		
Previous president	2,111	887
Interim president	91	
Members of the Board of Directors	751	682
Total	**2,953**	**1,570**

	2020	2019
Number of personnel, average	353	393

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

4. DEPRECIATION AND IMPAIRMENT

EUR thousand	2020	2019
Depreciation on other capitalised expenditures	2,660	4,103
Depreciation on buildings and structures	861	866
Depreciation on machinery and equipment	500	570
Depreciation on other tangible assets	23	12
Total	**4,045**	**5,551**

5. OTHER OPERATING EXPENSES

EUR thousand	2020	2019
Rents	11,807	14,692
Cost of premises	6,132	7,249
IT costs	26,804	29,966
Consulting costs	4,544	5,357
Administration costs	2,300	1,894
Changes in provisions		-1,646
Other	13,993	20,115
Total	**65,579**	**77,629**

6. FINANCIAL INCOME AND EXPENSES

EUR thousand	2020	2019
Dividend income		
From Group companies	7,324	
From others	0	0
Interest income from non-current receivables		
From Group companies	8,550	15,890
Income from investments in Group companies		
Gain on sale of shares	108,399	
Other interest and financial income		
From Group companies	20,758	10,545
From other companies	29,961	9,340
Total	**174,992**	**35,776**
Other interest and financial expenses		
Interest expenses to Group companies	-16,277	-1,980
Interest expenses on derivatives to others	-1,281	-1,794
Interest expenses to others	-15,945	-17,610
Other expenses to others	-34,650	-18,845
Total	**-68,153**	**-40,228**
Total financial income and expenses	**106,839**	**-4,452**
Items included in financial income and expenses		
Foreign exchange rate gains and losses	583	-2,142
Fair value change in currency derivatives*	-587	-716
Fair value change in interest derivatives**	-782	-1,838

*The figure of year 2019 has been corrected and changed from EUR 659 thousand to EUR -716 thousand.

** The figure of year 2019 has been corrected and changed from EUR 1,098 thousand to EUR - 1,838 thousand.

7. APPROPRIATIONS

EUR thousand	2020	2019
Appropriations		
Change in depreciation difference		123
Group contributions	53,100	20,100
Total	**53,100**	**20,223**

8. INCOME TAXES

EUR thousand	2020	2019
Income taxes on extraordinary items		8
Income taxes on previous years		161
Total		**169**

9. CHANGES IN FIXED ASSETS

Intangible assets

EUR thousand	2020	2019
Intangible rights		
Historical cost at Jan 1	49,073	29,157
Business acquisitions		20,705
Increases	28	78
Decreases	-16,799	-867
Historical cost at Dec 31	32,301	49,073
Accumulated depreciation and impairment Jan 1	44,974	27,092
Business acquisitions		14,995
Depreciation for the period	2,212	3,492
Accumulated depreciation of decreases	-16,713	-605
Accumulated depreciation and impairment Dec 31	30,473	44,974
Book value at December 31	**1,828**	**4,099**

EUR thousand	2020	2019
Other capitalized expenditures		
Historical cost at Jan 1	7,217	11,628
Transfer between lines		1,845
Increases	41	897
Decreases	-3,386	-7,153
Historical cost at Dec 31	3,872	7,217
Accumulated depreciation and impairment Jan 1	4,380	10,918
Depreciation for the period	448	611
Accumulated depreciation of decreases	-3,386	-7,149
Accumulated depreciation and impairment Dec 31	1,442	4,380
Book value at December 31	**2,431**	**2,837**
Advance payments		
Historical cost at Jan 1	141	2,003
Business acquisitions		444
Transfer between lines		-2,003
Decreases	-141	-303
Book value at December 31		**141**
Total intangible assets	**4,259**	**7,077**

Tangible assets

EUR thousand	2020	2019
Land and water areas		
Historical cost at Jan 1	6,367	6,645
Decrease		-279
Book value at December 31	**6,367**	**6,367**
Buildings and structures		
Historical cost at Jan 1	18,993	22,822
Increase	17	707
Transfer between lines		96
Decreases		-4,633
Historical cost at Dec 31	19,010	18,993
Accumulated depreciation and impairment Jan 1	15,220	18,468
Depreciation for the period	861	866
Accumulated depreciation of decreases		-4,114
Accumulated depreciation and impairment Dec 31	16,081	15,220
Book value at December 31	**2,929**	**3,773**
Machinery and equipment		
Historical cost at Jan 1	11,166	9,556
Business acquisitions		1,091
Increases	13	614
Transfer between lines		48
Decreases	-7,653	-144
Historical cost at Dec 31	3,526	11,166
Accumulated depreciation and impairment Jan 1	9,587	8,289
Business acquisitions		871
Depreciation for the period	501	570

EUR thousand	2020	2019
Accumulated depreciation of decreases	-7,653	-142
Accumulated depreciation and impairment Dec 31	2,434	9,587
Book value at December 31	**1,092**	**1,579**
Other tangible assets		
Historical cost at Jan 1	333	591
Increases		102
Transfer between lines		14
Decreases	-157	-374
Historical cost at Dec 31	176	333
Accumulated depreciation and impairment Jan 1	170	426
Depreciation for the period	23	12
Accumulated depreciation of decreases	-157	-267
Accumulated depreciation and impairment Dec 31	37	170
Book value at December 31	**139**	**162**
Total tangible assets	**10,526**	**11,881**

10. INVESTMENTS

EUR thousand	2020	2019
Shares in Group companies		
Historical cost at Jan 1	1,299,718	1,194,736
Increases	3,849	110,000
Decreases	-59,195	-5,018
Historical cost at Dec 31	**1,244,372**	**1,299,718**
Other shares and holdings		
Historical cost at Jan 1	541	596
Decreases		-55
Historical cost at Dec 31	**541**	**541**
Total investments	**1,244,914**	**1,300,260**

11. RECEIVABLES

Non-current receivables

EUR thousand	2020	2019
Receivables from Group companies		
Loan receivables	130,185	262,840
Total	**130,185**	**262,840**

Current receivables

EUR thousand	2020	2019
Receivables from Group companies		
Trade receivables		15,815
Loan receivables		3,688
Other receivables	190,639	141,872
Accrued income	1,371	1,936
Total	**192,010**	**163,311**
Accrued receivables, intra-group		
Accrued interest receivables		0
Receivables from derivatives	1	675
Other receivables	1,370	1,261
Total	**1,371**	**1,936**
Accrued receivables, group external		
Exchange rate derivatives	1,237	155
Accrued arrangement fees from financial agreements	1,233	1,559
Other receivables	294	15,060
Total	**2,763**	**16,774**

12. EQUITY

EUR thousand	2020	2019
Share capital		
Share capital Jan 1	149,717	149,717
Share capital Dec 31	**149,717**	**149,717**
Unrestricted equity reserve		
Unrestricted equity reserve Jan 1	564,021	563,904
Share issue	-126	117
Unrestricted equity reserve Dec 31	**563,895**	**564,021**
Retained earnings		
Retained earnings Jan 1	217,745	293,667
Dividends paid and other distribution of assets	-83,589	-56,713
Transfer of treasury shares	1,658	1,021
Disposal of treasury shares		-7,516
Retained earnings Dec 31	**135,813**	**230,459**
Net profit/loss for the financial period	**131,288**	-12,714
Total retained earnings	**267,101**	**217,745**
Total equity	**980,713**	**931,483**

Distributable funds at Dec 31

EUR thousand	2020	2019
Unrestricted equity reserve	563,895	564,021
Retained earnings	135,813	230,459
Net profit/loss for the financial year	131,288	-12,714
Distributable fund from shareholders' equity	**830,996**	**781,766**

Treasury shares of YIT Corporation

	2020	2019
Amount	2,016,297	2,331,490
% of total shares	0.96 %	1.10 %
% of voting rights	0.96 %	1.10 %

13. PROVISIONS

EUR thousand	2020	2019
Provisions of unprofitable contracts	2,618	4,353
Litigation provision		2,500
Total	**2,618**	**6,853**

14. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets

EUR thousand	2020	2019
Postponed depreciation	631	506
Pension liability	321	406
Other temporary differences	524	1,371
Unused tax losses	985	3,649
Total	**2,461**	**5,932**

Deferred tax liabilities

EUR thousand	2020	2019
Land and water revaluations	615	615
Total	**615**	**615**

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

15. NON-CURRENT LIABILITIES

EUR thousand	2020	2019
Bonds*	150,000	250,000
Loans from financial institutions	100,000	70,000
Accrued expenses	624	1,052
Total	**250,624**	**321,052**

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

16. CURRENT LIABILITIES

Liabilities to Group companies

EUR thousand	2020	2019
Trade payables	223	1,457
Other liabilities	272,864	289,749
Accrued expenses	99	215
Total	**273,185**	**291,421**

Accrued expenses, intra-group

EUR thousand	2020	2019
Interest expenses		85
Payables from derivatives	99	112
Other expenses		19
Total	**99**	**215**

Accrued expenses, group external

EUR thousand	2020	2019
Personnel expenses	6,950	8,151
Interest expenses	1,282	1,172
Other expenses	2,642	1,703
Total	**10,875**	**11,026**

17. COMMITMENTS AND CONTINGENT LIABILITIES

EUR thousand	2020	2019
Leasing commitments for premises		
Payable during the current financial year	5,127	7,196
Payable in subsequent years	45,966	50,372
Total	**51,093**	**57,568**
Operating leasing commitments		
Payable during the current financial year	4,903	4,893
Payable in subsequent years	3,497	6,963
Total	**8,400**	**11,856**
Other commitments		
Other commitments	1,606	2,030
VAT on investments in real estates	522	587
Total	**2,128**	**2,617**
Guarantees		
On own behalf	10,661	12,216
On behalf of Group companies	1,041,529	1,643,082
On behalf of associates and joint ventures	4,575	
On behalf of consortia	9,720	9,720
On behalf of others	1,036	2,175
Total	**1,067,522**	**1,667,194**

Derivative contracts

EUR thousand	2020	2019
External foreign currency derivatives (level 2)		
Fair value, positive	965	2
Fair value, negative	-1,553	-785
Value of underlying instruments	198,397	103,871
Internal foreign currency derivatives (level 2)		
Fair value, positive	1	68
Fair value, negative		0
Value of underlying instruments	120	5,315
External interest rate swaps derivatives (level 2)		
Fair value, positive		
Fair value, negative	-782	-1,838
Value of underlying instruments	60,000	180,000
External commodity derivatives (level 2)		
Fair value, positive	99	111
Fair value, negative		-606
Value of underlying instruments	1,079	5,413
Internal commodity derivatives (level 2)		
Fair value, positive		606
Fair value, negative	-99	-111
Value of underlying instruments	1,079	5,413

Derivative instruments are measured at fair value and categorised by using a three-level fair value hierarchy. Financial instruments within Level 1 are traded in active markets, hence prices are obtained directly from the efficient markets. Fair values of financial instruments within Level 2 are based on observable market inputs and generally accepted valuation methods. Fair values of financial instruments within Level 3 are not based on observable market data.

Board of Directors' proposal for the distribution of distributable equity

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

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

The first instalment of EUR 0.07 per share shall be paid to the shareholders who are registered in the shareholders register maintained by Euroclear Finland Oy on the dividend record date of 22 March 2021. The Board of Directors proposes that dividend for this instalment be paid on 7 April 2021.

The second instalment of EUR 0.07 shall be paid in October 2021. The second instalment of the dividend shall be paid to shareholders who are registered in the shareholders register maintained by Euroclear Finland Oy on the dividend record date, which, together with the payment date, shall be decided by the Board of Directors in its meeting scheduled for 29 September 2021. The dividend record date for the second instalment as per the current rules of the Finnish book-entry system would be 1 October 2021 and the dividend payment date 12 October 2021.

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

DIVIDEND PROPOSAL

0.14€

PER SHARE

Business Center B66, Kaunas, Lithuania

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

Helsinki, 2 February 2021

Harri-Pekka Kaukonen
Chairman

Eero Heliövaara
Vice Chairman

Alexander Ehrnrooth

Frank Hyldmar

Olli-Petteri Lehtinen

Kristina Pentti-von Walzel

Barbara Topolska

Tiina Tuomela

Antti Inkilä
Interim President and CEO

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

PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Katajisto, 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 2020. 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 6 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 all significant group companies in Finland, as well a number of other group companies in Lithuania, Sweden, Czech Republic, Slovakia and Russia, covering the vast majority of revenue, assets and liabilities.

Key Audit Matters

- Revenue recognition
- Inventory valuation
- Equity investments
- Goodwill

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

- **Overall group materiality**
  EUR 20 million (2019: EUR 20 million)
- **How we determined it**
  Revenue
- **Rationale for the materiality benchmark applied**
  We chose revenue as a benchmark because, in our view, in absence of steady profits and in the specific circumstances of the group, it represents a stable and relevant way to measure the performance of the group. Additionally, it is a generally accepted benchmark.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the YIT group, the accounting processes and controls, and the industry in which the group operates.

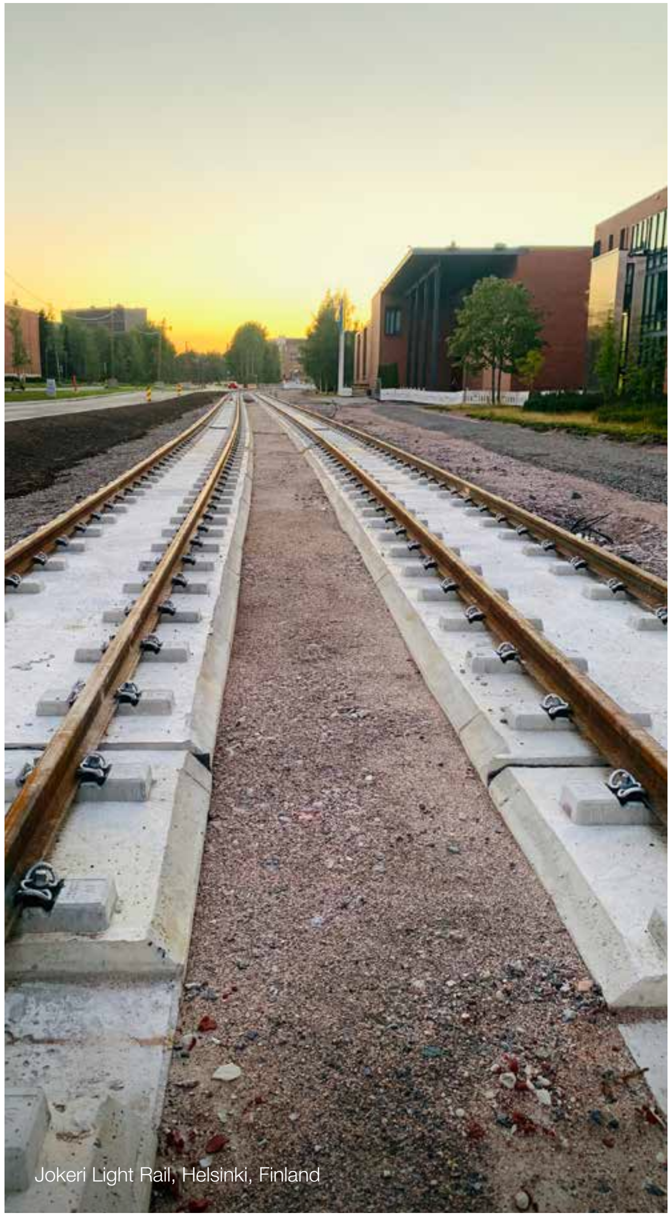
We determined the type of work that needed to be performed at reporting units by us, as the group engagement team, or component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we issued specific instructions to reporting component auditors which included our risk analysis, materiality and audit approach to centralized systems. Audits were performed in group companies, which were considered significant either because of their individual financial significance or due to their specific nature, covering the majority of revenue, assets and liabilities of the group.

By performing the procedures above at reporting components, combined with additional procedures at the group level, we have obtained sufficient and appropriate evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.


Jokeri Light Rail, Helsinki, Finland

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Revenue recognition over time Refer to the IFRS accounting principles of the financial statements 31 December 2020 – "Recognition and measurement of revenue" and "Revenue from customer contracts" and to the Note 2. "Revenue from 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. This matter is a significant risk of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.	Our audit procedures included understanding and testing of the company's controls as well as substantive testing. Our testing of the company's controls focused on the IT systems used by the company. Our substantive testing focused on 1) assessing the appropriateness of the used accounting methods for compliance with the applicable accounting standards, 2) accuracy and reliability of the estimates, 3) accuracy and completeness of the recognised revenue and profit, as follows: • We performed analytical substantive procedures at project level for revenue and gross margin • We read the contracts of selected new projects and evaluated the appropriateness of used accounting method • We tested revenue and cost estimates for selected projects by comparing the estimates to supporting documents and by discussing with project management • We tested the degree of completion for selected projects by recalculating the degree of completion based on 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	How our audit addressed the key audit matter
Inventory: valuation of slow moving land plots Refer to the IFRS accounting principles of the financial statements 31 December 2020 – "Valuation of inventories" and "Inventories" and to the Note 18. "Inventories" of the consolidated financial statements. Inventories are measured either at the lower of acquisition cost or net realizable value (i.e. the estimated selling price less the estimated expenditure on product completion and sale). The estimated net realizable value of land plot is dependent on management's assumptions of the future market development and construction activities in the geographical location where the land plot is located. In assessing the net realisable value of land plots, their intended use in construction or immediate sale to the market is taken into account. These assumptions contain particular uncertainties in geographical areas, where market activities are low. Valuation of slow moving land plots includes significant management judgement. Accordingly, we have considered valuation of slow moving land plots to constitute a key audit matter in our audit.	Our testing focused on valuation assessments prepared by management for the selected major slow moving land plots in Russia in a following way: • We assessed the used valuation method for compliance with the applicable accounting standards • We discussed with the management on their intention to develop or sell the slow moving land plots • We inspected the documentation supporting the estimated net realisable values and assessed the reasonability of the estimates by comparing them to other similar projects in the area • We analysed management's forecasted sales prices of land plots for sale by comparing them to sales prices achieved.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Equity investments Refer to the IFRS accounting policies of the financial statements 31 December 2020 – "Assessment of power when making consolidation decisions", "Valuation of equity investments" and "Financial assets measured at fair value through profit and loss" and to the Notes 14. "Investments in associated companies and joint ventures", 15. "Equity investments" and 28. "Financial assets and liabilities by category" of the consolidated financial statements. YIT's investment in Tripla Mall Ky is classified as an equity investment recognised at fair value through profit and loss. The fair value of the investment is based on the fair value of the property owned by the investee. The fair value of the property is determined by using a present value technique in order to convert the estimated future net operating income to present value. Determining the present value requires estimates of the future cashflows and discount rates. Equity investment to Tripla Mall Ky is a key audit matter in our audit due to the size of the investment and the level of management judgement included in the valuation of the investment.	Our audit focused on assessing the appropriateness of management's judgment and estimates through the following procedures: • We assessed the appropriateness of the valuation model used and tested the mathematical accuracy of the model. • We tested on a sample basis the input information used in the valuation model and assessed the appropriateness of the assumptions and estimates included in the model. • We discussed with management about the valuation model and the assumptions used in the valuation. • We read the reports prepared by the external appraiser used by management concerning the valuation.
Goodwill Refer to the IFRS accounting principles of the financial statements 31 December 2020 – "Estimates and assumptions used in goodwill impairment testing", "Goodwill" and "Impairment of tangible and intangible assets" and to the Note 12. "Intangible assets - Goodwill" of the consolidated financial statements. Goodwill is tested for potential impairment annually and whenever there are indications of impairment. To this end, goodwill is allocated to cash-generating units. Goodwill impairment tests are carried out by using value-in-use calculations. Value in use is calculated by discounting estimated future cash flows to their present value. If the present value is lower than the carrying amount, the difference is recognized through profit or loss in the current year. Goodwill is measured at the original acquisition cost less impairment. Value-in-use calculations, in particular estimated future cash flows, discount rates and the long-term growth assumptions are subject to significant management judgement. Valuation of goodwill is a key audit matter in our audit due to the size of the goodwill in balance sheet and the high level of management judgement involved in goodwill impairment tests.	We obtained an understanding of the goodwill impairment test performed by the company. We tested the methodology applied in the value-in-use calculation as compared to the requirements of IAS 36, impairment of assets. We tested the mathematical accuracy of the calculations prepared by management. We evaluated management's future cash flow forecasts and the process by which they were drawn up, including comparing them to the latest board approved budgets and strategies. We evaluated and challenged the underlying assumptions for the cash flow forecasts in particular revenue and profitability forecasts. We involved our valuation experts to verify that the discount rates and the long-term growth rates used are consistent with observable market data. We also assessed the adequacy of the disclosures particularly related to assumptions and sensitivities.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the parent company financial statements.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

APPOINTMENT

YIT Corporation 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 8 February 2021
PricewaterhouseCoopers Oy
Authorised Public Accountants

Markku Katajisto
Authorised Public Accountant (KHT)

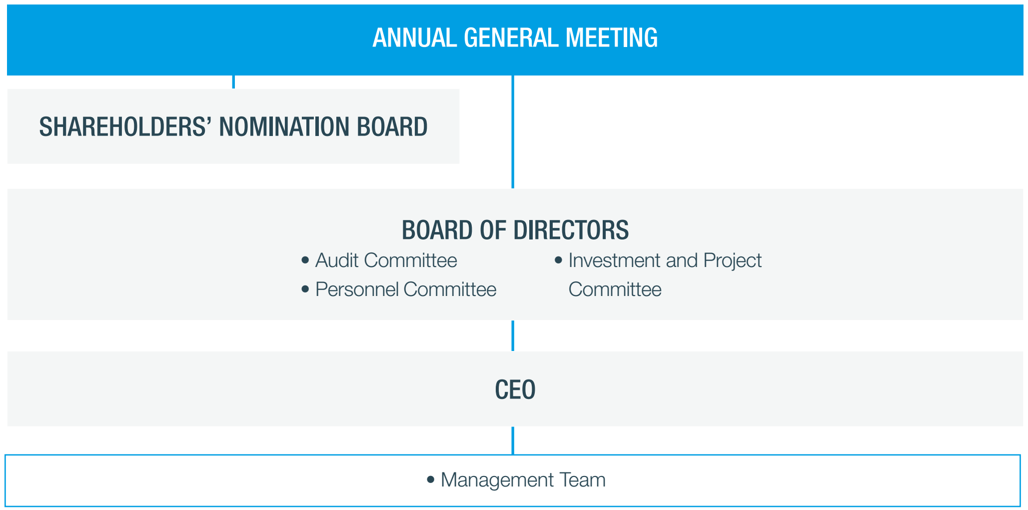
Wind Power Plant, Tervola, Finland
Photo: Vesa Ranta

YIT Corporation's Corporate Governance Statement for 2020

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 the statement in its meeting held on 2 February 2021.



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.

TThe 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 purchase and transfer of company 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 2020

The Annual General Meeting was held on 12 March 2020, in Helsinki. A total of 405 shareholders participated in the meeting personally or by proxy, representing 119,041,924 shares and voting rights, which was approximately 56,39 per cent of the company's shares and voting rights. The members of the Board of Directors, the President and CEO and the auditor were present at the meeting.

BOARD OF DIRECTORS

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

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

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

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

KEY TASKS OF THE BOARD OF DIRECTORS

Among other duties, the Board of Directors:

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

DIVERSITY OF THE BOARD OF DIRECTORS

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

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

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

MEMBERS OF THE BOARD OF DIRECTORS AND BOARD MEETINGS IN 2020

The members of YIT Corporation's Board of Directors from 1 January to 12 March 2020 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 12 March 2020, re-elected six (6) ordinary members to YIT's Board of Directors in addition to the Chairman and the Vice Chairman. Harri-Pekka Kaukonen, born 1963, Ph.D. (Computational material physics), M.Sc. (Eng.), was re-elected as the Chairman of the Board, with Eero Heliövaara, born 1956, M.Sc. (Eng.), M.Sc. (Econ.), re-elected Vice Chairman, and the following was re-elected as ordinary members: Alexander Ehrnrooth, born 1974, M.Sc.(Econ), MBA, President and CEO of Virala Corporation; Frank Hyldmar, born 1966, M.Sc.(Econ.), CEO at Currenta GmbH & Co OHG; Olli-Petteri Lehtinen, born 1960, M.Sc. (Econ.); Kristina Pentti-von Walzel, born 1978, M.Sc. (Econ.), M.Sc. (Pol.Sc.), CEO at Laponie Corporation; Barbara Topolska, born 1966, MBA, CPI Property Group, General Director, Poland and Tiina Tuomela, born 1966, M.Sc. (Eng.), Executive Vice President, Generation Division, Fortum.

Board of Directors on 31 December 2020

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

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

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

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

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

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

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

Tiina Tuomela
Member
b.1966, M.Sc. (Eng.),
Executive Vice President, Generation Division, Fortum

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

The Board of Directors convened 16 times during 2020. The members' total attendance rate was 100 per cent.

The Board of Directors conducted the annual self-evaluation assisted by an external management consult. The evaluation emphasized the identification of the strategic work of the Board of Directors and development areas in order to further develop the Board of Directors' work.

In 2020, a significant part of the Board of Directors' work was dedicated to the monitoring of the development of the Group's financial results, balance sheet position and cash flow, supporting the development and improvement measures related to the Group and segment performance and monitoring of the strategy implementation. The Board also regularly monitored and evaluated company's measures to prevent and limit the potential business impacts of the Covid-19 pandemic. In addition to the main tasks, the Board of Directors' central duties were the election of the temporary and new President and CEO as well as measures related to the securing of the continuation of business operations.

Corporate General Counsel Juha Jauhiainen served as the secretary of the Board of Directors.

SHARE OWNERSHIP OF THE MEMBERS OF THE BOARD OF DIRECTORS ON 31 DECEMBER 2020

Name	Position	Shares	Total
Kaukonen Harri-Pekka	Chairman of the Board	40,460	40,460
Heliövaara Eero	Vice Chairman of the Board	28,172	28,172
Ehrnrooth Alexander	Member of the Board	7,525	24,657,525
Tercero Invest AB Shares held by organisation in which the person exercises influence (substantial economic interest, no control)		24,650,000	
Hyldmar Frank	Member of the Board	7,525	7,525
Lehtinen Olli-Petteri	Member of the Board	14,062	14,062
Pentti-von Walzel Kristiina	Member of the Board	2,760,599	2,760,599
Topolska Barbara	Member of the Board	7,525	7,525
Tuomela Tiina	Member of the Board	13,619	13,619

COMMITTEES FOR THE BOARD OF DIRECTORS

The Board of Directors had three permanent committees in 2020: The Personnel Committee, the Audit Committee and the Investment and Project Committee.

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

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

PERSONNEL COMMITTEE

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

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

PERSONNEL COMMITTEE IN 2020

In 2020, the members of the Personnel Committee were Harri-Pekka Kaukonen, Chairman, and Eero Heliövaara and Tiina Tuomela as members. The company's President and CEO also participated in the committee's meetings. The committee convened a total of seven times in 2020. The members' total attendance rate was 100 per cent. Pii Raulo, Executive Vice President, Human Resources, served as the committee's secretary.

The Personnel Committee controlled health- and safety-related preventive measures, which were emphasised due to the COVID-19 pandemic. The committee's agenda also included the evaluation and development of the corporate culture, management and key personnel. The committee prepared and submitted for confirmation by the Board of Directors the remuneration principles pursuant to the governance model, structures of short- and long-term remuneration programmes pursuant to the remuneration policy as well as the budget, including the indicators, goals and target groups. The committee also examined and presented the levels and practices regarding the remuneration of the President and CEO, temporary employees related to the change of the President and CEO and other management for confirmation by the Board of Directors. In addition, the committee assessed the progress of the personnel strategy and the development of the atmosphere among the personnel as well as prepared significant organisational and personnel changes for confirmation by the Board of Directors.

AUDIT COMMITTEE

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

Audit Committee in 2020

In 2020, the members of the Audit Committee were Olli-Petteri Lehtinen, Chairman, and Alexander Ehrnrooth, Frank Hyldmar and Kristina Pentti-von Walzel as members.

The Audit Committee convened five times in 2020. The members' total attendance rate was 100 per cent. Corporate General Counsel Juha Jauhiainen served as the committee's secretary. The company's President and CEO also participated in the committee's meetings. The Internal Audit Director Markus Vuorimaa and, as the company's chief auditor, Markku Katajisto (PricewaterhouseCoopers) also participated in the committee's meetings, as did members of the company's management and experts, depending on the matters dealt with by the meeting.

In 2020, the Audit Committee regularly discussed the development of the company's capital expenditure, financing and balance sheet position and the achievement of the cash flow and profitability objectives. In addition, the Audit Committee regularly processed the company's financial reporting relating to large projects.

During the financial period, in addition to its main tasks, the Audit Committee regularly discussed the IFRS standards and their application to the company's business operations.

INVESTMENT AND PROJECT COMMITTEE

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

The committee convenes regularly, at least twice a year, and more frequently by separate invitation from the chairman if deemed necessary in view of the matters discussed by the committee.

The committee has 3–5 members, who all have extensive knowledge of the Group's business operations and business segments and the competence required by the position. The majority of the members of the Investment and Project Committee must be independent of the company and at least one of the members must be independent of significant shareholders. The Corporate General Counsel acts as the secretary of the Investment and Project Committee.

Investment and Project Committee in 2020

In 2020, the members of the Investment and Project Committee were Eero Heliövaara, Chairman, and Alexander Ehrnrooth, Harri-Pekka Kaukonen and Barbara Topolska as members. The company's President and CEO also participated in the committee's meetings. The committee convened a total of thirteen times in 2020. The members' total attendance rate was 100 per cent. Juha Jauhiainen, Corporate General Counsel, served as the committee's secretary.

In accordance with the main tasks of the Investment and Project Committee, the committee concentrated on tasks related to the preparation of significant contract tenders, property development projects, investments, divestments and company acquisitions to be proposed to the Board of Directors for decision. The committee also participated in the monitoring of the development of the strategic key projects and in the reporting practice development.

Temporary Committees in 2020

In addition to permanent committees, in 2020 the Board appointed three temporary committees: Asset Management Committee, Service Business Development Committee and Working Committee. These committees supported the Board of Directors and the management in the company's financial property management, service business model development, achievement of business continuity and strategic objectives and implementing changes.

Meeting attendance of the Board of Directors and its committees in 2020

Name	Board of Directors	Personnel Committee	Audit Committee	Investment and Project Committee	Asset Management Committee	Service Business Development Committee	Working Committee
Kaukonen Harri-Pekka	16/16	7/7		13/13			10/10
Heliövaara Eero	16/16	7/7		13/13	11/11		10/10
Ehrnrooth Alexander	16/16		5/5	13/13	10/10		10/10
Hyldmar Frank	16/16		5/5			2/2	
Lehtinen Olli-Petteri	16/16		5/5				
Pentti-von Walzel Kristina	16/16		5/5				
Topolska Barbara	16/16			13/13	11/11		
Tuomela Tiina	16/16	7/7				2/2	
Board members' average attendance rate	100%	100%	100%	100%	100%	100%	100%

SHAREHOLDERS' NOMINATION BOARD

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

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

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

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

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

SHAREHOLDERS' NOMINATION BOARD 2020

Between 1 January and 31 August 2020, the Nomination Board (elected in 2019) comprised Juhani Mäkinen, Counsellor of Law, 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, and Juhani Mäkinen served as Chairman of the Nomination Board.

Starting from 1 September 2020, the members of the Nomination Board were Juhani Mäkinen, Counsellor of Law, shareholder group, Alexander Ehrnrooth, Chairman of the Board, Tercero Invest AB, shareholder group and Risto Murto, President and CEO of Varma Mutual Pension Insurance Company. The Chairman of YIT Corporation's Board of Directors, Harri-Pekka Kaukonen, served as an expert member on the Nomination Board, and Juhani Mäkinen served as Chairman of the Nomination Board.

The Nomination Board convened three times in 2020. Between meetings, the Nomination Board prepared its proposals under the leadership of its chairman. The members' total attendance rate was 100 per cent.

Tripla, Helsinki, Finland

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.

Kari Kauniskangas M.Sc. (Eng.), B.Sc. (Econ.) (born 1974) was the President and CEO of the company until 23 October 2020 and Ilkka Salonen, M.Sc. (Econ.) (born 1965) acting as his deputy.

Since 23 October 2020, YIT Corporation's Interim President and CEO has been Antti Inkilä M.Sc. (Tech.) (born 1969) and Ilkka Salonen, M.Sc. (Econ.) (born 1965) acting as his deputy.

On 21 December 2020 the Board of Directors appointed Markku Moilanen Ph.D., (Tech), (born 1961) as new President and CEO. He shall take up his position latest by July 2021.

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 2020

Name	Year of birth	Position and duties	Education	Share ownership
Antti Inkilä	1969	Interim President and CEO Chairman of the Group Management Team	M.Sc. (Tech.)	28,849
Ilkka Salonen	1965	CFO, Deputy to the President and CEO	M.Sc. (Econ.)	63,653
Tom Ekman	1972	EVP, Business Premises segment	M.Sc. (Tech.)	9,498
Teemu Helppolainen	1962	EVP, Housing Russia segment	M.Sc. (Econ.)	36,930 (2,600 shares held by a controlled corporation
Marko Oinas	1971	Interim EVP, Housing Finland and CEE segment	M.Sc. (Civil Engineering))	13,635
Harri Kailasalo	1969	EVP, Infrastructure projects segment	M.Sc. (Eng.), eMBA	24,753
Juha Kostiainen	1965	EVP, Urban Development	M.Sc. (Tech), D.Sc. (Adm.)	12,915
Timo Lehmus	1959	Interim EVP, Partnership properties segment	M.Sc. (Tech.)	46,265
Juhani Nummi	1967	EVP, Strategy and development, Integration	M.Sc. (Eng.)	27,454
Pii Raulo	1967	EVP, Human Resources	M.Sc. (Econ.)	30,695

Tom Ekman, EVP Business Premises segment, has been a member of the Group Management Team since 1 May 2020; Marko Oinas, interim EVP Housing Finland and CEE segment, since 23 October 2020; and Timo Lehmus, interim EVP Partnership Properties segment since 14 December 2020. Heikki Vuorenmaa, EVP Paving segment, was a member of the Group Management Team until 31 March 2020, and Esa Neuvonen, EVP Partnership Properties segment, until 14 December 2020.


Sähköttäjänpuisto, Helsinki, Finland

Group Management Team on 31 December 2020

Antti Inkilä
Interim President and CEO
b.1969, M.Sc. (Tech.)

Ilkka Salonen
CFO, Deputy to the President and CEO
b. 1965, M.Sc. (Econ.)

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

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

Harri Kailasalo
EVP, Infrastructure projects segment
b. 1969, M.Sc. (Tech.), eMBA

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

Timo Lehmus
Interim EVP, Partnership properties segment
b. 1959, M.Sc. (Civil engineering), EMBA

Juhani Nummi
EVP, Operations development
b. 1967, M.Sc. (Tech.)

Marko Oinas
Interim EVP, Housing Finland and CEE segment
b. 1971, M.Sc. (Tech.)

Pii Raulo
EVP, Human Resources
b. 1967, M.Sc. (Econ.)

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

CONTROL ENVIRONMENT

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

YIT Corporation's financial reporting and supervision are based on budgets drafted and ratified annually as well as monthly performance reporting and forecasting. The Group's financial reporting is based on financial data on the profitability of business provided by each cost centre, combined with segment-level and group-level data. YIT Corporation's business is characterised by project-type operations, due to which financial reporting applies the percentage of completion method or recognition of revenue at a point in time. Accurate information on the degree of completion of the project and the final cost estimate are essential for the reliability of financial data in project business. In addition, for projects where revenue is recognised at a point in time, it is essential to understand the project-specific degree of sale.

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

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

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

IDENTIFICATION AND ASSESSMENT OF RISKS RELATED TO FINANCIAL REPORTING AND RISK MANAGEMENT

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

COMMUNICATIONS

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

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

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

FOLLOW-UP

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

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

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

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

The internal audit's work is co-ordinated with other Group functions and financial auditing. The internal audit also works closely together with the Group's corporate security organisation and, with respect to misconduct risks, participates in the work of the Ethics Committee.

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 2020, the company did not have any material related party transactions that deviated from the company's normal business operations or were not be implemented on arms-length terms.

INSIDER ADMINISTRATION

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

The insider administration also ensures that trading restrictions and the obligation to give notification of transactions by managers and their closely associated persons are complied with. The insider administration is responsible for internal communications, training, supervision and monitoring regulatory changes in matters pertaining to the trading restriction and the notification obligation. It maintains a list of managers and their closely associated persons, informs managers of their obligations related to trading restrictions and the notification of transactions, is responsible for providing guidance to managers regarding the provision of information to their closely associated persons regarding the closely associated persons' notification obligation as well as the publication of transactions in stock exchange releases, the practical implementation of which is the responsibility of the Investor Relations (IR) function. The person in charge of insider matters at YIT Corporation is the Corporate General Counsel.

AUDIT

YIT has one auditor, which must be an approved and registered auditing firm pursuant to the Auditing Act (1141/2015).

TThe Annual General Meeting elects the auditor based on the proposal of the Board of Directors. The Board's Audit Committee prepares the draft resolution concerning the election of the auditor. The auditor audits the company's accounting, financial statements and administration for the financial year. The parent company's auditor must also audit the consolidated financial statements. The auditor reports regularly to the Board of Directors and its Audit Committee and gives YIT's shareholders an Auditor's Report as required by law.

Pursuant to the decision of the Annual General Meeting, the auditor's fee is paid as per the invoice approved by the company. We comply with the provisions of the Finnish Accounting Act and the EU Audit Regulation regarding the maximum duration of the auditor's terms of office and, in electing the auditor, we also ensure that the duration of the chief auditor's consecutive terms of office does not exceed seven years.

YIT's auditor is the auditing firm PricewaterhouseCoopers Oy, with Authorised Public Accountant Markku Katajisto as the chief auditor.

AUDIT FEES IN 2020

EUR million	2020	2019
Audit	1.0	1.2
Tax services	0.0	0.2
Other services	0.2	0.5
Total	**1.2**	**1.9**

BOARD OF DIRECTORS' REPORT

The Board of Directors issued its report for 2020 on 2 February 2021. The Board of Directors' report will be published simultaneously with the Corporate Governance Statement and the Remuneration Report on the company's website at **www.yitgroup.com/corporategovernance**.

YIT Remuneration Report

The aim of remuneration in YIT is to support our ability to create better living environments and accelerate strategic transformation to become the leader in sustainable urban development. The four corner stones of remuneration policy are:

YIT REMURATION

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 is supported by long-term and short-term incentive plans.

Year 2020 was financially challenging for YIT due to COVID-19 and project related losses. Not reaching the profitability targets meant that no annual short-term incentive payments were earned from this year. For same reasons and decrease in YIT share value during 2020, with long-term incentives and earning period 2020-2022, the KPI performance development has been inadequate. After 2020, of the LTI KPIs, NPS has developed positively whereas ROCE and TSR remained below the threshold levels.

This Remuneration Report is based on Finnish Corporate Governance Code 2020 of the Securities Market Association and it provides the details of the remuneration paid to members of the Board of Directors, President and CEO and his Deputy.

The remuneration of the Board of Directors and the President and CEO of YIT follows the principles of YIT's remuneration policy 2020-2023 approved in YIT's Annual General Meeting in 12 March 2020. Remuneration policy 2020-2023 has been followed during year 2020.

REMUNERATION DEVELOPMENT

During past five years, the most significant single event for the YIT was the merger of YIT and Lemminkäinen 1 February 2018 into new YIT. The remuneration of the Board of Directors and the President and CEO was reviewed following the merger.

President and CEO remuneration (EUR)	2020[3]	2019	2018	2017	2016
YIT Interim CEO[1]	91,143	-	-	-	-
YIT CEO[2]	1,655,303	887,225	815,723	-	-
YIT CEO before the merger	-	-	-	841,824	600,862
Lemminkäinen CEO before the merger	-	-	-	642,340	612,971

Board of Directors' total remuneration (EUR)	2020[3]	2019	2018	2017	2016
YIT Board of Directors	751,000	682,300	556,050	-	-
YIT Board of Directors before the merger	-	-	-	457,900	331,550
Lemminkäinen Board of Directors before the merger	-	-	-	449,500	386,500

Employee average annual remuneration (EUR)	2020[3]	2019	2018	2017	2016
YIT Employee (average)	44,213	46,569	43,621	-	-
YIT Employee (average) before the merger	-	-	-	41,460	38,612
Lemminkäinen Employee (average) before the merger	-	-	-	55,743	59,001

[1] Interim CEO remuneration from period 23 October 2020 – 31 December 2020.
[2] Since 23 October 2020 Former CEO. Remuneration includes final salary and severance payments for EUR 999,708.
[3] COVID-19 pandemic related temporary layoffs and cost saving measures impact the 2020 figures

FINANCIAL KEY METRICS (IFRS)

Revenue (EUR million)	2020[2]	2019	2018	2017	2016
YIT[1]	3,069	3,392	3,201	-	-
YIT before the merger	-	-	-	1,994	1,678
Lemminkäinen before the merger	-	-	-	1,847	1,682

Operating profit (EUR million)	2020[2]	2019	2018	2017	2016
YIT[1]	35	80	105	-	-
YIT before the merger	-	-	-	86	18
Lemminkäinen before the merger	-	-	-	42	68

Order book (EUR million)	2020[2]	2019	2018	2017	2016
YIT[1]	3,528	4,131	4,286	-	-
YIT before the merger	-	-	-	2,913	3,048
Lemminkäinen before the merger	-	-	-	1,305	1,265

[1] Pro forma figures incorporating financial statement of Lemminkäinen from 1 January – 31 January 2018.
[2] Sale of Nordic paving and mineral aggregates businesses to Peab in 2020 contributes to decrease in order book and revenue numbers.

REMUNERATION OF THE BOARD OF DIRECTORS

The Annual General Meeting decides on annual remuneration of the Board of Directors and members of Board Committees. Based on the decision of Annual General Meeting at 12 March 2020, members of the Board were required to acquire YIT corporation shares from a regulated market (Nasdaq Helsinki Ltd) with amount equal to 40% of their fixed fee. The shares in question were purchased directly on behalf of the members of the Board within two weeks of the publication of the interim report for the period 1 January–31 March 2020. In addition to fixed fee, Board members were paid based on their positions as chair or members of the Board committees.

Fixed fees decided by the Annual General Meeting at 12 March 2020.

- Chair of the Board: EUR 100,000
- Vice chair of the Board and chairs of the committees unless same person serves as chairman or vice chairman of the Board: EUR 70,000
- Members of the Board: EUR 50,000

As part of the measures to mitigate the impacts of the economic slowdown to the company, the members of the Board unanimously decided to reduce their annual fixed fee with 10% in 2020.

In addition, EUR 800 fee per meeting is paid to members of the Board located in Finland and EUR 2,000 fee per meeting to members of the Board located in Europe outside Finland. The same meeting fees are paid also for the Board committee meetings.

Travel related costs in home country and abroad are reimbursed and daily allowances are paid in accordance with YIT Corporation's and tax authorities' travelling compensation regulations.

The remuneration paid to the members of the Board of Directors for calendar year 2020 totals EUR 751,000 (EUR 690,300 in 2019). 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.

THE BOARD OF DIRECTORS FEES IN TOTAL (EUR)

Name	Position	Fixed Fee	Board meeting fees	Committee meeting fees	Total 2020	Total 2019	Total 2018
Harri-Pekka Kaukonen	Chairman of the Board	90,000	12,800	26,400	129,200	127,900	117,750
Eero Heliövaara	Vice Chairman of the Board	63,000	12,800	32,800	108,600	95,500	78,800
Alexander Ehrnrooth	Member of the Board	45,000	12,800	32,800	90,600	71,600	-
Frank Hyldmar	Member of the Board	45,000	32,000	14,000	91,000	78,000	-
Olli-Petteri Lehtinen	Member of the Board	63,000	12,800	4,000	79,800	86,650	58,800
Kristina Pentti-von Walzel	Member of the Board	45,000	12,800	4,000	61,800	68,300	68,800
Barbara Topolska	Member of the Board	45,000	32,000	48,000	125,000	88,000	-
Tiina Tuomela	Member of the Board	45,000	12,800	7,200	65,000	66,650	61,550
Previous members of the Board, total	-	-	-	-	-	7,700	170,350
Total		**441,000**	**140,800**	**169,200**	**751,000**	**690,300**	**556,050**

SHARES PURCHASED WITH THE FIXED FEES

Name	Position	YIT shares purchased in 2020	YIT shares purchased in 2019	YIT shares purchased in 2018
Harri-Pekka Kaukonen	Chairman of the Board	7,615	7,436	7,054
Eero Heliövaara	Vice Chairman of the Board	5,330	5,205	4,937
Alexander Ehrnrooth	Member of the Board	3,807	3,718	-
Frank Hyldmar	Member of the Board	3,807	3,718	-
Olli-Petteri Lehtinen	Member of the Board	5,330	5,205	2,527
Kristina Pentti-von Walzel	Member of the Board	3,807	3,718	3,527
Barbara Topolska	Member of the Board	3,807	3,718	-
Tiina Tuomela	Member of the Board	3,807	3,718	3,527
Previous members of the Board, total	-	-	-	8,571
Total		**37,310**	**36,436**	**30,143**

REMUNERATION OF THE PRESIDENT AND CEO

The Board of Directors decides on the remuneration, benefits and other terms of the service contract of the YIT Group President and CEO. President and CEO's remuneration consists of a fixed base salary, holiday bonus pay, fringe benefits, annual short-term incentive plan, long-term incentive plan and supplementary pension plan. Same remuneration components form the total remuneration also for Interim President and CEO and Deputy to President and CEO. As part of the measures to mitigate the impacts of the economic slowdown to the company, the President and the CEO and other members of the Group management team unanimously decided to reduce their annual salary by the half month salary or equivalent to it.

Kari Kauniskangas served as President and CEO of YIT Group up until 23 October 2020. Going forward he is referred as Former CEO. From 23 October 2020 YIT Group's Interim CEO has been Antti Inkilä. He is referred as Interim CEO. Ilkka Salonen, Chief Financial Officer of YIT Group is also Deputy to President and CEO.

According the remuneration policy the President and CEO is paid for performance and variable pay, i.e. short- and long-term incentives, form a large part of his remuneration mix.

ANNUAL SHORT-TERM INCENTIVES (ANNUAL STIP)

Former President and CEO's short-term target incentive opportunity in earning period 2020 was 35% and the maximum 70% of the annual fixed base salary (including fringe benefits but excluding holiday bonus pay). In 2020, 35% of the incentive opportunity was tied to Group's adjusted operating profit, 25% to operating cash flow after investments, 15% work safety metrics, 10% to customer satisfaction and 15% to personal, strategic targets.

For both Interim CEO and Deputy to President and CEO, short-term target incentive opportunity was 25% and the maximum incentive opportunity 50% of the annual fixed base salary (including fringe benefits but excluding holiday bonus pay). In earning period 2020, 40% of the incentive opportunity was tied to Group's adjusted operating profit, 40% to operating cash flow after investments , 10% work safety metrics and 10% to personal, strategic targets.

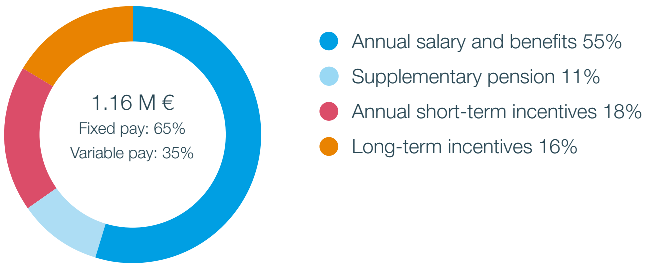
Former CEO Annual STIP metrics and results 2020

KPI	Weight	Performance
Adjusted operating profit	35%	0.0%
Operating cash flow after investments	25%	100.0%
Work safety	15%	71.6%
Customer satisfaction	10%	50.0%
Strategic objectives	15%	0.0%
Group adjusted operating profit as on/off type of trigger	.	Off
Total	**100%**	**0.0%**

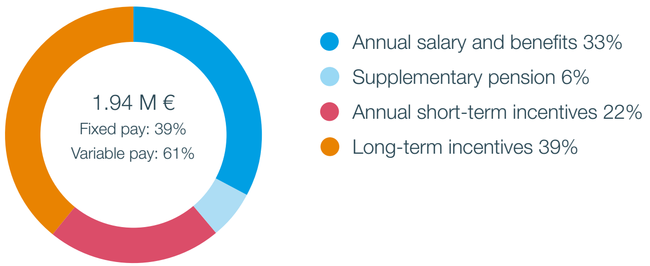
CEO Annual STIP metrics and results 2019

KPI	Weight	Performance
Adjusted operating profit	35	3.3%
Operatiing cash flow after investments	35	9.5%
Strategic objectives	30	57.5%
Group adjusted operating profit as on/off type of trigger		On
Total	**100**	**21.7%**

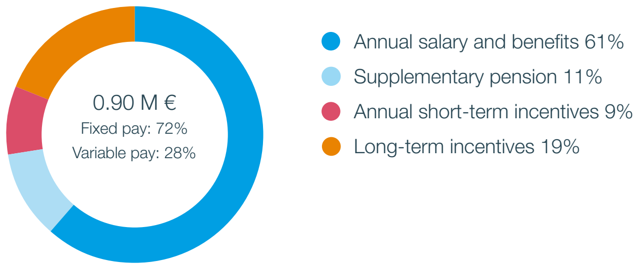
CEO REMUNERATION MIX (TARGET[2])



CEO REMUNERATION MIX (MAX[2])



CEO REMUNERATION MIX (2020 ACTUAL[1])



[1] Consists of salary, benefits and supplementary pension earned from 1 January 2020 to 23 October 2020, does not include final salary or severance payments. Annual short-term incentive payment made in 2020 was earned during 2019 earning period, long term incentive payment made in 2020 was earned during 2017 earning period.
[2] Long term-incentive earning potential target and maximum valuated with YIT share rate at the end of 2020 EUR 4,93 / share.

Former President and CEO received during 2020 an annual short-term incentive payment of EUR 79,151 from earning period 2019, Deputy to President and CEO a payment of EUR 43,717.

Interim President and CEO, Former President and CEO and Deputy to President and CEO shall not receive any annual short-term incentive payment from earning period 2020 in 2021.

LONG-TERM INCENTIVES

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

Interim President and CEO as well as Former President and CEO participated in LTI Performance Share plan 2017-2019 which had three one-year earning periods. There is a two-year commitment period associated with each earning period, after which the shares are transferred to participants still employed by YIT. The rewards paid in 2020 based on earning period 2017 were paid out partly in cash and partly in company shares. The purpose of the cash payment was to cover the taxes arising from the share reward.

The share rewards earned from next earning periods, 2018 and 2019, are paid out in 2021 and 2022 respectively.

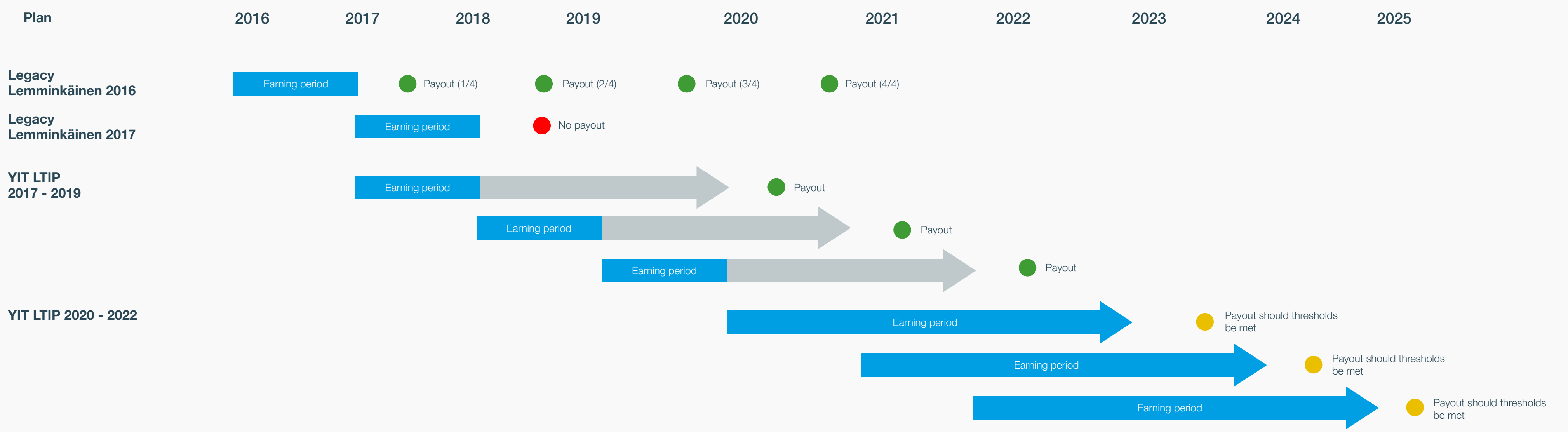
Former President and CEO received a share payment of 16,350 shares and a cash payment of EUR 88,598.92 from YIT's LTI plan on 8 May 2020 based on 2017 performance measures (ROI and NPS).

Interim President and CEO received a share payment of 8,175 shares and a cash payment of EUR 52,058.53 from from YIT's LTI plan on 8 May 2020 based on 2017 performance measures (ROI and NPS).

Deputy to President and CEO received a share payment of 4,169 YIT shares and a cash payment of EUR 22,297.12 on 10 September 2020 from legacy Performance Share Plan of Lemminkäinen Group based on 2016 performance measure (ROCE). Share rewards earned under legacy Performance Share Plan of Lemminkäinen Group from earning period 2016 were made to participants still employed by Lemminkäinen Group and later YIT in four even proportions in course of four years in 2017, 2018, 2019 and 2020. The other legacy Performance Share Plans of Lemminkäinen Group from plan period of 2017 has matured before the merger of Lemminkäinen and YIT at below threshold performance level.

The company has decided on a new LTI Performance Share Plan with a three-year earning periods of which first runs from 1 January 2020 to 31 December 2022. Potential share reward from 2020-2022 earning period is made in 2023.

Current and legacy LTI programs in use in YIT



LTI PLAN METRICS AND RESULTS

Plan	KPI	Weight	Result
YIT LTIP 2020-2022	ROCE	70%	Results can be assessed and disclosed after the earnig period end.
	Absolute TSR	20%	
	NPS	10%	
YIT LTIP 2017-2019, earning period 2019	ROCE	80%	62.7%
	NPS	20%	
YIT LTIP 2017-2019, earning period 2018	ROCE	80%	4.9%
	NPS	20%	
YIT LTIP 2017-2019, earning period 2017	ROI	80%	54.5%
	NPS	20%	
Legacy Lemminkäinen 2016	ROCE	100%	75.0%
	Group adjusted operating profit as an on/off type of trigger		On

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 Interim President and CEO and to Deputy to President and CEO. The annual contribution of the plan being 20% of the fixed base salary.

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

Supplementary pension fees (EUR)	2020	2019	2018
Interim President and CEO[1]	11,535	0	0
Former President and CEO[2]	98,598	112,116	3,795
Deputy to President and CEO	63,845	60,245	58,397

[1] From 23 October to 31 December 2020
[2] Supplementary pension contribution of 2020 from period 1 January 2020 – 12 October 2020.

TERMINATION COMPENSATION

In respect to the service contract of the YIT Group President and CEO of Former CEO Kari Kauniskangas following elements of final salary and severance payments were agreed. Paying salary from notice period has started 23 October 2020. Other elements of final salary and severance payments are made in course of 2021 and 2022.

Final salary and severance payments to Former CEO

Remuneration element	EUR thousand
Salary from notice period (6 months)	304.0
Unused holiday and holiday bonus pay	107.0
12 months severance payment	609.0
Annual Short-Term Incentives 2020	0.0
LTIP 2018-2019	308.0
Total	**1,328.0**

SUMMARY OF AGGREGATED REMUNERATION

	2020			2019		2018	
Remuneration (EUR)	**Interim CEO[1]**	**Former CEO**	**Deputy CEO**	**CEO**	**Deputy CEO**	**CEO**	**Deputy CEO**
Annual salary[2]	88,252	540,266	322,681	594,722	362,142	555,912	288,861
Benefits	2,891	15,111	11,925	18,200	13,163	18,155	12,210
Final salary and severance payments	0	999,708	0	0	0	0	0
Annual Short-term Incentives	0	79,151	43,717	187,374	87,543	99,300	4,005
Long-term Incentives[3]	0	168,760	44,593	86,929	42,861	171,109	48,314
Supplementary pension	11,535	98,598	63,845	112,116	60,245	3,795	58,397
Total compensation	102,678	1,901,595	486,761	999,341	565,953	848,271	411,787

[1] Disclosed remuneration from the period 23 October 2020 up to 31 December 2020.
[2] Includes holiday bonus pay.
[3] Long term incentive payouts in May 2020 (YIT LTIP 2017-2019) for Interim CEO and Former CEO were based on 2017 results and payouts in September 2020 for Deputy to President and CEO (Legacy Lemminkäinen 2016) were based on 2016 results.

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. Following table discloses the details of YIT shares which Interim President and CEO, Former President and CEO and Deputy to President and CEO have earned from long-term incentive program and for which they have earning opportunity.

Position	**No of YIT shares earned but not yet transferred[1]**	**Performance share earning opportunity[2]**
Interim President and CEO	13,540	16,000
Former President and CEO[3]	30,465	0
Deputy to President and CEO	13,540	16,000

[1] Earnings from YIT LTIP 2017-2019 earning periods 2018 and 2019. Shares and related cash payments are due in 2021 and 2022 respectively.
[2] YIT LTIP 2020-2022, target earning opportunity disclosed, this is 25% of max. These are gross shares before any taxes and other payments.
[3] Earned but not yet transferred shares of Former President and CEO are converted to cash and paid out as part of final salary.

Information for shareholders

YIT'S INVESTOR RELATIONS

ACTIVITIES IN 2020

COVID-19 pandemic had an impact on investor relations activities in 2020. Traditional communication channels, including roadshows and other investor meetings and events were transferred into virtual meetings. Despite this, YIT kept its activity level high and founds new ways to communicate with the capital markets. Altogether, the company arranged over 50 investor events during the year.

The publication dates of YIT's financial statement bulletin, half-year report and interim reports in 2020 were 7 February, 30 April, 28 July and 30 October. In connection with the earnings releases, YIT organised press conferences for investors, analysts and the media, where the President and CEO and the CFO presented the results for the quarter. It was possible to follow the press conferences as real-time webcasts on YIT's investor website or via a conference call. Reports, presentation materials and transcripts are available on YIT's **investor website**.

CONTACT INFORMATION

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

YIT Corporation, Investor Relations
P.O. Box 36 (Panuntie 11), FI-00621 Helsinki, Finland

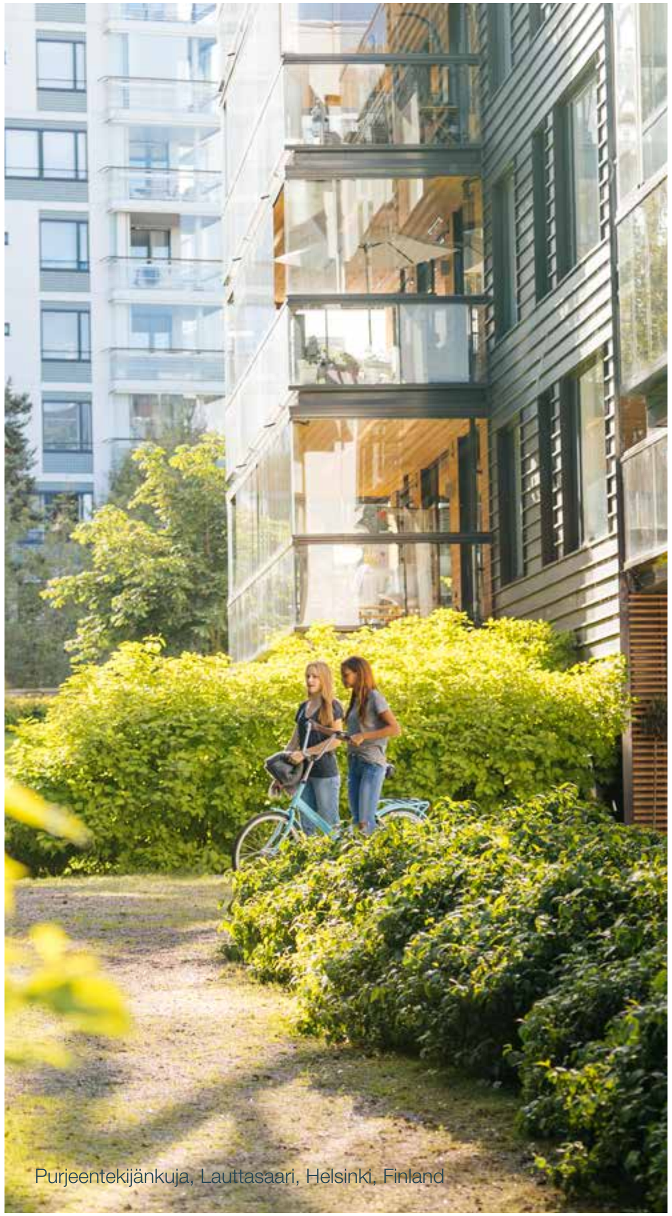
FINANCIAL REPORTING AND SILENT PERIODS IN 2021

Financial statements bulletin 2020	3 February 2021
Annual Review 2020	18 February 2021
Interim report January-March 2021	30 April 2021
Half-year report January-June 2021	30 July 2021
Interim report January-September 2021	29 October 2021

Prior to publishing, YIT follows a so-called silent period that will begin on 1 January 2021, 1 April 2021, 1 July 2021 and 1 October 2021 and that will last until the publication of the respective financial report. During a silent period, YIT's representatives will not comment on the company's financial position or meet capital market representatives.

Read more about YIT as an investment and YIT's Investor Relations

TO THE WEBSITE


Purjeentekijänkuja, Lauttasaari, Helsinki, Finland

ANNUAL GENERAL MEETING 2021

YIT Corporation's Annual General Meeting will be held on Thursday, 18 March 2021, starting at 10:00 a.m. (Finnish time GMT+2) at the Company's offices at Panuntie 11, Helsinki, Finland.

It will not be possible to participate in the meeting in person. The Company's shareholders can participate in the general meeting and exercise their rights by voting in advance and by presenting counterproposals and questions in advance.

For the purpose of restricting the spread of the COVID-19 epidemic, the Company's Board of Directors has decided to adopt the exceptional meeting procedure provided for in the act 677/2020, which temporarily deviates from some of the provisions of the Finnish Limited Liability Companies Act (the so-called temporary act). The Board of Directors has decided to take the measures permitted by the temporary act in order to hold the general meeting in a predictable manner while also taking into account the health and safety of the Company's shareholders, personnel and other stakeholders.

PARTICIPATION RIGHTS

In order to have the right to participate in the Annual General Meeting, a shareholder must be registered in the Company's shareholders' register, which is maintained by Euroclear Finland Oy, no later than the record date of the Annual General Meeting on 8 March 2021. A shareholder whose shares are registered in their personal book-entry account in the book-entry system maintained by Euroclear Finland Oy is registered in the shareholders' register of the Company. A shareholder can only participate in the meeting by voting in advance personally or by way of proxy representation.

NOTICE OF MEETING

The notice of meeting has been published on the company's website **www.yitgroup.com/agm2021**. The notice contains the agenda, the names of the persons nominated for seats on the Board of Directors and the nominated auditor. Resolution proposals, documents presented to the Annual General Meeting and the presentation of the nominees for the Board of Directors have also been published on YIT's website.

REGISTRATION AND ADVANCE VOTING

Shareholders with a Finnish book-entry account can submit the notice of participation and vote in advance on certain matters on the agenda between 12 noon Finnish time on 1 March 2021 and 4 p.m. Finnish time on 12 March 2021 by using one of the following methods:

a) Online through YIT Corporation's website at
www.yitgroup.com/agm2021
If the shareholder is an individual, electronic registration and voting in advance via the Company's website requires strong electronic authentication. Strong electronic authentication takes place either with a Finnish bank ID or a Finnish mobile certificate. Shareholders who are legal persons are not required to use strong electronic authentication, but they are required to give their book-entry account number and other required information. Terms and conditions of electronic voting in advance and other instructions related thereto will be available on the above-mentioned website upon the beginning of advance voting on 1 March 2021 at the latest.

b) By email or mail
Shareholders can also send the advance voting form available on the Company's website or corresponding information to Euroclear Finland Oy by email to the address **yhtiokokous@euroclear.eu** or by mail to the address Euroclear Finland Oy, Yhtiökokous / YIT, P.O. Box 1119, 00101 Helsinki, Finland.

The advance voting form as well as the instructions for advance voting will be available on the Company's website at **www.yitgroup.com/agm2021** by the beginning of advance voting on 1 March 2021 at the latest.

Any proxy documents should be delivered either by email to **agm@yit.fi** or by post to YIT Corporation, AGM, Panuntie 11, 00621 Helsinki, Finland, prior to the end of the registration period and advance voting period at 4 p.m. Finnish time on 12 March 2021, by which time the proxy documents shall be received.

HOLDER OF NOMINEE REGISTERED SHARES

A holder of nominee registered shares has the right to participate in the Annual General Meeting based on the shares that would entitle him/her to be registered in the shareholders' register on the record date of the Annual General Meeting maintained by Euroclear Finland Oy on 8 March 2021. In addition, the right to participate requires that the holder of nominee registered shares is temporarily entered into the shareholders' register maintained by Euroclear Finland Oy based on these shares on 15 March 2021, at 10:00 a.m. at the latest. This is considered registration for the Annual General Meeting as regards nominee registered shares. Changes in shareholdings occurring after the record date of the Annual General Meeting shall not affect the right to attend the meeting or the voting rights of the shareholder.

Such shareholders are advised to request from their custodian bank the necessary instructions regarding registration in the temporary shareholders' register of the Company, the issuing of proxy documents and registration for the Annual General Meeting well in advance. The account operator of the custodian bank has to register a holder of nominee registered shares who wishes to participate in the Annual General Meeting into the temporary shareholders' register of the Company at the latest by the time stated above and arrange advance voting on behalf of the holder of nominee registered shares.

Töölö parking facility, Helsinki, Finland

SHAREHOLDER RIGHTS

Shareholders who hold at least one one-hundredth of all the shares in the Company have the right to make counterproposals concerning the proposed decisions on the agenda of the Annual General Meeting to be placed for a vote. The counterproposals must be delivered to the Company by email to **agm@yit.fi** no later than at 4 p.m. Finnish time on 23 February 2021. In connection with the counterproposal, the shareholders must present a statement of their shareholding in the Company. The counterproposal is admissible for consideration at the Annual General Meeting if the shareholders who have made the counterproposal have the right to attend the meeting and represent at least one one-hundredth of all shares in the Company on the record date of the Annual General Meeting. If a counterproposal is non-admissible, votes cast for such counterproposal will not be recorded at the meeting. The Company will publish possible counterproposals eligible for voting on the Company's website at **www.yitgroup.com/agm2021** no later than on 24 February 2021.

Shareholders have the right to ask questions and request information with respect to the matters to be considered at the meeting pursuant to Chapter 5, Section 25 of the Limited Liability Companies Act by email to the address **agm@yit.fi** or by post to YIT Corporation, AGM, Panuntie 11, 00620 Helsinki, Finland, no later than at 4 p.m. Finnish time on 25 February 2021. The Company will publish the shareholders' questions along with the management's responses as well as any counterproposals not eligible for voting on the Company's website at **www.yitgroup.com/agm2021** at the latest on 26 February 2021. Asking questions and making counterproposals requires the shareholder to present an adequate statement of their shareholding in the Company.

ADDRESS CHANGES OF SHAREHOLDERS

Shareholders are requested to give notification of any changes of address to the bank branch office at which their book-entry account is handled. If the account is handled by Euroclear Finland Ltd, notifications of a change of address should be sent to:
Euroclear Finland Ltd P.O. Box 1110, FI-00101 Helsinki, Finland.
Street address: Urho Kekkosen katu 5 C, 8th floor.
Telephone (switchboard): +358 20 770 6000.
E-mail: **info.finland@euroclear.eu**

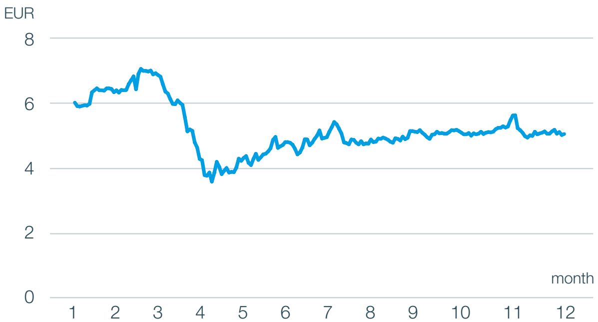
IMPORTANT DATES RELATED TO THE ANNUAL GENERAL MEETING

- Notice of AGM published 3 February 2021
- Publication of the Financial Statements 2020 18 February 2021
- Deadline for counterproposals to be put to a vote 23 February 2021 at 4:00 p.m. EET
- Publication of counterproposals to be put to a vote 24 February 2021
- Deadline for shareholders' questions and counterproposals that will not be put to a vote 25 February 2021 at 4:00 p.m. EET
- Publication of shareholders' questions, management's answers and counterproposals that will not be put to a vote 26 February 2021
- Registration and advance voting begins 1 March 2021 at 12 noon EET
- Record date of the AGM 8 March 2021
- Registration and advance voting ends 12 March 2021 at 4:00 p.m. EET
- Annual General Meeting 18 March 2021 at 10:00 a.m. EET
- Dividend record dates 22 March 2021 and 1 October 2021
- Minutes of the AGM at Company's website 1 April 2021 at the latest
- Proposed dividend payment dates 7 April 2021 and 12 October 2021
- Additional information on the Annual General Meeting on our web pages **www.yitgroup.com/agm2021.**

SHARE VALUE DEVELOPMENT AND TRADING

WEEKLY EXCHANGE OF SHARES IN 2020

SHARE PRICE DEVELOPMENT IN 2020



YIT's share price increased approximately 17% during the reporting period. The opening price of YIT's share was EUR 5.95 on the first trading day of 2020. The closing price of the share on the last trading day of the reporting period on 31 December 2020 was EUR 4.93. The highest price of the share during the reporting period was EUR 7.12, the lowest EUR 3.58 and the average price was EUR 5.10.

YIT Corporation's market capitalisation on the last trading day of the reporting period on 31 December 2020 was EUR 1,031 million (1,244). The market capitalisation has been calculated excluding the shares held by the company.

Share turnover on Nasdaq Helsinki during the reporting period was approximately 97 million shares (75). The value of the share turnover was approximately EUR 497 million (402), source: Nasdaq Helsinki.

During the reporting period, approximately 14.5 million (21.5) YIT Corporation shares changed hands in alternative marketplaces, corresponding to approximately 13 per cent (22) of the total share trade, source: Euroland.

Tripla, Helsinki, Finland

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company/yit