Annual Report 1996

YIT

CONTENTS

ANNUAL GENERAL MEETING

The Annual General Meeting of YIT Corporation will be held on Monday, 10 March 1997 at 2 p.m. at YIT Corporation´s head office, Panuntie 11, Helsinki, Finland.

ANNUAL REPORT 1997

This annual report comes out in Finnish on 28 February 1997 and it is available also in English and in Swedish.

INTERIM REPORTS 1997

YIT Corporation will publish an interim report on its first four months of operations on 9 June 1997 and on eight months of operations on 13 October 1997. These reports are available in Finnish, in English and in Swedish.

The reports can be ordered at the address:

YIT Corporation
P.O.Box 36
FIN-00621 HELSINKI
Phone +358 9 159 41
Fax +358 9 1594 3702

Cover pictures:
Approximately 80 km of pipelines as well as storage tanks and other equipment were delivered, completely installed, to the new Kaukas pulp mill of UPM-Kymmene in Lappeenranta.

Rank Xerox Oy´s head office in Espoo.

Picture above:
The Gateway Terminal for the Helsinki- Vantaa International Airport, Vantaa.

CHAIRMAN'S REVIEW

In the latter half of 1996, construction investments in Finland swung to growth after four years of low demand. The level of money market interest rates declined, sales of old residential units picked up and the price level rose, thus making room for market-financed new building in the best locations in growth centres. Construction of publicly subsidized housing continued on an even keel.

The demand for business premises grew and the occupancy rate and level of rent rose, particularly in fast-growing population centres. Industrial construction and mechanical contracting for industry continued at a brisk pace, as did renovation work.

Owing to the low total level of construction investments, the industry still had a significant amount of unused capacity and the unemployment rate in the construction industry remained high. This will make it possible to increase output substantially without the threat of overheating.

YIT Corporation continued to implement its growth strategy in 1996. The linking together of the functions of the Huber Group - acquired in December 1995 - and YIT Industrial Services within a new division, YIT Huber, was accomplished according to plan in the spring.

The Corporation's traditional fields of business - civil engineering, building construction and industrial construction, renovations and the property business - were beefed up with the inclusion of a new and more comprehensive range of mechanical contracting and maintenance services and products for industry, including HEPAC building services. This is a completely new line of business for YIT. Accordingly, nearly 40% of YIT Corporation's net sales in 1996 came from the YIT Huber and steel construction businesses, compared with a share of 20% a year earlier.

The growth strategy furthermore called for a particular focus on strengthening YIT's operations abroad. Exports and local operations in the Nordic countries gained in diversity and passed up exports to Russia by a sizable margin, thus evening out the risks and volume fluctuations of international operations.

Operations of the subsidiaries in Sweden developed favourably. In Norway a subsidiary specializing in mechanical contracting and maintenance for the oil and gas industry was established. Regional offices were set up in Poland and Egypt, especially for the purpose of offering water and environmental services. Exports of water and environmental services and steel constructions continued, notably to Southeast Asia.

YIT Corporation's net sales grew by nearly a third in 1996, largely thanks to the formation of the YIT Huber Division. Profit before reserves and taxes was FIM 165 million, earnings per share FIM 5.09 and return on investment 11.2 %. The equity ratio increased to 27 % from 22 %.

The price trend of the company's share was favourable in 1996. The company's Board of Directors will propose to the Annual General Meeting that a dividend of FIM 1.50 be paid for the 1996 financial year. This is in line with the dividend policy confirmed by the Supervisory Board, in accordance with which the objective is to distribute to shareholders an average of 20 - 40 % of the annual profit after taxes and minority interest.

The divisions that achieved good earnings were YIT Building Construction, YIT Huber, YIT Civil Engineering and YIT Steel Construction. The result of YIT International Operations, which operates in the markets of Russia and the Baltic countries, was in the red but improved significantly on the previous year.

The success of YIT Corporation's divisions hinges on the ability to develop and implement competitive solutions to the customer's capital investment and maintenance needs by providing individualized service. Our service ability ultimately depends on the core values that guide the operations of the company's personnel.

A reappraisal of YIT's core values in line with the needs of a changed group structure, larger personnel and more varied customer base was one of the central projects for strategic development in 1996. As a result of concerted company-wide preparation, a set of redefined core values was announced in September, emphasizing the best service, continuous learning, smooth cooperation and the significance of good financial performance as the central resources of the Corporation and its personnel.

The market prospects for 1997 in most of YIT Corporation's main business areas are more favourable than they have been for many years. Consolidated net sales are expected to continue their growth in 1997. Net profit is anticipated to exceed the previous year's earnings.

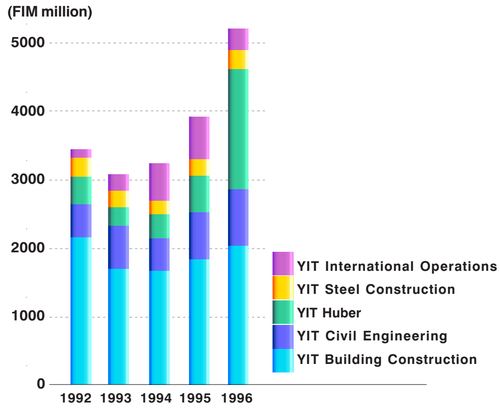
I wish to thank our customers and shareholders for their confidence in YIT Corporation and to thank all our people for the good job they have done during the year. This puts us in even better position to implement a successful growth strategy in the years ahead.

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

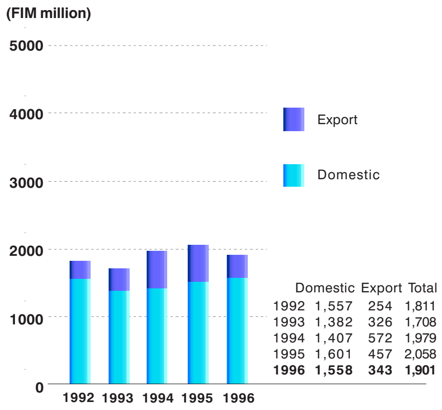
KEY FACTS

(FIM million)	1996	1995
Net sales	**5,210**	3,924
- share of international operations	**936**	929
Invoicing	**5,128**	3,900
Fixed costs and expenses	**390**	236
Operating profit before depreciation	**345**	176
Depreciation according to plan	**94**	63
Operating profit	**251**	113
Net financial expenses	**81**	100
Profit before extraordinary items, reserves and taxes	**169**	13
Extraordinary income and expenses	**- 4**	- 1
Profit before reserves and taxes	**165**	12
Balance sheet total	**3,466**	3,725
Interest-bearing liabilities	**1,481**	1,751
Interest-bearing net debts	**1,370**	1,573
Minority interest	**42**	38
Shareholders' equity	**535**	421
Voluntary reserves and accumulated depreciation difference	**292**	295
Gearing ratio, %	**158**	208
Return on investment, %	**11**	6
Return on equity, %	**17**	1
Equity per share, FIM	**33.83**	29.31
Earnings per share, FIM	**5.09**	0.10
Share price at year-end, FIM	**53.90**	31.00
Average personnel	**7,184**	5,661

CORPORATE NET SALES BY DIVISIONS

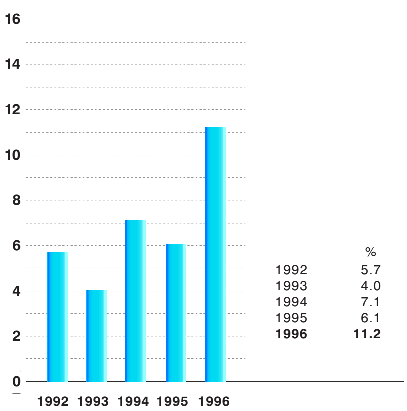


BACKLOG OF WORK* AT YEAR-END

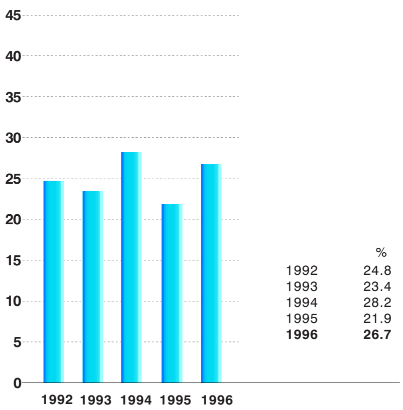


*Backlog of work not recognized as income

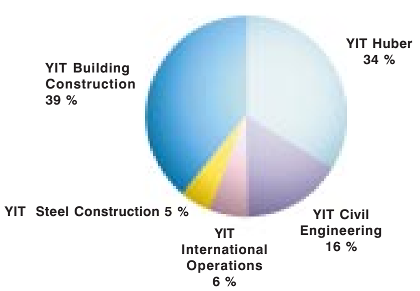
RETURN ON INVESTMENT



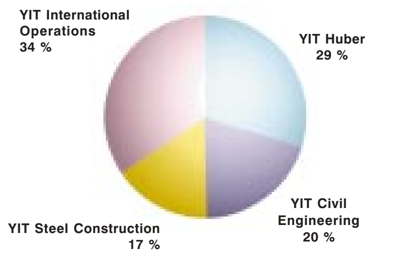
EQUITY RATIO



DISTRIBUTION OF NET SALES BY BUSINESS DIVISIONS IN 1996



DISTRIBUTION OF OVERSEAS NET SALES BY BUSINESS DIVISIONS IN 1996



Overseas net sales represented 18 % of the Group's aggregate net sales.

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

DIVISIONS

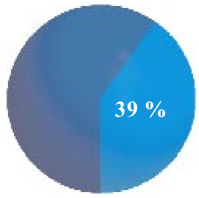
YIT BUILDING CONSTRUCTION

YIT Building Construction's field of business includes residential construction, industrial construction, commercial and office construction, renovation jobs, project management contracting and property business in Finland. YIT Building Construction is the leading builder of housing and industrial facilities in Finland.

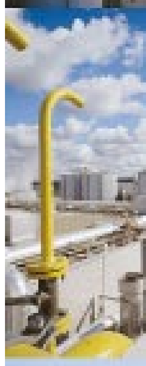
Net sales: FIM 2,058 million

Personnel: 1,436 people*

Housing units completed: 2,352 units



YIT HUBER

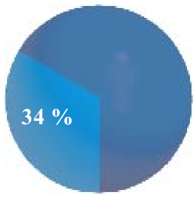


YIT Huber's field of business includes industrial piping and equipment installations, process and storage tanks, other mechanical contracting, ship fitting contracts for shipyards, fire-fighting and detection systems, anticorrosion, testing and inspection services, plumbing, heating and ventilation contracting and servicing as well as maintenance and servicing for industry. YIT Huber has foreign subsidiaries in Sweden, Norway, Russia and Estonia.

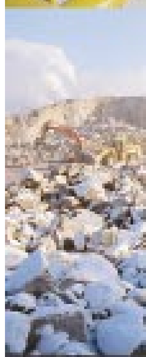
Net sales: FIM 1,774 million

- including international business, FIM 281 million

Personnel: 3,153 people*



YIT CIVIL ENGINEERING

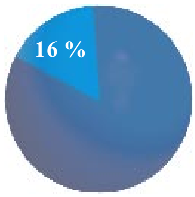


YIT Civil Engineering's field of operations comprises earthwork and municipal engineering, bridge, tunnelling and harbour construction, road and other paving, water and environmental services for communities and industry as well as maintenance work related to the industry. In Finland it has been a market leader of long standing in its main fields of activity and is well known particularly for its deliveries of technology and equipment connected with water and environmental engineering to dozens of countries around the world. The most important of its offices abroad is the subsidiary in Sweden, which is specialized in civil engineering.

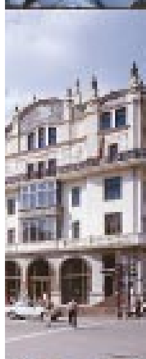
Net sales: FIM 834 million

- including international business, FIM 192 million

Personnel: 878 people*



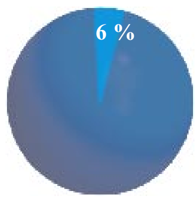
YIT INTERNATIONAL OPERATIONS



The division's field of operations includes construction and project exports as well as other business in Russia, the other CIS countries and the Baltic countries. In Moscow and St Petersburg YIT Corporation has representative offices and subsidiaries, and it also has a representative office in Tyumen. Subsidiaries operate in Riga, Vilnius and Tallinn. A factory manufacturing wood panels operates in Pärnu, Estonia, and its special product is joint insulation foam that is marketed to numerous countries.

Net sales: FIM 324 million

Personnel: 376 people*



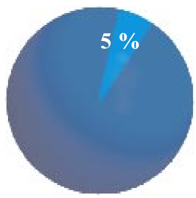
YIT STEEL CONSTRUCTION

Central responsibility for YIT Corporation's steel construction rests with its subsidiary PPTH Steel Ltd, which is specialized in deliveries of building frames and other load-bearing steel frames as well as ancillary steel structures to customers in Finland and abroad. The company has three engineering factories in Finland. It is the market leader in its field in Finland and in Scandinavia. Export deliveries go to a large number of countries, with the accent on Scandinavia.

Net sales: FIM 280 million

- including international business, FIM 160 million

Personnel: 334 people*



*= Personnel at year end

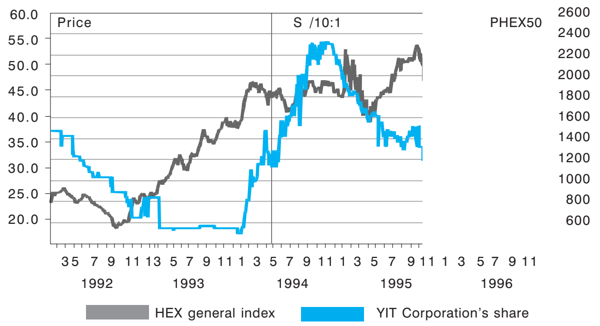
Share of Group net sales, %

INFORMATION ON SHARES

PER-SHARE KEY FIGURES	1996	1995	1994	1993	1992
Earnings/share (EPS) FIM	**5.09**	0.10	1.72	-2.12	-5.78
Earnings/share (EPS), FIM*)	**5.21**	-0.28	1.87	-0.27	-0.22
Dividend/share, FIM	**1.50** **)	0.50	0	0	0
Equity/share, FIM	**33.83**	29.31	28.69	27.26	32.35
Equity/share, FIM*)	**30.07**	25.56	25.89	23.41	26.94
Dividend/profit, %	**21.7**	92.0			
Dividend/profit, %*)	**21.5**	91.7			
Effective dividend yield, %	**2.8**	1.6			
P/E multiple	**10.6**	310.0	26.7	neg.	neg.
P/E multiple*)	**10.3**	neg.	24.6	neg.	neg.
Issue-adjusted number of shares, 1,000					
at end of year	**24,423**	24,423	24,419	19,965	19,965
average	**24,423**	24,421	22,192	19,965	19,965
Market capitalization, FIM million	**1,316.4**	757.1	1,123.3	339.4	399.3
Share price, FIM					
at end of year	**53.90**	31.00	46.00	17.00	20.00
average	**47.75**	38.28	49.22	17.88	23.90
high	**59.00**	53.00	55.00	18.50	34.00
low	**26.00**	28.00	23.50	17.00	20.00
Share turnover					
FIM million	**416.6**	90.3	128.3	0.2	4.1
1,000 shares	**8,726**	2,360	2,619	11	173
turnover as % of shares outstanding	**35.7**	9.7	11.8	0.1	0.9

*) Taking into account imputed deferred taxes and the minority interest share of reserves
**) Board of Directors' proposal

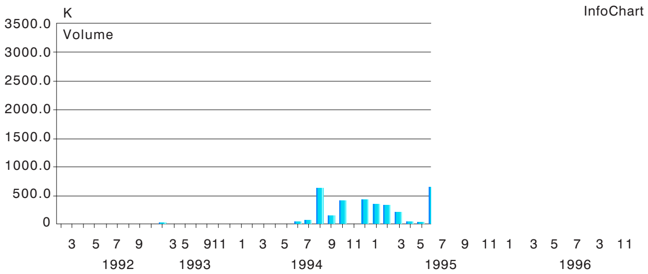
Price trend of YIT Corporation's shares 1992 -1996



The annual turnover of YIT Corporation's share in 1996 totalled FIM 416,647,305 and 8,725,866 shares.

Source: Startel InfoChart

Monthly share turnover 1992 -1996 (1,000 shares)



Distribution by groups of shareholders on 31 December 1996 according to the book-entry securities register

	Shareholders number	%	Number of shares and voting rights	%
Corporations	161	9.38	6,966,706	28.53
Financial and insurance institutions	44	2.56	14,167,387	58.01
Public sector entities	23	1.34	2,128,813	8.72
Non-profit institutions	40	2.33	437,184	1.79
Households and private persons	1,442	84.04	691,925	2.83
Foreign owners	6	0.35	27,067	0.11
	1,716	100.00	24,419,082	99.99
On the grand total account			3,580	0.01
Number of shares issued			24,422,662	100.00
Nominee-registered			864,280	3.54

Principal shareholders on 31 December 1996

		Number of shares	Percentage of equity and voting rights
Tapiola Group	1)	5,827,500	23.86
Rautaruukki Oy		4,912,000	20.11
Pohjola Group	2)	3,821,487	15.65
Merita Bank	3)	2,351,879	9.63
OKOBANK Group	4)	1,562,060	6.40
Local Government Pension Institution		761,423	3.12
YIT Corporation Pension Foundation		682,130	2.79
Metsäliitto Cooperative Society		257,600	1.05
MTK	5)	205,400	0.84
Optiomi Oy		200,000	0.82
Nominee-registered		864,280	3.54
Other shareholders, total		2,976,903	12.19

1) Tapiola General Mutual Insurance Company and Tapiola Mutual Life Assurance Company
2) Pohjola Insurance Company Ltd, Suomi Salama Mutual Life Assurance Company, Pension Insurance Company Ilmarinen Ltd and Salama Life Assurance Company
3) Merita Bank Ltd, Partita Ltd and Union Bank of Finland Pension Fund
4) OKOBANK, The Pension Foundation of the Finnish Cooperative Banks and the Pension Fund of the Finnish Cooperative Banks
5) Central Union of Agricultural Producers and Forest Owners (MTK) and Foundation of the Central Union of Agricultural Producers

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

Distribution of shareholdings on 31 December 1996

	Numbers of shareholders		Numbers of shares	
	No.	%	No.	%
1 - 100	671	39.10	31,944	0.13
101 - 1,000	760	44.29	314,093	1.29
1,001 - 10,000	215	12.53	754,748	3.09
10,001 - 100,000	48	2.80	1,399,578	5.73
100,001 - 1,000,000	16	0.93	5,340,012	21.86
1,000,001 -	6	0.35	16,578,707	67.88
	1,716	100.00	24,419,082	99.99
On the grand total account			3,580	0.01
Number of shares issued			24,422,662	100.0

Increases in share capital on the basis of share issues, and issues of convertible bonds and bonds with warrants, 1991-1996

Type of increase	Subscription time	Subscription price FIM	Number of new shares	Increase in share capital	New share capital FIM
Convertible bond	1991		47,610	476,100	199,630,700
Convertible bond	1992		1,830	18,300	199,649,000
Convertible bond	1993		-	-	-
Targeted issue*	5 Sept 1994 swap	42.00	738,090	7,380,900	207,029,900
Targeted issue**	26 Sept - 18 Oct 1994	42.00	599,808	5,998,080	213,027,980
Convertible bond	1994		3,115,200	31,152,000	244,179,980
Bonds with warrants (1990)	1994		1,000	10,000	244,189,980
Targeted issue***	merger compensation reserve in shares by 30 June 1995	****	3,664	36,640	244,226,620

* = to six principal shareholders of YIT Kiinteistöt Oy
** = to the other shareholders of YIT Kiinteistöt Oy
*** = to the shareholders of YIT Kiinteistöt Oy as compensation for the merger with the parent company
**** = one share of YIT Corporation for three shares of YIT Kiinteistöt Oy

YIT issue of bonds with warrants 1990 - 1996

Warrant bond issue	Remaining loan (original) amount FIM million	Maturity, years	Interest %	Debt securities No.	Shares/ Equity warrants	Subscription price of shares FIM	Share capital FIM million	Subscription time	Last day for share subscription
10.9.1990	1.232	5	9.0	1,232	500	50.00	6.16	2.5-30.9.94 ja 2.5.-10.9.95	10.9.1995
1.11.1994	0.583	5	7.0	583	1,000	52.00	5.83	1.9.98-1.11.99	1.11.1999

The subscription price of the issues of bonds with warrants was the par value. The bonds have a par value of FIM 1,000. A share subscribed on the basis of the issues of bonds with warrants entitles its holder to a dividend for the financial year when the conversion has occurred. The issue of bonds with warrants for 1990 was repaid at the end of the loan period. Shares were not subscribed on the basis of the warrants in 1995. On the basis of the issue of bonds with warrants in 1994, the share capital of YIT Corporation can be increased by a maximum amount of FIM 5.83 million, which corresponds to 583,000 YIT Corporation shares. These shares confer a maximum of 2.4% of the company's voting rights as calculated on the share capital at the end of the report year.

KEY FIGURES FOR GROUP TRENDS 1992 - 1996

INCOME STATEMENTS (FIM million)	**1996**	1995	1994	1993	1992
Net sales	**5,210**	3,924	3,244	3,084	3,450
Sales margin	**735**	412	342	226	328
% of net sales	**14.1**	10.5	10.5	7.3	9,5
Fixed costs	**390**	236	194	173	224
Operating profit before depreciation	**345**	176	148	53	104
% of net sales	**6.6**	4.5	4.6	1.7	3.0
Depreciation according to plan	**94**	63	50	51	66
Operating profit	**251**	113	98	2	38
% of net sales	**4.8**	2.9	3.0	0.1	1.1
Net financing expenses	**81**	100	43	35	134
Result before extraordinary items, reserves and taxes	**169**	13	55	-33	-96
% of net sales	**3.2**	0.3	1.7	-1.1	-2.8
Extraordinary income and expenses	**-4**	-1	-36	-66	-71
Result before reserves and taxes	**165**	12	19	-99	-167
% of net sales	**3.2**	0.3	0.6	-3.2	-4.8
BALANCE SHEETS (FIM million)					
Assets					
Fixed assets	**733**	795	1,081	915	1,083
Valuation items	**12**	28	29	33	28
Stocks	**1,078**	1,192	944	1,534	1,828
Financial assets	**1,643**	1,710	1,019	1,112	1,278
Liabilities					
Shareholders' equity and reserves	**826**	716	700	544	646
Minority interest	**42**	38	84	63	62
Obligatory reserves	**25**	50	41		
Non-current creditors					
Interest-bearing	**990**	1,097	931	780	1,018
Non-interest-bearing	**26**	41	29	33	28
Current creditors					
Interest-bearing	**491**	654	419	730	525
Advances received	**220**	277	287	995	1,361
Other non-interest-bearing	**846**	852	582	449	577
Balance sheet total	**3,466**	3,725	3,073	3,594	4,217
FINANCIAL RATIOS					
Return on investment, %	**11.2**	6.1	7.1	4.0	5.7
Return on investment, %*)	**11.6**	5.9	7.6	4.2	6.1
Return on equity, %	**16.6**	0.6	5.7	neg.	neg.
Return on equity, %*)	**19.0**	neg.	1.3	neg.	neg.
Equity ratio, %	**26.7**	21.9	28.2	23.4	24.8
Equity ratio. %*)	**24.0**	19.3	25.7	20.4	21.1
Quick ratio	**1.2**	1.1	1.0	1.0	1.2
Gearing ratio, %	**157.8**	208.3	151.5	186.5	163.1
Gearing ratio, % *)	**175.9**	237.1	166.0	213.5	192.3
Invoicing, FIM million					
YIT Building Construction	**1,804**	1,640	1,589	1,374	1,621
YIT Civil Engineering	**836**	644	507	477	526
YIT Huber	**1,706**	562	343	269	371
YIT Steel Construction	**287**	255	196	207	220
YIT International Operations	**327**	595	604	287	133
Sales of company-built condominium shares	**226**	250	109	133	250
Other and intercompany invoicing	**-58**	-46	2		
Total invoicing, FIM million	**5,128**	3,900	3,350	2,747	3,121
of which export invoicing of all divisions totalled	**926**	845	804	515	226
Personnel as of Dec. 31	**6,421**	7,655	4,225	3,968	4,853
Backlog of orders at year-end, FIM million	**1,901**	2,058	1,979	1,708	1,811
Gross capital expenditures on fixed assets, FIM million	**92**	108	41	23	109
% of net sales	**1.8**	2.8	1.3	0.7	3.2

The figures for 1994-1996 are based on Finland's new Accounting Act; the previous years have not been revised.

*) Taking into account imputed deferred taxes and the minority interest share of reserves.

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

ADMINISTRATIVE BODIES

SUPERVISORY BOARD

Chairman
Asmo Kalpala (46), CEO, Tapiola Group,
Chairman since 1990, Member since 1990

Vice Chairman
Mikko Kivimäki (58), President,
Rautaruukki Oy
Vice Chairman since 1996,
Member since 1990

Members
Antti Tanskanen (50), CEO, OKOBANK,
Member since 1996

E.J. Toivanen (69), Chairman of the Board,
Onninen Oy, Member since 1994

Jouko Tuunainen (52), Executive Vice
President, Kesko Oy, Member since 1993

Iiro Viinanen (52), CEO, Pohjola Group,
Member since 1996

YIT Corporation's Supervisory Board: (from the left) Asmo Kalpala, E.J.Toivanen, Antti Tanskanen, Iiro Viinanen and Mikko Kivimäki.

AUDITORS

Auditors
Pekka Nikula, B.Sc. (Econ.), APA
Hannu Niilekselä, M.Sc. (Econ.), APA

Deputy auditor
SVH Coopers & Lybrand Oy, APA firm

BOARD OF DIRECTORS

Chairman
Reino Hanhinen (53), CEO,
YIT Corporation, Chairman since 1989,
Member since 1987

Vice Chairman
Esko Mäkelä (53),
Executive Vice President, YIT Corporation,
Vice Chairman since 1989,
Member since 1988

Members
Matti Haapala (49), Vice President,
YIT Corporation, Member since 1993

Pentti Hannonen (55), Vice President,
YIT Corporation, Member since 1996

Jouko Ketola (51), Vice President,
YIT Corporation, Member since 1996

Raimo Lahtinen (50), Vice President,
YIT Corporation, Member since 1996

Mikko Rekola (51), Vice President,
YIT Corporation, Member since 1996

YIT Corporation's Board of Directors: (from the left) Raimo Lahtinen, Esko Mäkelä, Mikko Rekola, Matti Haapala, Reino Hanhinen, Jouko Ketola and Pentti Hannonen.

REPORT OF THE BOARD OF DIRECTORS 1.1.1996 - 31.12.1996

NET SALES AND PROFIT

YIT Corporation's net sales in 1996 amounted to FIM 5,210 million (FIM 3,924 million in 1995). The sale of shares in buildings constructed on a developer basis accounted for FIM 226 million of net sales (250). The Group's invoicing totalled FIM 5,128 (3,900) million. International operations accounted for FIM 936 (929) million or 18 % (24 %) of net sales.

The Group's operating profit before depreciation was FIM 345 (176) million, or 6.6 % (4.5 %) of net sales. Operating profit was FIM 251 (113) million and profit before reserves and taxes was FIM 165 (12) million. Projects have been entered in the income statement according to their degree of completion.

Of the Group's main divisions, YIT Building Construction posted an operating profit of FIM 130 (114) million, YIT Civil Engineering FIM 36 (54) million, YIT Huber FIM 83 (21) million and YIT Steel Construction FIM 17 (13) million.

YIT International Operations posted an operating loss of FIM -9 (-47) million. Since by the time of completion of the works, joint agreement had not been reached concerning compensation for the additional claims presented to the Sertolovo client, a loss of FIM 51 million on the project was charged to earnings for the year under review. A loss of FIM 54 million on the project was already charged to earnings in the 1995 financial statements. The process of handing over the project and negotiations on the above-mentioned compensation of YIT Corporation's additional claims continued past the turn of the year.

The receivable that was awarded for the Metropol Hotel on YIT's behalf by a ruling of a court of arbitration in 1993, was included in the amount of FIM 75 million in the treaty between Finland and Russia concerning the conversion of the receivables of Finnish companies into government procurements from Russia. The deliveries to Finland got under way towards the end of the year and half of the receivable, or FIM 37.5 million, was credited to income in the accounts for the year under review. The second instalment of FIM 37.5 million is expected to be recognized as income in 1997 as a final receivable for the contract.

The return on investment was 11 % (6%) and the equity ratio was 27 % (22 %). The Group's fixed costs totalled FIM 390 (236) million. The growth was mainly attributable to the substantial increase in mechanical contracting and the differing cost structure of the construction contracting it undertakes. Depreciation according to plan totalled FIM 94 (63) million. Depreciation was increased by FIM 15 million of amortization of goodwill in connection with the acquisition of Oy Huber Ab.

FINANCING AND CAPITAL EXPENDITURES

Interest-bearing loans at year-end totalled FIM 1,481 (1,751) million. Of these loans, FIM 23 (31) million were denominated in foreign currency.

Net financial expenses totalled FIM 81 (100) million, or 1.6 % (2.5 %) of net sales. Cash and bank receivables totalled FIM 111 (178) million at the close of the year.

Gross capital expenditures on fixed assets totalled FIM 92 (108) million.

BACKLOG OF ORDERS

YIT Corporation's backlog of orders at the end of the year - i.e., the value of work not recognized as income, stood at FIM 1,901 million (2,058) million, of which 18 % (22 %) represented international orders. With the increase in the share of invoicing by the servicing and maintenance business, the ratio of the entire order backlog to the total value of the corporation's production has declined in recent years.

Of the Group's residential construction in Finland, more than half consisted of state-supported housing. A total of 2,352 (2,605) housing units was completed, of which 155 (329) represented developer construction. At the close of the year, 1,722 (1,757) housing units were under construction, 148 (193) of them being developer contracting.

CHANGES IN THE GROUP STRUCTURE

In January 1996 YIT Corporation Ltd purchased the water engineering business of Oy G.W. Berg & Co Ab and its subsidiary Norstep Oy acquired the operations of Teollisuuden Kunnossapito TKP Oy, which operates as a maintenance and installation contractor in the electrical and automation field in Uusimaa County.

In March the subsidiary Valtatie Oy acquired Oy Kruunu-Ös Ab, which is engaged in asphalting and aggregate operations in Ostrobothnia. The newly acquired company was merged with the parent company on 29 November. In March, YIT Vatten & Miljöteknik AB was established in Sweden as a business unit of YIT Civil Engineering.

In April, YIT Corporation Ltd purchased from Valio Oy a 47.5% holding in Norstep Oy, which is specialized in maintenance for the food processing industry, and later acquired the remaining 1.5% stake from other owners, whereby the company became a wholly owned subsidiary of the Group. The subsidiary PR-Putki Oy was merged with YIT Corporation Ltd on 31 October and its operations were transferred to the YIT Huber company Pohjolan Tehdaspalvelu Oy.

To create a more cohesive group structure, during the report year decisions were taken to merge a number of Oy Huber Ab's subsidiaries with their parent company. Of these, the mergers carried out in 1996 concerned Vesijohtoliike Raita Oy, Turun Centerputki Oy, A-L Ekholms Holding Oy, Oy Huber Yrityspalvelut Ab, LVI-Juva Oy, Oy Huber International Ab, HJ-Tehdaspalvelu Oy, Länsi-Suomen Tehdaspalvelu Oy, Keski-Suomen Tehdaspalvelu Oy, Oy Helsingin Kiinteistöjalostus Ab and Hubmetcor Oy. Of the other subsidiaries, Oy K.A. Stendahl Ab was sold off, as were the operations of Hubmetcor Oy (Cormet). Of the Swedish subsidiaries, those merged with their parent company were Huber VVS AB, Huber Brandteknik AB and AB Rör- och Montagearbeten, all of which were merged with Huber Svenska AB.

SHARE CAPITAL AND SHAREHOLDERS

The share capital of YIT Corporation stood at FIM 244,226,620 at the beginning and end of the year. The nominal value of the company's share, which is listed on the Helsinki Stock Exchange, was 10 marks. The number of registered shareholders at the beginning of the year was 1,490 and at the end of the year 1,716. The dividend paid for the 1995 financial year was FIM 0.50 per share, or a total of FIM 12.2 million.

The Annual General Meeting held on 18 March 1996 authorized the company's Board of Directors, for a period of one year, to decide on the floating of one or more issues of

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

convertible bonds and/or bonds with warrants and/or increasing the share capital in one or more instalments through a rights issue in a maximum amount of FIM 40 million. At the same time, it cancelled the previous authorization. The authorizations were not exercised during 1996.

An extraordinary meeting of shareholders held on 4 November 1996 resolved to include in the Articles of Association a new Section 16. According to it, a shareholder whose holding exceeds one third and/or one half of the shares outstanding or securities entitling the holder to such shares, must offer to carry out a pre-emptive purchase of the remaining shares. The amendment was deemed necessary to ensure the equality of shareholders.

The FIM 583,000 of capital outstanding of the five-year issue of bonds with warrants at 7% annual interest, which was targeted at the Corporation's management and separately named key personnel in 1994, remained unchanged in 1996. Each one thousand mark bond certificate carries a warrant to subscribe for one thousand shares of YIT Corporation during the subscription period from 1 September 1998 to 1 November 1999. On the basis of the issue, the share capital can be increased by a maximum amount of FIM 5,830,000, which entitles holders to a 2.4% proportion of the shares and voting rights. The loan falls due on 1 November 1999.

Trading in the company's share, which remained slow in the first half of the year, picked up in the late summer and early autumn. The value of share turnover during the entire year was FIM 417 (90) million and the number of shares traded was 8,725,866 (2,360,236).

The members of the corporation's Supervisory Board and Board of Directors as well as the President and Executive Vice President owned a total of 23,741 shares, or 0.10% of the company's shares and voting rights, on 31 December 1996. Their ownership proportion of the issue of bonds with warrants floated in 1994 was FIM 110,000, or 18.9%. In the event that a full amount of shares is subscribed on the basis of the issue of bonds with warrants, the total proportion of the company's shares and voting rights held by the above-mentioned persons will be 0.5%.

It is the objective of YIT Corporation to ensure for its shareholders a competitive, even flow of dividends and to distribute to the company's owners, after taxes and minority interests, an average of 20 - 40 per cent of the annual profits in the form of dividends.

ADMINISTRATION

At the Annual General Meeting held on 18 March 1996, Asmo Kalpala, CEO, Tapiola Group, who was due to resign from the Supervisory Board was re-elected to the Supervisory Board and Antti Tanskanen, CEO of the OKOBANK Group, and Iiro Viinanen, CEO of Pohjola Group, were elected as new members in place of CEO Yrjö Niskanen (Pohjola Group) and Director Matti Liukkonen (OKOBANK), who were due to resign. On 23 April 1996 the Supervisory Board re-elected Asmo Kalpala as its chairman and Mikko Kivimäki as its vice chairman.

The members of YIT Corporation's Board of Directors as of 23 April 1996 were President Reino Hanhinen, chairman, Executive Vice President Esko Mäkelä, vice chairman, the regular members being the vice presidents of the divisions, Matti Haapala, Pentti Hannonen, Jouko Ketola and Mikko Rekola as well as vice president Raimo Lahtinen, the last four of which became new members. In the same connection the standing orders of the Supervisory Board and Board of Directors were revised so as to strengthen the Supervisory Board's possibilities to oversee shareholders' interests.

PERSONNEL

In 1996 the Group employed an average of 7,184 (5,661) people. At the close of the year, the company employed 6,421 (7,655) people. The figures also include foreign employees as well as the Corporation's stake in consortiums. The parent company employed an average of 4,162 (4,883) people during the financial year.

Salaries and emoluments paid by the Group totalled FIM 952 (576) million. Of this amount, the salaries and emoluments paid to the Supervisory Board, the boards of directors and the managing directors was FIM 13.9 (5.5) million, of which bonuses amounted to FIM 0.8 (0.3) million. The parent company paid salaries and emoluments totalling FIM 465 (456) million. Of this amount, salaries and emoluments paid to the Supervisory Board, the Board of Directors and the President were FIM 5.4 (2.9) million, of which bonuses amounted to FIM 0.5 (0.3) million. The figures include the shares of joint ventures and salaries and wages paid to foreign employees.

Collaboration in line with the laws on industrial democracy and cooperation within undertakings was implemented at management level within the divisions and regional units, at the Group level, on cooperation boards and through the regional cooperation bodies of the divisions as well as through shop steward activities.

DEVELOPMENT

The internalization of customer service, the amplification of quality thinking and development of the environmental system coupled with a wider application of teamwork as a way of operating were central development themes in all the corporation's fields of activity in 1996. The cornerstone for the development and guidance of the entire corporate culture was laid when the corporation redefined and crystallized its core values in the summer 1996.

The ISO 9001 quality certificate, which covers the Group's entire domestic building construction operations, was granted to the units of YIT Building Construction in February 1996. Development of the division's information systems was continued notably in the form of joint projects with the construction companies of EU countries.

A central project within YIT Civil Engineering was the development of a quality system with the objective of gaining certification in 1997. In addition, efforts and outlays were made to develop products and services in areas such as maintenance, stabilization technology, asphalting applications and the treatment of biological waste.

The priority for YIT Huber's development programmes was in process management connected with the unification of functions and in restructuring business processes. The most significant research project was the PROSIT research project which is jointly run by major power utility companies and which seeks to develop the industry's delivery-related logistics, information exchange and project coordination.

YIT Steel Construction participated actively in the introduction of progressive technology, particularly in the field of welding, and applied its own product development solutions in making its steel structures fire resistant.

The accent in YIT International Operations' development activities was on developing customers' product applications and export applications of the YIT quality system as well as on firmly establishing the presence of its local units.

EVENTS SINCE THE END OF 1996

The solidification of the Group structure moved ahead further with the merger of the subsidiary Oy Huber Ab with YIT Corporation on 3 January 1997.

The Board of Directors of YIT Corporation Ltd resolved on 14 February 1997 to prepare a proposal for presentation to the Annual General Meeting to be held on 10 March 1997 to the effect that the company's Board of Directors be given an authorization to carry out a share issue. The authorization is to be exercised in an issue which is planned for March 1997, in which domestic and foreign institutional investors, the public in Finland and the Group's personnel are to be offered an estimated 4,000,000 new shares for subscription.

OUTLOOK FOR 1997

The revival in the international economy is expected to increase Finland's industrial output and exports in 1997. In the European Union's forecast in December 1996, GDP is estimated to grow by 3.7% in Finland in 1997. In the Direction of the Economy published by Merita Bank in January 1997, GDP is forecast to grow by 4%, the current account surplus to remain substantial and the joblessness rate to fall to 15.2%.

According to the EU estimate, the volume of total investments will grow by 8.5% in Finland compared with the previous year. In the industrial sector, the company's management anticipates growth mainly in capital spending by the chemical, oil and small and medium-sized industries. On the other hand, capital expenditures by the forest industry are contracting after a major cycle of new capital investments. The company's management estimates that the total level of industrial investments in machinery and equipment will remain at the previous year's level.

Within building construction investments, the growth trend that got under way in the summer 1996 is expected to strengthen. According to Statistics Finland, the annual amount of cubic metres of construction permit volume in the entire country was 13% greater in November than it was a year earlier. In the report published by the Ministry of Finance's Business Cycle Group in January 1997, building construction is estimated to grow by 10% in 1997, mainly thanks to the growth in housing production in growth centres, commercial and office construction as well as renovations.

The objective of the Ministry of the Environment and the Government Housing Fund is to start the building of a total of 22,600 state-subsidized housing units. The total number of housing starts, including market-financed apartment buildings, terraced houses and single-family houses, may rise to 30,000 units, says the Business Cycle Group, from the previous year's forecast level of 22,000 units.

Management estimates that the outlook for the real-estate market will improve in 1997 in step with the healthier state of the basic structures of the national economy. According to a market survey conducted by the real-estate agents Huoneistomarkkinointi Oy in the autumn 1996, the demand for rented premises and the level of rents are rising, particularly in the regional growth centres.

The amount of civil engineering investments and companies' demand for services remained at roughly the previous year's level in Finland in 1996. A business cycle survey carried out by the Central Association of Earth-moving Contractors in Finland in the autumn of 1996 indicates that demand in 1997 is expected to strengthen somewhat.

The rise in the prices of old housing units is likely to continue further in the country's growth centres. According to management's estimate, the adjustment of the price ratio between old housing and newly built housing will nevertheless not lead to an overheating of the construction market in 1997 owing to the substantial underutilization of resources in the industry, nor will it yield a one tenth increase in the volume of construction from the exceptionally low level in the post-recessionary period.

Turning to the markets where the Corporation has international operations, in Sweden the construction industry's employers organization Byggentreprenörerna estimated in its business cycle report published in October 1996 that the level of construction investments - as well as building, machinery and equipment investments according to EU estimate - will rise somewhat in 1997 compared with the previous year.

According to a number of forecasts, including the EBRD report published in August 1996, the Russian economy is expected to swing to growth in 1997. YIT's management does not, however, foresee any significant total growth in investments there any time soon. Investments by foreigners are anticipated to increase somewhat mainly in the consumer goods and food industry as well as in commercial, service and office construction, especially in the Moscow area as well as in other areas where the Corporation has operations.

According to the economic survey published by the OECD in December 1996, economic growth in the countries of Southeast Asia is expected to again be substantial, which will mean new business opportunities, among other things, in projects related to municipal and industrial water supply, waste water and environmental engineering, the wood processing industry and the power industry as well as in other special fields in which the Corporation has export sales.

YIT Corporation's net sales are expected to grow in 1997. Growth is anticipated in the main fields of business as well as in YIT Building Construction, YIT Civil Engineering and YIT Steel Construction. YIT Huber's volume of business is expected to contract owing to the reduction in demand for mechanical contracting within industry, but the growth in maintenance servicing will compensate for the fall in new investments.

The volume of YIT International Operations, which operates in Russia and the Baltic countries, will probably remain at roughly the previous level. YIT Civil Engineering, YIT Huber and YIT Steel Construction are expected to increase their exports and local operations in Finland's nearby markets, which is likely to maintain the share of the Group's international operations at a fifth of its consolidated net sales.

YIT Corporation's net profit for 1997 is estimated to exceed the previous year's earnings.

Pictures on pages 9-10: The renovated headquarters of Kesko Oy, Helsinki.

INCOME STATEMENTS

(FIM 1,000)

		CONSOLIDATED		PARENT COMPANY	
		1.1.-31.12.1996	1.1.-31.12.1995	**1.1.-31.12.1996**	1.1.-31.12.1995
NET SALES	1)	**5,210,025**	3,923,969	**3,065,371**	3,239,533
Increase (+) or decrease (-) in stocks of finished goods		**-15,121**	15,739	**-18,403**	10,913
Production for own use		**8,278**	5,738	**3,968**	2,574
Share of associated companies' net profits		**1,563**	3,015		
Other operating income and expenses	2)	**-698**	21,536	**4,324**	-3,099
VARIABLE COSTS					
Materials, supplies and goods					
Purchases during the period		**1,358,065**	1,534,253	**802,571**	1,233,814
Increase (+) or decrease (-) in inventories		**91,013**	-191,785	**90,213**	-166,504
External charges		**1,586,518**	1.076,813	**1,079,939**	982,206
Personnel expenses	3)	**1,048,626**	687,496	**487,822**	542,689
Other variable costs		**384,908**	451,488	**225,816**	379,903
		-4,469,130	-3,558,265	**-2,686,361**	-2.972,108
SALES MARGIN		**734,917**	411,732	**368,899**	277,813
FIXED COSTS					
Personnel expenses	3)	**260,826**	164,789	**170,954**	139,758
Rents		**21,012**	12,981	**11,365**	10,297
Other fixed costs		**108,223**	58,037	**40,317**	44,188
		-390,061	-235,807	**-222,636**	-194,243
OPERATING PROFIT BEFORE DEPRECIATION		**344,856**	175,925	**146,263**	83,570
DEPRECIATION					
Depreciation on fixed assets and other non-current investments	5)	**-76,522**	-60,316	**-35,909**	-29,456
Amortization of goodwill		**-17,826**	-2,291		
		-94,348	-62,607	**-35,909**	-29,456
OPERATING PROFIT	6)	**250,508**	113,318	**110,354**	54,114
FINANCIAL INCOME AND EXPENSES	7)				
Dividend income		**4,204**	2,206	**4,033**	2,450
Interest income from non-current investments		**6,343**	9,441	**6,254**	8,895
Interest income from current investments		**4,105**	8,540	**9,132**	12,874
Other financial income		**10,032**	257	**8,437**	101
Exchange rate gains/losses		**6,607**	-2,436	**6,293**	-2,040
Interest expenses		**-94,359**	-104,221	**-89,304**	-79,992
Other financial expenses		**-18,317**	-13,839	**-12,601**	-11,800
		-81,385	-100,052	**-67,756**	-69,512
PROFIT/LOSS BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES		**169,123**	13,266	**42,598**	-15,398
EXTRAORDINARY INCOME AND EXPENSES	8)				
Group contributions				**18,100**	15,900
Extraordinary income		**9,516**	640	**8,151**	533
Extraordinary expenses		**-13,363**	-1,542	**-889**	-11,854
		-3,847	-902	**25,362**	4,579
PROFIT/LOSS BEFORE RESERVES AND TAXES		**165,276**	12,364	**67,960**	-10,819
Increase (-) or decrease (+) in depreciation difference	5)	**-9,503**	-2,103	**267**	966
Increase (-) or decrease (+) in voluntary reserves		**15,670**	1,126	**15,000**	
Income taxes	9)	**-34,137**	-8,540	**-2,595**	-3,920
Minority interest		**-10,750**	-2,208		
PROFIT/LOSS FOR THE PERIOD		**126,556**	639	**80,632**	-13,773

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

BALANCE SHEETS

(FIM 1,000)

		CONSOLIDATED		PARENT COMPANY	
		31.12.1996	31.12.1995	**31.12.1996**	31.12.1995
ASSETS					
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS					
Intangible assets	10)				
Intangible rights		**7,437**	7,451	**946**	961
Goodwill		**6,418**	2,005	**5,232**	380
Goodwill on consolidation		**90,431**	103,665		
Other capitalized expenditure		**7,199**	5,338	**6,031**	3,496
		111,485	118,459	**12,209**	4,837
Tangible assets	10,11)				
Land and water		**93,033**	92,136	**9,022**	12,781
Buildings and structures		**304,587**	334,708	**19,828**	21,824
Machinery and equipment	12)	**153,471**	141,382	**70,842**	58,944
Other tangible assets		**5,121**	4,074	**2,302**	1,955
Advance payments and construction in progress		**1,402**	1,212		
		557,614	573,512	**101,994**	95,504
Securities included in fixed assets and other non-current investments	11,13,28)				
Shares in subsidiaries				**184,569**	178,056
Shares in associated companies		**10,451**	12,199	**12,058**	13,196
Other shares and holdings		**20,895**	20,058	**10,290**	8,982
Loan receivables		**28,352**	31,543	**224,472**	178,571
Other investments		**4,440**	39,149	**4,440**	39,142
		64,138	102,949	**435,829**	417,947
VALUATION ITEMS	14)	**11,926**	27,547	**11,926**	27,547
CURRENT ASSETS					
Stocks					
Raw materials and supplies		**22,204**	24,780	**6,085**	10,002
Work in progress	15)	**172,287**	188,767	**119,482**	135,878
Other stocks	16,26)	**877,507**	972,837	**884,938**	975,890
Advance payments		**6,147**	5,541	**958**	2,368
		1,078,145	1,191,925	**1,011,463**	1,124,138
Receivables	17,18,19,20)				
Trade receivables		**500,849**	545,048	**288,392**	318,702
Loan receivables		**779,524**	736,578	**835,764**	741,183
Prepaid expenses and accrued income		**244,984**	228,554	**237,360**	233,395
Other receivables		**6,877**	22,647	**3,285**	4,705
		1,532,234	1,532,827	**1,364,801**	1,297,985
Investments					
Shares and holdings		**4,683**	15,776	**100**	14,600
Other investments		**54,212**	56,055	**54,212**	56,055
		58,895	71,831	**54,312**	70,655
Cash in hand and at banks		**52,044**	106,356	**44,279**	114,199
		3,466,481	3,725,406	**3,036,813**	3,152,812

BALANCE SHEETS

(FIM 1,000)

		CONSOLIDATED		PARENT COMPANY	
		31.12.1996	31.12.1995	**31.12.1996**	31.12.1995
LIABILITIES					
SHAREHOLDERS' EQUITY	21)				
Restricted equity					
Share capital		**244,227**	244,227	**244,227**	244,227
Reserve fund		**122,570**	121,841	**121,841**	121,841
Non-restricted equity					
Retained earnings		**41,151**	53,904	**160,655**	186,639
Profit/loss for the period		**126,556**	639	**80,632**	-13,773
		534,504	420,611	**607,355**	538,934
MINORITY INTEREST		**42,038**	37,805		
RESERVES					
Accumulated depreciation difference	22)	**48,109**	38,592	**2,663**	2,931
Voluntary reserves	23)				
Transitional reserve		**243,552**	256,565	**229,510**	244,510
Obligatory reserves	22)	**24,966**	49,675	**21,443**	43,703
CREDITORS					
Non-current	24)				
Bonds			20,000		20,000
Convertible bonds and bonds with warrants		**583**	583	**583**	583
Loans from financial institutions	25)	**579,906**	570,426	**777,894**	571,887
Pension loans		**397,023**	484,653	**277,676**	300,589
Accounts payable		**3,174**	3,912	**3,175**	3,912
Pension liabilities payable	27)	**25,157**	41,437	**24,613**	40,854
Other long-term liabilities		**11,065**	17,638		
		1,016,908	1,138,649	**1,083,941**	937,825
Current	18,19,20)				
Loans from financial institutions		**462,261**	534,506	**447,355**	506,647
Pension loans		**28,936**	35,160	**21,424**	22,901
Advances received	15)	**220,380**	277,021	**131,875**	194,487
Building fund debts		**49,225**	36,223	**49,225**	36,223
Other accounts payable		**191,716**	219,324	**101,735**	139,061
Accrued liabilities and deferred income		**495,433**	488,595	**286,302**	333,465
Other current liabilities		**108,453**	192,680	**53,985**	152,125
		1,556,404	1,783,509	**1,091,901**	1,384,909
		3,466,481	3,725,406	**3,036,813**	3,152,812

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

STATEMENT OF CHANGES IN FINANCIAL POSITION

(FIM 1,000)

	CONSOLIDATED		PARENT COMPANY	
	1996	1995	**1996**	1995
Business operations				
Income financing				
Operating margin	**344,856**	175,925	**146,263**	83,570
Sales gains included in the operating margin	**-1,277**	-833	**755**	-560
Financial income and expenses	**-81,385**	-100,052	**-67,756**	-69,512
Extraordinary items	**-3,847**	-902	**25,362**	4,579
Taxes	**-34,137**	-8,540	**-2,595**	-3,920
	224,210	65,598	**102,029**	14,157
Change in net working capital				
Change in stocks	**113,780**	-248,363	**112,676**	-207,988
Change in short-term receivables	**593**	-673,644	**-66,817**	-442,376
Change in non interest-bearing short-term liabilities	**-64,727**	247,992	**-43,134**	3,123
	49,646	-674,015	**2,725**	-647,241
Cash flow from operations	**273,856**	-608,417	**104,754**	-633,084
Capital expenditures				
Capital expenditures for fixed assets	**-103,322**	-352,065	**-71,542**	-73,900
Sales proceeds from fixed assets	**34,048**	19,360	**47,765**	28,277
Transfers from fixed assets to stocks		572,286	**4**	199
Shares eliminated on merger			**2,022**	200,340
	-69,274	239,581	**-21,751**	154,916
Cash flow before financing	**204,582**	-368,836	**83,003**	-478,168
Financing				
Change in long-term receivables	**3,191**	-4,900	**-45,901**	-17,627
Increase in long-term liabilities	**281,901**	507,864	**394,401**	539,084
Decrease in long-term liabilities	**-403,645**	-297,869	**-274,319**	-256,532
Change in interest-bearing short-term liabilities	**-162,375**	217,072	**-223,840**	191,297
Dividend payout	**-12,211**		**-12,211**	
Other financial items	**34,697**	-56,204	**8,948**	-12,349
	-258,442	365,963	**-152,922**	443,873
Change in liquid funds according to the statement	**-53,860**	-2,873	**-69,919**	-34,295
Adjusting items	**-452**	-203		
Change in liquid funds according to the balance sheet	**-54,312**	-3,076	**-69,919**	-34,295

DEFINITIONS OF FINANCIAL INDICATORS

Return on equity (%) = $\frac{\text{Profit before extraordinary items less taxes for the period}}{\text{Shareholders' equity + minority interest + reserves (average for the period)}} \times 100$

Return on investment (%) = $\frac{\text{Profit before extraordinary items and taxes + financial expenses} \pm \text{exchange rate gains/losses}}{\text{Balance sheet total less non-interest-bearing debts (average for the period)}} \times 100$

Equity ratio (%) = $\frac{\text{Shareholders' equity + minority interest + reserves}}{\text{Balance sheet total less advances received}} \times 100$

Quick ratio = $\frac{\text{Financial assets}}{\text{Current creditors less advances received}}$

Gearing ratio (%) = $\frac{\text{Interest-bearing liabilities less liquid financial assets}}{\text{Shareholders' equity + minority interest + reserves}} \times 100$

Share issue-adjusted earnings per share (FIM) = $\frac{\text{Profit before extraordinary items -/+ minority interest from profit/loss for the period less taxes}}{\text{Share issue-adjusted average number of shares during the period}}$

Equity per share (FIM) = $\frac{\text{Shareholders' equity + reserves}}{\text{Share issue-adjusted number of shares at the end of the period}}$

Share issue-adjusted dividend per share (FIM) = $\frac{\text{Dividend paid per share}}{\text{Adjustment ratios of share issues during the period and afterwards}}$

Dividend per profit (%) = $\frac{\text{Dividend for the period}}{\text{Profit before extraordinary items}} \times 100$

Effective dividend yield (%) = $\frac{\text{Share issue-adjusted dividend per share}}{\text{Share issue-adjusted share price as of December 31}} \times 100$

P/E multiple = $\frac{\text{Share issue-adjusted share price at the end of the period}}{\text{Share issue-adjusted earnings per share}}$

Share turnover (%) = $\frac{\text{Shares traded (number of shares)}}{\text{Total number of shares (average during the period)}} \times 100$

Market capitalization = Number of shares x share price as of December 31 by share types

NOTES TO THE FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES

YIT Corporation's financial statements and consolidated financial statements for 1996 as well as for the years 1994 and1995 have been drawn up in accordance with the regulations of Finland's new Accounting Act. The most important changes compared with the previous financial statement practice are the adoption of the method of recording revenues according to the degree of completion of construction projects, the equity method of accounting for associated companies and so-called obligatory reserves which have been formed to reflect the impact of future expenses and losses on the income reported.

CONSOLIDATION

Extent of the consolidated financial statements

The consolidated financial statements include the parent company, YIT Corporation, and all principal Group and associated companies included under fixed assets.

Intra-Group transactions and margins

The revenue and expenses between Group companies have been eliminated in the consolidation, as have intercompany receivables and creditors, internal margins and the distribution of profit as well as intercompany share ownership.

Unrealized margins on so-called developer contracting have not been recorded as income, and the liabilities which companies recorded under stocks have incurred from entities outside the Group are presented in the Notes to the Financial Statements.

Intercompany share ownership

The acquisition cost method has been used in eliminating cross-ownership of shares. In practice this means that the purchase price of the shares of subsidiaries has been eliminated against their balance sheet equity at the moment of acquisition. In carrying out the elimination, the Group goodwill arising as the difference between subsidiaries' acquisition value and the balance sheet values has been entered in the Consolidated Balance Sheet as goodwill. The goodwill items arising before 1995 have been amortized according to a 10 per cent straight-line schedule. The goodwill arising after 1995 has been amortized over 5 and 7 year periods.

The goodwill items remaining after merged subsidiaries, FIM 2.1 million, have been written off at one time in extraordinary items.

Minority interests

The shares of minority interest shareholders in the equity and net profit of subsidiaries is shown as a separate item on the liabilities side of the Consolidated Balance Sheet and in the Consolidated Income Statement.

Associated companies

The financial statement data of associated companies has been consolidated using the equity method. The Group's minority interests in the aggregate results of associated companies are shown as a separate item in the income statement.

RECORDING OF INCOME FROM PROJECTS

Income from construction projects has been recorded according to the degree of completion. The degree of completion is calculated on the basis of the costs realized according to the physical degree of completion and the total cost estimate. The margin on so-called developer contracting projects has been recognized as income on the basis of the degree of completion or the degree of sale of the shares in a condominium or property, whichever is lower.

According to the principle of conservatism, in the YIT Huber Division projects less than 0.5 million have not been partially credited to earnings.

ITEMS DENOMINATED IN FOREIGN CURRENCY

Receivables and liabilities in foreign currency have been valued at the exchange rate on the last day of the year. The part of loan receivables and liabilities covered by forward contracts has been valued according to the exchange rates of the contracts.

In carrying out the consolidation, the financial statements of foreign subsidiaries have been translated into Finnish marks at the average exchange rate quoted by the Bank of Finland on the last day of the year. Minor translation differences have been charged to retained earnings.

STOCKS

Stocks have been valued at the direct purchase cost or the probable market cost, whichever is lower. In valuing real-estate properties held in stocks, the available market information and the level of the yield on the properties have been taken into account.

The use of substances and supplies has been booked according to the FIFO principle.

FIXED ASSETS AND DEPRECIATION

The balance sheet values of fixed assets are based on the original purchase prices less planned depreciation and write-downs.

In the income statement, depreciation is calculated as planned depreciation - i.e., based on the economic life of the assets. The depreciation periods are as follows: buildings, 5-40 years; the machinery and equipment of Steel Construction Division, 10 years; the machinery and equipment of the YIT Huber Division's subsidiaries, 4-15 years; other machinery and equipment, 30% depreciation on the carrying value; and other fixed assets, 5-10 years.

The difference between total and planned depreciation is shown as a year-on-year change item in the income statement. The accumulated difference between total and planned depreciation is shown as one item under Accumulated depreciation differences on the liabilities side of the balance sheet. Owing to changes in the Group structure, the difference between booked and planned depreciation amounts in the income statements of the parent company and the Group cannot be derived from the balance sheets.

PENSION COMMITMENTS

Pension security for the employees of Group companies has mainly been covered through policies with external pension insurance companies. A small part of the pension security is provided through a liability of YIT Corporation and Oy Huber Ab in the form of pension funds and on the liability of YIT Corporation and Oy Huber Ab. The pension liability deficit is shown in the balance sheet under Non-current creditors. The uncovered pension liability as of 1 January 1994 less the pension foundation's surplus thereafter is shown in Valuation items. The increase in the pension liability, which has been covered during the financial year, has been entered under fixed costs in the income statement.

CHANGE IN STOCKS AND RESERVES

The change in the Group's stocks and untaxed reserves cannot be derived from the balance sheets owing to the changes that have taken place in the Group structure.

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)

NOTES TO THE INCOME STATEMENTS

	CONSOLIDATED 1996	CONSOLIDATED 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
1. NET SALES BY BUSINESS DIVISIONS				
YIT Building Construction	**2,057,851**	1,850,839	**1,856,768**	1,616,664
YIT Civil Engineering	**834,361**	701,201	**588,426**	563,012
YIT Huber	**1,773,587**	543,643	**365,506**	528,513
YIT Steel Construction	**280,477**	253,116		
YIT International Operations	**323,670**	623,170	**232,650**	520,984
Other items	**-59,921**	-48,000	**22,021**	10,360
	5.210,025	3,923,969	**3,065,371**	3,239,533
Net sales include:				
Net sales from international operations	**936,068**	928,923	**351,886**	708,558
Sales of company-built condominium shares	**226,056**	249,777	**225,125**	247,723
2. OTHER OPERATING INCOME AND EXPENSES				
Other income				
Rent income from fixed assets	**424**	32,467*	**504**	343
Profit on sales of fixed assets	**2,325**	833	**2,382**	841
Refund of a loan receivable			**1,250**	1,000
Contributions received	**182**	2,158	**16**	2,158
Other	**3,023**	2,025	**1.318**	909
	5,954	37,483	**5,470**	5,251
*) A change in accounting policy. It includes rental income from fixed asset holdings of YIT-Kiinteistöt Oy, which have been entered in net sales in 1996.		31,994		
Other expenses				
Expenses of real estate properties	**3,007**	9,594*		11
Losses on the sale of fixed assets	**1,048**	1,467	**41**	845
Write-downs on shares held in fixed assets	**1,115**	713	**1,105**	685
Write-downs and expense entries on loan receivables		2,500		6,035
Other	**1,482**	1,673		774
	6,652	15,947	**1,146**	8,350
*) A change in accounting policy. It includes the real-estate property expenses of YIT-Kiinteistöt Oy, which have been entered in variable costs in 1996.		7,046		
3. PERSONNEL EXPENSES AND FRINGE BENEFITS				
Wages and salaries	**989,239**	610,185	**498,221**	486,418
Pension costs	**151,312**	96,856	**73,219**	81,150
Other indirect employee costs	**168,901**	145,244	**87,336**	114,879
	1,309,452	852,285	**658,776**	682,447
Fringe benefits	**14,511**	11,015	**10,695**	9,972
	1,323,963	863,300	**669,471**	692,419
4. AVERAGE PERSONNEL STRENGTH BY DIVISION				
YIT Building Construction	**1,424**	1,463		
YIT Civil Engineering	**886**	777		
YIT Huber	**3,344**	1,199		
YIT Steel Construction	**345**	315		
YIT International Operations	**948**	1,705		
Others	**237**	202		
	7,184	5,661		

Six members of the Board of Directors are entitled to retire at the age of 60. The liability is divided between YIT Corporation's pension fund and the parent company.

	CONSOLIDATED 1996	CONSOLIDATED 1995	PARENT COMPANY 1996	PARENT COMPANY 1995
5. DEPRECIATION				
Depreciation according to plan				
Intangible assets	**4,480**	2,209	**3,280**	1,898
Buildings and structures	**20,532**	20,615	**1,996**	2,126
Machinery and equipment	**50,121**	36,792	**30,362**	25,147
Other tangible assets	**1,389**	700	**271**	285
	76,522	60,316	**35,909**	29,456
Depreciation on goodwill	**17,826**	2,291		
	94,348	62,607		

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)

	CONSOLIDATED		PARENT COMPANY	
	1996	1995	**1996**	1995
Change in depreciation difference				
Intangible assets	**25**			
Buildings and structures	**-2,055**	4,270	**267**	510
Machinery and equipment	**-9,974**			
Other intangible assets	**35**	-6,257		501
	-11,969	-1,987	**267**	1,011
Sale of buildings	**2,639**			
Sales of machinery and equipment	**-173**	-116		-45
Change in depreciation difference	**-9,503**	-2,103	**267**	966

6. OPERATING PROFIT BY DIVISIONS

	1996	1995
YIT Building Construction	**129,587**	113,558
YIT Civil Engineering	**36,073**	53,530
YIT Huber	**82,980**	20,905 *
YIT Steel Construction	**17,048**	13,476
YIT International Operations	**-8,563**	-46,597
Other items	**-6,617**	-41,554
	250,508	113,318

*) The Huber Group is included in the figures as from 1996.

7. INTRA-GROUP FINANCIAL INCOME AND EXPENSES

	CONSOLIDATED 1996	1995	PARENT COMPANY 1996	1995
Financial income received from Group companies				
Interest income			**4,647**	4,881
Other financial income			**240**	101
Financial expenses paid to Group companies				
Interest expenses			**6,619**	2,569

8. EXTRAORDINARY INCOME AND EXPENSES

	CONSOLIDATED 1996	1995	PARENT COMPANY 1996	1995
Extraordinary income				
Gains on the sale of fixed assets	**2,351**			
Group contribution			**18,100**	15,900
Gains on the sale of long-term investments	**248**	374	**248**	374
Reversals on credit losses	**6,186**		**6,186**	
Gains on merger			**997**	
Other	**731**	266	**720**	159
	9,516	640	**26,251**	16,433
Extraordinary expenses				
Write-downs	**10,000**			
Losses on merger				11,059
Depreciation on goodwill in excess of plan	**2,052**	583		
Loss on the sale of long-term investments	**634**	458	**634**	458
Other	**677**	501	**255**	337
	13,363	1,542	**889**	11,854

9. INCOME TAXES OF THE YEAR

	CONSOLIDATED 1996	1995	PARENT COMPANY 1996	1995
For the financial year	**33,862**	4,190	**3,137**	321
For previous financial years	**275**	4,350	**-542**	3,599
	34,137	8,540	**2,595**	3,920

NOTES TO THE BALANCE SHEETS

10. CHANGES IN FIXED ASSETS

Intangible assets

	CONSOLIDATED 1996	1995	PARENT COMPANY 1996	1995
Intangible rights				
Acquisition cost as of Jan.1	**7,637**	7,608	**1,140**	1,094
Increases during the year	**4**	49	**4**	46
Increases: new subsidiaries		252		
Assets transferred in merger	**29**			
Decreases during the year	**24**	5		
Transfers to another asset group	**11**	267		
Acquisition cost as of Dec. 31	**7,635**	7,637	**1,144**	1,140
Accumulated planned depreciation as of Dec. 31	**198**	186	**198**	179
Book value as of Dec. 31	**7,437**	7,451	**946**	961

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)

	CONSOLIDATED		PARENT COMPANY	
	1996	1995	**1996**	1995
Accumulated difference between total and planned depreciation as of Jan. 1	**-12**			
Assets transferred in merger	**12**			
Increase in depreciation difference: new subsidiaries		-12		
Accumulated difference between total and planned depreciation as of Dec. 31		-12		
Goodwill				
Acquisition cost as of Jan. 1	**2,844**	1,050	**950**	950
Increases during the year	**11,060**	1,025	**5,771**	
Assets transferred in merger	**36**		**36**	
Increases: new subsidiaries	**2,366**	769		
Acquisition cost as of Dec. 31	**11,574**	2,844	**6,757**	950
Accumulated planned depreciation as of Dec. 31	**5,156**	839	**1,525**	570
Book value as of Dec. 31	**6,418**	2,005	**5,232**	380
Accumulated difference between total and planned depreciation as of Jan. 1	**-52**			
Increase in depreciation difference during the year	**70**			
Increase in depreciation difference: new subsidiaries		-52		
Assets transferred in merger	**161**			
Accumulated difference between total and planned depreciation as of Dec. 31	**179**	-52		
Goodwill on consolidation				
Acquisition cost as of Jan. 1	**149,048**	57,654		
Increases during the year				
Increases: Valtatie Oy		7,489		
Increases: Oy Huber Ab		69,884		
Increases: Huber Group		14,687		
Increases: Oy Kruunu-Ös Ab	**4,429**			
Increases: Other	**2,214**			
Decreases during the year		666		
Acquisition cost as of Dec. 31	**155,691**	149,048		
Accumulated planned depreciation as of Dec. 31	**65,260**	45,383		
Book value as of Dec. 31	**90,431**	103,665		
Other capitalized expenditure				
Acquisition cost as of Jan. 1	**12,611**	1,042	**10,685**	588
Increases during the year	**5,229**	1,662	**4,909**	1,662
Increases: new subsidiaries		1,926		
Transfers from another asset group	**415**	8,878	**360**	8,878
Decreases during the period	**614**	454	**214**	
Transfers to another asset group	**19**	443		443
Acquisition cost as of Dec. 31	**17,622**	12,611	**15,740**	10,685
Accumulated planned depreciation as of Dec. 31	**10,423**	7,273	**9,709**	7,189
Book value as of Dec. 31	**7,199**	5,338	**6,031**	3,496
Accumulated difference between total and planned depreciation as of Jan. 1	**-26**			
Increase in depreciation difference: new subsidiaries		-26		
Assets transferred in merger	**10**			
Decrease in depreciation difference during the period	**116**			
Accumulated difference between total and planned depreciation as of Dec. 31	**-132**	-26		
Tangible assets				
Land and water				
Acquisition cost as of Jan. 1	**92,136**	212,174	**12,781**	12,092
Increases during the year	**4,510**	438	**225**	
Increases: new subsidiaries		8,327		
Transfers from another asset group		760		760
Assets transferred in merger	**1,565**			91
Decreases during the year	**4,318**	234	**3,124**	162
Transfers to another asset group	**860**	129,329	**860**	
Acquisition cost as of Dec. 31	**93,033**	92,136	**9,022**	12,781
Book value as of Dec. 31	**93,033**	92,136	**9,022**	12,781

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)

	CONSOLIDATED		PARENT COMPANY	
	1996	1995	**1996**	1995
Buildings and structures				
Acquisition cost as of Jan. 1	**391,452**	771,844	**40,164**	37,303
Increases during the year	**5,844**	2,099		587
Increases: new subsidiaries		137,217		
Transfers from another asset group		2,643		2,643
Assets transferred in merger	**1,630**			285
Decreases during the year	**22,685**	3,537		654
Transfers to another asset group	**152**	518,814		
Acquisition cost as of Dec. 31	**376,089**	391,452	**40,164**	40,164
Accumulated planned depreciation as of Dec. 31	**71,502**	56,744	**20,336**	18,340
Book value as of Dec. 31	**304,587**	334,708	**19,828**	21,824
Accumulated difference between total and planned depreciation as of Jan. 1	**39,518**	23,628	**1,761**	2,165
Increase in depreciation difference during the year	**1,316**	224	**891**	46
Increase in depreciation difference: new subsidiaries		16,659		
Assets transferred in merger	**-39**			60
Decrease in depreciation difference during the year	**2,728**	4,379	**1,158**	510
Transfers to stocks		-3,386		
Accumulated difference between total and planned depreciation as of Dec. 31	**38,067**	39,518	**1,494**	1,761
Machinery and equipment				
Construction machinery bought after Jan. 1, 1995; price over FIM 50,000				
Acquisition cost as of Jan. 1	**46,028**		**12,752**	
Increases during the year	**29,530**	36,798	**12,259**	12,752
Increases: new subsidiaries		9,480		
Transfers from another asset group	**2,435**			
Assets transferred in merger	**1,580**			
Decreases during the year	**3,080**		**2,117**	
Transfers to another asset group	**8**	250		
Acquisition cost as of Dec. 31	**76,485**	46,028	**22,894**	12,752
Accumulated planned depreciation as of Dec. 31	**20,484**	8,185	**9,546**	3,825
Book value as of Dec. 31	**56,001**	37,843	**13,348**	8,927
Other machinery and construction machinery bought before Jan. 1, 1995 *)				
Book value as of Jan. 1	**103,539**	90,718	**50,017**	57,403
Increases during the year	**46,620**	22,253	**37,988**	19,150
Increases: new subsidiaries		26,662		
Transfers from another asset group	**178**	90		
Assets transferred in merger	**153**			314
Decreases during the year	**10,739**	5,991	**5,871**	5,528
Transfers to another asset group	**2,720**	1,498		
Book value as of Dec. 31 before planned depreciation of the year	**137,031**	132,234	**82,134**	71,339
Planned depreciation of the year	**39,561**	28,695	**24,640**	21,322
Book value as of Dec. 31	**97,470**	103,539	**57,494**	50,017
Book value of machinery and equipment as of Dec. 31, total	**153,471**	141,382	**70,842**	58,944
Accumulated difference between total and planned depreciation as of Jan. 1	**-961**	2,917	**1,170**	1,672
Increase in depreciation difference during the year	**11,019**	6,852		
Increase in depreciation difference: new subsidiaries		-10,191		
Assets transferred in merger	**190**			
Decrease in depreciation difference during the year	**439**	539		502
Accumulated difference between total and planned depreciation as of Dec. 31	**9,809**	-961	**1,170**	1,170

*) All construction machinery and other machinery bought before January 1, 1995 and subsequently purchased construction machinery having an acquisition cost under FIM 50,000, and other equipment

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)

	CONSOLIDATED		PARENT COMPANY	
	1996	1995	**1996**	1995
Other tangible assets				
Acquisition cost as of Jan. 1	**6,502**	17,860	**3,424**	11,584
Increases during the year	**1,256**	678	**123**	273
Increases: new subsidiaries		819		
Transfers from another asset group	**828**	251	**500**	251
Assets transferred in merger	**31**			194
Decreases during the year	**151**			
Transfers to another asset group	**4**	13,106	**4**	8,878
Acquisition cost as of Dec. 31	**8,462**	6,502	**4,043**	3,424
Accumulated planned depreciation as of Dec. 31	**3,341**	2,428	**1,741**	1,469
Book value as of Dec. 31	**5,121**	4,074	**2,302**	1,955
Accumulated difference between total and planned depreciation as of Jan. 1	**125**			
Increase in depreciation difference during the year	**64**			
Increase in depreciation difference: new subsidiaries		125		
Decrease in depreciation difference during the year	**3**			
Accumulated difference between total and planned depreciation as of Dec. 31	**186**	125		
Advance payments and construction in progress				
Acquisition cost as of Jan. 1	**1,212**	42,199		320
Increases during the year	**751**	166		
Increases: new subsidiaries		584		
Decreases during the year	**561**	41,737		320
Book value as of Dec. 31	**1,402**	1,212		

11. TAXABLE VALUES OF FIXED ASSETS

Land	**32,662**	30,876	**6,316**	5,301
Buildings	**208,346**	226,315	**17,016**	16,009
Shares in subsidiaries			**145,629**	164,026
Other shares and holdings	**22,724**	41,142	**17,930**	31,818

If taxable values have not been available, book values have been used.

12. MACHINERY AND EQUIPMENT INCLUDED IN FIXED ASSETS

Net book value of machines and equipment included in fixed assets	**104,434**	96,788	**42,431**	39,716

13. SHARES AND LOAN RECEIVABLES INCLUDED IN NON-CURRENT INVESTMENTS

Group companies				
Shares			**184,569**	178,056
Loan receivables			**196,330**	147,028
			380,899	325,084
Associated companies				
Shares	**13,130**	14,520	**12,058**	13,196
Loan receivables	**29,202**	26,630	**28,852**	26,630
	42,332	41,150	**40,910**	39,826

14. VALUATION ITEMS

Liabilities arising from pension commitments as of Jan. 1	**27,547**	28,049	**27,547**	27,547
Change during the year	**-15,621**	-502	**-15,621**	
Liabilities arising from pension commitments as of Dec. 31	**11,926**	27,547	**11,926**	27,547
Other valuation items		630		
Change during the year		-630		
Total valuation items as of Dec. 31	**11,926**	27,547	**11,926**	27,547

15. EFFECT OF PARTIAL RECOGNITION OF PROJECTS ON BALANCE SHEET ITEMS

Assets				
Work in progress	**1,562,266**	1,583,239	**1,011,911**	1,179,319
Less partial recognition	**1,389,979**	1,394,472	**892,429**	1,043,441
Work in progress in balance sheet	**172,287**	188,767	**119,482**	135,878

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)

		CONSOLIDATED		PARENT COMPANY	
		1996	1995	**1996**	1995
	Liabilities				
	Advances received	**1,612,176**	1,757,859	**1,127,081**	1,288,629
	Less partial recognition	**1,391,796**	1,480,838	**995,206**	1,094,142
	Advances received in balance sheet	**220,380**	277,021	**131,875**	194,487
16.	**OTHER STOCKS**				
	Land and plot-owning companies	**589,570**	581,529	**565,586**	561,637
	Shares of housing and real-estate corporations under construction	**36,391**	42,105	**36,391**	42,105
	Shares in completed housing corporations	**13,976**	103,343	**11,812**	96,588
	Shares in completed real-estate corporations	**220,780**	227,511	**255,652**	260,590
	Other	**16,790**	18,349	**15,497**	14,970
		877,507	972,837	**884,938**	975,890
17.	**LOAN RECEIVABLES FROM COMPANIES HELD IN STOCKS**				
	Loan receivables from corporations included in other stocks, total	**769,542**	720,500	**754,330**	705,735
18.	**RECEIVABLES AND LIABILITIES FROM GROUP COMPANIES**				
	Trade receivables			**11,051**	2,722
	Loan receivables, current			**65,099**	21,181
	Prepaid expenses and accrued income			**86,550**	49,161
	Accounts payable, current			**5,089**	2,876
	Accrued liabilities and deferred income			**1,697**	272
	Other current liabilities			**4,503**	36,057
19.	**RECEIVABLES AND LIABILITIES FROM ASSOCIATED COMPANIES**				
	Trade receivables	**3,250**	2,656	**3,250**	2,654
	Loan receivables, current	**557**	1,259	**557**	1,259
	Other receivables	**138**		**137**	
	Accounts payable, current	**143**	424	**10**	267
	Accrued liabilities	**5**		**5**	
	Short-term loans	**961**		**961**	
20.	**RECEIVABLES FALLING DUE IN ONE YEAR OR LONGER**				
	Trade receivables		1,191		78
	Loan receivables	**2,540**	7,240	**60,080**	17,073
	Other receivables	**272**	1,687		
21.	**CHANGES IN SHAREHOLDERS' EQUITY**				
	Restricted equity				
	Share capital as of Jan. 1	**244,227**	244,190	**244,227**	244,190
	+ Increases in share capital		37		37
	Share capital as of Dec. 31	**244,227**	244,227	**244,227**	244,227
	Reserve fund as of Jan. 1	**121,841**	121,722	**121,841**	121,722
	+ Transfer from retained earnings	**727**			
	+ Translation difference	**2**			
	+ Share issue premiums		119		119
	Reserve fund as of Dec. 31	**122,570**	121,841	**121,841**	121,841
	Non-restricted equity				
	Retained earnings as of Jan. 1	**54,543**	54,160	**172,866**	186,639
	./. Dividend paid	**-12,211**		**-12.211**	
	./. Transfer to contingency fund	**-727**			
	./. Translation differences	**-265**	-256		
	./. Other change	**-189**			
	Retained earnings as of Dec. 31	**41,151**	53,904	**160,655**	186,639
	+ Profit for the financial year	**126,556**	639	**80,632**	-13,773
	Non-restricted equity as of Dec. 31	**167,707**	54,543	**241,287**	172,866
	Shareholders' equity, total	**534,504**	420,611	**607,355**	538,934

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)

	CONSOLIDATED		PARENT COMPANY	
	1996	1995	**1996**	1995
22. RESERVES				
Accumulated difference between booked and planned depreciation *)				
Intangible rights	**47**	-90		
Buildings and structures	**38,067**	39,518	**1,493**	1,761
Machinery and equipment	**9,809**	-961	**1,170**	1,170
Other long-term expenditure	**186**	125		
	48,109	38,592	**2,663**	2,931
*) Due to changes in the group structure, figures cannot be derived from the change in the depreciation difference in the income statements.				
Obligatory reserves				
Provisions for rental guarantees	**15,269**	21,647	**15,204**	21,647
Provision for loss-making work	**339**	22,758	**339**	22,056
Reserve for restructuring and winding up	**6,300**	2,683	**5,900**	
Other obligatory reserves	**3,058**	2,587		
	24,966	49,675	**21,443**	43,703
23. DEFERRED TAX LIABILITY IN VOLUNTARY RESERVES				
The Group's deferred tax liability in voluntary reserves	**68,195**	64,141		
24. LIABILITIES FALLING DUE IN FIVE YEARS OR LONGER				
Loans from financial institutions	**1,375**	996		596
Pension loans	**276,567**	357,506	**204,821**	222,109
Other loans	**3,489**	3,950		
	281,431	362,452	**204,821**	222,705
25. Includes a debt to subsidiaries on the Group bank account			**236,145**	50,694
26. LIABILITIES OF COMPANIES INCLUDED IN STOCKS				
Interest-bearing liabilities of companies included in stocks from sources outside the Group	**43,636**	41,961	**43,636**	41,961
27. CONTINGENT LIABILITIES				
Mortgages given				
For own debts	**800,488**	839,097	**441,910**	496,120
For security of subsidiaries' debts			**24,000**	27,000
For the commitments of other companies	**2,307**			
Pledges given *)				
For security of own debts				
Deposits	**61,301**	106,577	**59,127**	106,570
Other	**183,412**	153,738	**220,501**	180,786
For the commitments of subsidiaries				
Other			**10,956**	10,956
For the commitments of other companies				
Other	**5,600**	5,600	**5,600**	5,600
Guarantees given				
On behalf of subsidiaries			**387,982**	297,967
On behalf of associated companies	**15,419**	14,307	**15,419**	14,074
On behalf of other companies	**19,544**	51,911	**12,167**	51,867
Other liabilities				
Leasing commitments	**16,347**	10,696	**14,599**	9,824
	1,104,418	1,181,926	**1,192,261**	1,200,764
Mortgages given by companies held in stocks				
For liabilities of Group companies	**503,250**	513,240	**503,000**	513,240
Liability for derivative contracts)**				
Values of underlying assets				
Interest rate swaps		60,000		60,000
Foreign currency forward contracts	**132,376**	197,000	**89,185**	197,000

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)

	CONSOLIDATED		PARENT COMPANY	
	1996	1995	**1996**	1995
Going values				
Interest rate swaps		76,000		76,000
Foreign currency forward contracts	**130,878**	197,000	**90,467**	197,000
Pension liabilities *)**				
Liabilities arising from pension commitments	**11,115**	11,154	**10,571**	10,571
Pension fund deficit	**14,042**	30,283	**14,042**	30,283
	25,157	41,437	**24,613**	40,854

*) Calculated according to the tied-up capital.
**) Derivative contracts have been made primarily to hedge foreign currency loans and foreign currency cash flows from projects.
***) Pension liabilities payable are entered in the balance sheet under non-current creditors.

28. SHARES AND HOLDINGS

Name	Group's holding %	Number of shares	Nominal value thousands*	Book value thousands*	Group's share of equity FIM 1,000	Latest profit/ loss FIM 1,000
SHARES IN SUBSIDIARIES OWNED BY THE PARENT COMPANY						
AS Matek, Tallinn	100.00	480	EEK 14,064	2,529	7,393	3,901
Kiinteistö Oy Panuntie 11, Helsinki	100.00	12,521	125	39,640	39,429	10
Oy Huber Ab, Vantaa	100.00	46,560	13,968	26,432	-14,393	35,091
PPTH Teräs Oy, Peräseinäjoki	60.00	30,000	30,000	30,000	37,851	8,452
Rova-Rakennus Oy, Rovaniemi	100.00	10,000	2,000	16,687	2,530	40
Rakennustoimisto Tolonen Oy, Hämeenlinna	100.00	800	4,000	37,845	4,401	2
Valtatie Oy, Helsinki	100.00	5,500	5,500	13,716	4,275	-3,165
Vesikemia Oy, Helsinki	100.00	100	60	90	55	-6
YIT Bygg AB, Västerås	100.00	500	SEK 2,000	1,319	1,357	-4,493
YIT-VMT Vatten- och miljöteknik AB, Landskrona	100.00	5,000	SEK 500	SEK 1,024	SEK 402	
YIT Latvija Sia, Riga	100.00	259	LVL 26	218	3,522	1,714
YIT MNS Projektit Oy, Helsinki	52.00	7,800	8	8	0	
YIT UAB, Vilnius	100.00	2,000	LTL 200	215	758	316
YIT Universaalehituse AS, Tallinn	100.00	700	EEK 700	289	1,761	1,538
YIT-Yhtymän Lomakeskus Oy, Helsinki	100.00	2,300	2,300	7,500	7,593	19
ZAO YIT-Genstroi, Moscow	100.00	1,000	RUR 100	273	295	0
ZAO YIT-Peter, St. Petersburg	100.00	1,000	RUR 1,000	1	1	0
Norstep Oy, Oulu	47.50	949	4,474	7,455	7,383	7,301
YIT Installasjon AS, Øygarden	100.00	1,000	NOK 1,000	352		
Total				**184,569**		
SHARES IN SUBSIDIARIES OWNED BY OY HUBER AB						
Oy Huber Consulting Ab, Vantaa	71.40 1)	700	500	500	559	563
YIT-Huber Pohjolan Tehdaspalvelu Oy, Oulu	100.00	2,000	2,000	4,396	2,317	6
Huber Sammutin Oy, Helsinki	74.30	520	520	600	4,317	4,065
Huber Servitek Oy, Vantaa	100.00	3,000	3,000	9,035	3,191	101
Huber Talotekniikka Oy, Vantaa	100.00	10,000	10,000	10,000	10,067	66
YIT-Huber Teollisuus Oy ,Vantaa	100.00	5,000	300	5,000	5,134	84
Huber Testing Oy, Helsinki	100.00	500	500	2,216	1,366	301
Huber Svenska AB, Landskrona	100.00	125,000	SEK 12,500	4,869	12,042	5,490
Projektrör AB, Landskrona	100.00	5,000	SEK 500	SEK 17,235	13,103	1,665
Huber Industri AB, Landskrona	100.00	10,000	SEK 5,000	SEK 1,704	863	0
BRAB, Bengtssons Rör-industri AB, Vänersborg	100.00	1,025	SEK 103	SEK 931	90	0
Norstep Oy, Oulu	52.50	1,051	525	616	8,161	7,301
Power Piping Oy, Ylivieska	60.00	75,000	7,500	6,182	21,545	16,437
Mariehamns Huber Ab, Maarianhamina	100.00	15	15	15	46	2
Total				**43,429**		

1) The Group's holding is 88.6 %
*= FIM, unless otherwise indicated

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)

Name	Group's holding %	Number of shares	Nominal value thousands*	Book value thousands*	Group's share of equity FIM 1,000	Latest profit/ loss FIM 1,000
SHARES IN ASSOCIATED COMPANIES OWNED BY THE PARENT COMPANY						
Arabian Finnish Contracting and Maintenance Co Ltd, Saudi Arabia	49.00	2,450	SAR 2,450	3,397	3,090	0
Asunto Oy Kakkospesä, Espoo	34.92	110	1	1,010	228	2 1)
Finn-Stroi Oy, Helsinki	31.56	1,010	10	0	813	275 2)
Keilaniemen Kuntoklubi Oy, Espoo	20.00	750	15	0	13	-4
Kiinteistö Oy Panuntie 6, Helsinki	43.75	3,046	30	5,455	5,380	0
Polartest Oy, Helsinki	42.51	2,185	546	1,396	2,666	2,384
Urepol Oy, Oitti	50.00	150	1,500	800	647	3,463
ZAO Makroflex, Moscow	50.00	500	RUR 100	0	0	0
Total				**12,058**		
SHARES IN ASSOCIATED COMPANIES OWNED BY SUBSIDIARIES						
Kiinteistö Oy Juronaki, Rovaniemi	27.75	349	100	868	982	0
PR-Steel Oy, Peräseinäjoki	40.00	200	200	200	156	156
Polartest Oy, Helsinki	1.20	21		5	128	2,384
Total				**1,073**		

1) Financial statements as of 30 September 1996
2) Financial statements as of 30 April1996

Name	Group's holding %	Number of shares	Nominal value thousands*	Book value thousands*
SHARES OWNED BY THE PARENT COMPANY AND HOLDINGS IN OTHER COMPANIES				
E. Hiltunen Oy, Helsinki	4.70	4,765	95	572
Suomen Osakerekisterikeskus, Helsinki		8	560	560
Julius Tallberg-Kiinteistöt, Helsinki	0.44	15,730	472	507
Savon Teknia Oy, Kuopio	4.38	10,000	500	500
Tavast Golf & Country Club Oy	0.40	2	2	227
Hyvigolf Oy, Hyvinkää	0.70	3	15	180
Helsinki Stock Exchange Ltd, Helsinki		20,000	150	150
Rakennuststo J Lunden Oy, Turku	100.00	6,000	600	294
Oy Datacity Center, Turku	3.29	1,000	100	100
Kiinteistö Oy Joensuun Sepänahjo, Joensuu	14.96	1,515	3	759
Vigor Fabricators As, Orkanger	25.00	7,500	534	534
Shares in housing and real-estate corporations				2,474
Shares in telephone companies				1,873
Other shares and holdings, total				1,560
Total				**10,290**
SHARES OWNED BY SUBSIDIARIES AND HOLDINGS IN OTHER COMPANIES				
US-Mediat Oy, Helsinki	0.1	20,000	20	100
Kiinteistö Oy Messilän Kettumäentie				660
Lithuanian Stock Innovation Bank, Vilnius		3,430	LTL 100	398
Shares in housing corporations				1,915
Other shares and holdings, total				7,532
Total				**10,605**

*= FIM, unless otherwise indicated

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING

According to the Consolidated Balance Sheet as of 31 December 1996, the Group's non-restricted equity is FIM 167,707,000.00.

The non-restricted equity of the parent company, YIT Corporation Ltd, shown in the balance sheet as of 31 December 1996 is FIM 241,286,585.19, which is made up as follows:

- retained earnings	160,654,924.25
- net profit for the financial period	80,631,660.94
	241,286,585.19

The Board of Directors proposes that the profit be disposed of as follows:

- Payment of a dividend of 15% or FIM 1.50 per share to shareholders, thus	36,633,993.00
- Transfer to retained earnings	204,652,592.19
	241,286,585.19

Helsinki, 13 February 1997

Matti Haapala
Pentti Hannonen
Jouko Ketola

Reino Hanhinen
Chairman and CEO

Raimo Lahtinen
Esko Mäkelä
Mikko Rekola

AUDITORS' REPORT

To the shareholders of YIT Corporation

We have audited the accounting records and the financial statements, as well as the administration by the Supervisory Board, the Board of Directors and the CEO of YIT Corporation Ltd for the year ended 31 December 1996. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the CEO. Based on our audit, we express an opinion on these financial statements and the company's administration.

We have conducted our audit in accordance with Finnish Generally Accepted Auditing Standards. Those standards require that we plan and perform the audit in order to obtain reasonable assurance as to whether the financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. The purpose of our audit of the administration has been to examine that the Supervisory Board, the Board of Directors and the CEO have complied with the rules of the Finnish Companies' Act.

In our opinion, the financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Accounting Act, of both the consolidated and parent company's result of operations as well as of the financial position. The financial statements can be adopted and the members of the Supervisory Board, the Board of Directors and the CEO of the parent company can be discharged from liability for the period audited by us. The proposal made by the Board of Directors on how to deal with the retained earnings is in compliance with the Finnish Companies' Act.

We have reviewed the interim reports published by the company during the financial year. It is our understanding that the interim reports have been prepared in accordance with the rules and regulations governing the preparation of such reports in Finland.

Helsinki, 17 February 1997

Pekka Nikula
Authorized Public Accountant
(Coopers & Lybrand)

Hannu Niilekselä
Authorized Public Accountant
(KPMG)

STATEMENT BY THE SUPERVISORY BOARD

Having considered YIT Corporation Ltd's financial statements, consolidated financial statements and the auditors' report for 1996, we state for our part that we approve the financial statements and the proposal of the Board of Directors contained therein for presentation to the Annual General Meeting.

The following members of the Supervisory Board are due to retire: Mikko Kivimäki, President, Rautaruukki Oy and Jouko Tuunainen, Executive Vice President, Kesko Oy.

Helsinki, 24 February 1997

Asmo Kalpala

Mikko Kivimäki *Antti Tanskanen*

E.J. Toivanen *Jouko Tuunainen*

Iiro Viinanen

DEVELOPMENT PRIORITIES

CORE VALUES UNDERPIN THE CORPORATE CULTURE

Amongst YIT Corporation's important development projects for 1996 was the review and focusing of the Corporation's core values. This was made particularly timely by the merging of two corporate cultures and the appreciable growth in numbers of personnel following the acquisition of the Huber Group. As a result of extensive preparatory work, in the early autumn 1996 YIT Corporation confirmed its core values.

YIT CORE VALUES

The best service

You can trust our quality

We find the right solutions for the customer

We strive for enduring customer relationships

Lifelong learning

Top-flight professional skills and project management

Competitiveness beyond national borders

We build a good living environment

Smooth cooperation

We play better as a team by respecting our partners

Openness and honesty are the foundation of trust

Each member of the YIT team is important

Good results

An entrepreneurial spirit is our strength

Healthy profitability builds shareholder value

We bear our social responsibilities

DEVELOPING QUALITY IS A CONTINUOUS PROCESS

Products and services that fulfil the customer's quality expectations are a fundamental element of successful operations both in implementing demanding capital projects and in services within YIT's speciality fields. A well functioning quality system ensures uniform customer service and competitive products.

The situation in YIT Corporation's different divisions towards the end of 1996:

YIT Building Construction:

- the quality system was introduced in 1992
- ISO 9001 certification covering all the building construction in Finland went into effect as of 26 February 1996.

YIT Civil Engineering:

- the audited quality system has been in use in the Finnish National Road Administration's Responsibility for Quality building since 1994
- quality certification within civil engineering is the objective for 1997

YIT Huber:

- the division employs a quality system which is in accordance with the ISO 9002 standard and has been partly certified and is partly undergoing a certification review.

YIT Steel Construction:

- factory-specific quality systems according to the ISO 9002 standard have been in use since 1990 and a quality system covering all the division's operations in compliance with ISO 9001 has been in use since 1995.
- the factories of PPTH Steel Ltd have a valid approval for their products granted by the quality supervision authorities of Finland, Sweden and Germany.

YIT International Operations:

- the division employs an export application of a quality system that is in line with the ISO 9000 standard but has not yet been certified

THE YIT HOUSE

For several years now, YIT has systematically studied construction and design errors in building construction and the functionality of structures in differing usage conditions. On this basis, well functioning and durable product solutions have been registered in YIT's databases. At the same time, the correct modes of working have been fed into the quality system as guidelines for achieving a faultless product. The development work has culminated in the YIT HOUSE, which is a new kind of product and service concept that has been designed to meet the customer's needs and expectations and has applications in both residential construction and the building of office premises.

Thanks to the development work that has already been carried out, the functionality and quality of the YIT HOUSE meet the customer's expectations better than ever before. The building's repair and servicing requirements are smaller than usual and operating costs are well under control, which improves the building's ability to retain its value. The objective of the ongoing follow-up development work is above all the utilization of the new possibilities within heating, plumbing and ventilation, improvements to the energy economy of buildings and management of the environmental impacts of materials.

An essential part of the YIT HOUSE is the new COVE (Cost and Value Engineering) IT system solution that makes possible networking between the customer, the general contractor, engineering designers and subcontractors. According to the method, the YIT HOUSE's databases are used to create a three dimensional model of the planned building - a "virtual building". Since the cost estimating programme also supplies the price and resource use data, it is easy to determine the building's costs. This allows fast study and visualization of the different alternatives. The software is well suited as a tool for projects handled on a team basis. It is a tool for managing change and it supports the customer's decision-making.

Development work is continuing within the five-year COPRA programme. The parties participating in the programme are YIT, which heads it, and major players in Finland such as Nokia, Pohjola Insurance Company, Rautaruukki, ABB, Partek, Technical Research Centre of Finland VTT and TEKES (the Technology Development Centre).

PROSIT

The rapid advances in information technology and the speeding up of information transfer between companies are revolutionizing the models for implementing industrial capital investment projects. For example, in power plant projects, companies must reassess their position in the supply chain and, relying on their core competencies, focus on services that generate the most value added. At the same time this opens up opportunities for new approaches, the formation of alliances and a wider use of networking.

YIT Power Ltd, the leading supplier of power plant piping in the Nordic countries, is participating in the extensive nationwide Prosit development programme, which aims to improve Finland's international competitiveness by developing virtual models connected with power plant deliveries, the transfer of technical data, work site management and logistics encompassing the entire project. The programme comprises ten subprojects and the participants in it, apart from YIT Power, are a number of other major suppliers of power plants and research and development organizations such as TEKES. YIT Power Ltd has the lead responsibility for the Power Plant Piping Deliveries subproject, in which IVO International and Kvaerner Pulping are also taking part.

PUTTING BIOWASTE TO USE

In processing municipal waste, the objective is to utilize the waste profitably and, at the very least, to secure its harmless final disposal at small cost. The biodegradable portion of the waste can be converted into energy, soil conditioning substances and fertilizer by means of new treatment processes. As technology moves ahead, the utilization of biowaste is becoming an essential part of modern municipal waste systems.

In Sweden, YIT Vatten & Miljöteknik AB has delivered a new generation biowaste treatment plant to the City of Uppsala. When the first stage of the plant is completed, it will have a capacity of 30,000 tonnes of food industry, agricultural and retail or wholesale biowaste, and later it will be able to handle 10,000 tonnes of biowaste generated by households. Using the digester process, the plant produces fertilizer that can be spread on fields and biogas that will be used as the fuel for some 20 urban buses. According to tests, the biological fertilizer used is excellently suited to crop cultivation thanks to its low heavy metal and high nutrient content.

The company has delivered a plant for processing sorted domestic waste, which is based on a similar process, to Borås, Sweden, as well as a pilot plant for processing restaurant waste to Stockholm.

PREPARATORY WORK FOR THE ENVIRONMENTAL PROGRAMME

Development work for creating YIT's environmental system, which will be built around the ISO 14001 standard, was started at the beginning of 1996. After honing the principles of the environmental programme, environmental assessments got started in the summer at the work sites as part of the quality audits for building construction operations. In the spring 1997, at new work sites in Finland environmental plans will begin to be systematically included as part of the site's quality plan.

In the development work on YIT's environmental system, particular attention is being directed at the environmental impacts of building materials, the consumption of energy during a building's use, the lifetime of products and the environmental impacts of sites, assessments of the need for building maintenance and the healthiness of buildings.

Towards the end of 1996 a research project got under way which aims to develop the COVE cost estimation programme in order to obtain a method for evaluating the environmental impacts of a construction project in a reliable way for the entire life cycle of buildings. The other parties in the two-year research project are Finnish consulting architect and engineering firms and VTT Building Technology.

Preparatory work for environmental programmes in specific fields of activity also got under way at YIT Corporation's other divisions.

The YIT HOUSE database offers a fast way of generating a three-dimensional virtual model of a construction project so that different alternatives can be compared.

YIT BUILDING CONSTRUCTION

The division's market situation improved significantly during 1996. YIT Building Construction's stock of completed, unsold housing units shrank to 24 units, from 169 units at the turn of the previous year. Increased demand for rental premises further reduced the amount of empty premises on the market for office premises and made possible the start-up of new projects. YIT Building Construction's net sales grew by 11% compared with the previous year.

The bulk of YIT's housing construction, as for the country as a whole, was state-subsidized production which, under the well controlled guidance of the Government Housing Fund, fulfilled the nationwide objectives that had been set in respect of the number of units built, their quality and their price. Thanks to its substantial portfolio of plot land and because it is active in procuring plots with good building potential, YIT Building Construction was in a good position to meet the demand for housing in all the country's main growth centres.

YIT Building Construction's organization was realigned by turning renovation work into a separate department. At the same time this strengthened the possibilities of developing renovation services and making them more diversified. Residential Construction Uusimaa now concentrates on new building, particularly negotiation-based construction and project management contracts, notably in office projects.

Encouraged by the good results achieved at work sites, the division also began to apply teamwork methods to a wider extent than before in its offices. This effort was significantly promoted by the staff's customer-centred way of working and good group spirit. The growth in the volume of operations made it possible to step up the recruitment of talented young graduates.

The mainstay of operations - long-term development - was pursued actively. Development is geared to achieving additional competitive advantages in service, product development, quality and information technology. All the division's production units were granted a quality certificate according to the ISO 9001 standard in February 1996. Development work to boost quality is continuing ahead. The development of information systems was continued, in part through joint development projects with construction companies in the other EU countries. Other central development projects were the preparation of the division's environmental programme and a project to develop its logistics.

The growing demand for market-financed housing, the continued good level of state-subsidized housing construction and the revival in the property business are expected to strengthen the demand for YIT Building Construction's services and products in 1997. Both the volume of operations and their profitability are thus expected to show further positive development.

Matti Haapala

CONTRACTING

A number of major construction projects were completed during the period. The first phase of Nokia Corporation's office centre in Keilalahti, Espoo, was handed over to the company in October, and the entire contract will be completed in February 1997. The Gateway Terminal of the Helsinki-Vantaa International Airport and the operations centre of the SLO were completed in Vantaa, a warehousing centre was erected for Onninen in Riihimäki, an automobile dealership was built for Stockmann in Turku and the Kulma-Sarvis office property was built in Tampere, while in Rauma a classical high school and in Vaasa a university laboratory were built.

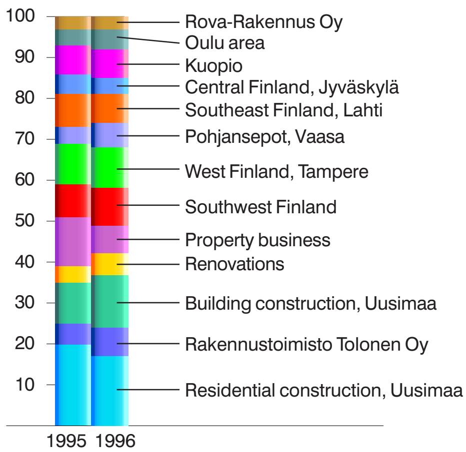
On the industrial side, projects completed included the concreting contract for the UPM-Kymmene label paper mill in Valkeakoski and a number of subcontracts for the Veitsiluoto paper mill in Kemi. A large number of housing, educational institution and renovation contracts were also completed in different parts of the country. A new line of operations that was started was the repair of facades and balconies, for which contracts were carried out at five different sites, the biggest being Asunto Oy Säästökannas.

YIT Building Construction's field of business includes residential construction, industrial construction, commercial and office construction as well as renovation and property business in the Finnish market.

Key indicators (FIM million)

	1996	1995	1994	1993	1992
Invoicing	**2,030**	1,890	1,697	1,505	1,869
Net sales	**2,058**	1,850	1,680	1,705	2,160
Operating profit	**130**	114	44	-27	94
% of net sales	**6.3**	6.2	2.6	-1.6	3.7
Orderbook at year-end	**788**	862	1,030	1,123	1,101
Average personnel	**1,424**	1,463	1,512	1,773	2,160
Division's share of Group's net sales, %	**39**	47	52	55	74

Breakdown of invoicing by business units (%)



RESIDENTIAL CONSTRUCTION

In 1996 YIT Corporation built a total of 2,352 housing units, of which 155 were on a developer basis.

At the close of the year, a total of 1,722 housing units were under construction, of which 148 were developer construction. At the close of the year there were 24 completed and unsold housing units.

Picture above right: The Gateway Terminal at the Helsinki-Vantaa International Airport, Vantaa.

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

YIT carried out the construction of the Nokia House in Keilalahti as a project management contract for Nokia Corporation, Espoo.

The Kiinteistö Oy Kulma-Sarvis property was completed in the Hatanpää area for Nokia Telecommunications, Tampere.

The Asunto Oy Lahden Schaumaninranta condominium on the shore of Vesijärvi Lake in Ruoriniemi, Lahti.

PROPERTY BUSINESS

The paramount aims of YIT Corporation's property business are to increase the yield on its property assets, to attain profitable construction assignments by creating customer-oriented solutions for the users of buildings and to release capital that is tied up in properties.

INVESTMENT PROPERTIES

Investment properties are leased properties that represent completed products intended for real-estate investors. YIT Corporation's objective is not to act as a long-term investor.

The rental occupancy rate of the investment properties (table on the right) was 98.9 % (97.7 %) at the close of the year and the average rental yield was 6.4 % (6.2 %). Net rental income from the investment properties amounted to FIM 50.6 million (48.8).

Investment property	Floor area owned by YIT	Type of building	YIT's holding	Largest tenants
Panuntie 11 Helsinki	12,029 m2	Office, store	100 %	Kesko Oy YIT Corporation
Maistraatinportti 2 Helsinki	11,605 m2	Office	100 %	Finnish Standards Association SFS YIT Corporation McDonald´s Oy
Länsi-Keskus Espoo	14,172 m2	Office and commercial	100 %	Kesko Oy Novo Nordisk Farma Oy
Sinimäentie 10 Espoo	9,628 m2	Office	77 %	Roche Oy TT-Microtrading Oy
Sinikalliontie 1 Espoo	15,441 m2	Office, store	100 %	Kesko Oy Veikon Kone Oy
Kehä-Koskelo Espoo	8,806 m2	Warehouse, office	51 %	Philips Oy
Kanta-Sarvis II Tampere	4,952 m2	Office	50 %	Nokia Telecommunications Ltd

DEVELOPMENT PROPERTIES

Development properties are mainly plots and partly developed sites which can be customized to customers' needs and offered to investors as an option.

Main development properties:

The Tampella area, Tampere (Exofennica Oy)

A residential and office area located in the centre of town and jointly owned with Sponda Oy. The confirmed building rights according to the new town plan total 175,000 square metres of floor area. Building according to the confirmed new town plan was started in the area in the autumn 1996. A continuation of the town plan is presently undergoing study. Under construction in the area at the end of 1996 was the Asunto Oy Tampereen Pellava housing corporation, 6,482 square metres of net floor area, gross area: 32,741 cubic metres.

The Sinimäki area, Espoo

An office, commercial and residential area that is under development and has been partly developed and zoned. During the year the town council approved the town plan of the area, on which unused building rights totalling 78,000 square metres of floor space have been set down. In 1996 the Kiinteistö Oy Komentajan-Voima property was completed, comprising 5,982 sq.m. of floor space and a total volume of 38,600 cu.m.

The Ruoholahti properties, Helsinki

Part of a zoned head office district in the heart of Helsinki. The project is still in the business idea stage, as are part of the commercial negotiations concerning the area.

Huber's Veromiehenkylä area, Vantaa

A partly zoned and developed area. An industrial policy agreement on the area was signed with the city along with an agreement on the first zoning phase.

The Hatanpää area, Tampere

An office and residential area jointly owned with OKOBANK. Housing construction was started in the area and building of Nokia Corporation's projects continued in the portions that were zoned for office premises. In 1996 Kiinteistö Oy Kulma - Sarvis property was completed, comprising 11,115 sq.m. of floor space and a total volume of 62,700 cu.m.

Net rental income from the development properties totalled FIM 13 million. The biggest tenants were Kaukomarkkinat Oy, Scribona Finland Oy, BSK-Kodinkoneet Oy, LVI-Dahl Oy and Oy Nielsen Global Freight Co.

OTHER PROPERTIES

Other properties consist mainly of completed office, commercial and industrial space that is located in various growth centres in Finland and will be realized.

Net rental income from those properties totalled FIM 5.3 million. The biggest tenants were Valmet Corporation, Rauta- ja Konetarve Oy and LVI-Dahl Oy.

TIED-UP CAPITAL

Of the tied-up capital (table on the right), FIM 2,111 million was stated in the Consolidated Balance Sheet as at 31 December 1996, of which FIM 433 million is included in fixed assets, FIM 956 million in stocks, FIM 798 million in receivables and FIM 76 million in non-current creditors. Off the balance sheet was FIM 253 million of an external debt in real-estate companies, which has not been consolidated because it is not included in stocks.

Net rental income totalled FIM 69 million, of which FIM 60 million is included in the gross profit of YIT Building Construction and FIM 9 million in the gross profit of YIT Huber. Group companies accounted for FIM 12 million of the rental income figure.

Properties sold amounted to FIM 240 million. Investments in properties and plot land totalled FIM 150 million.

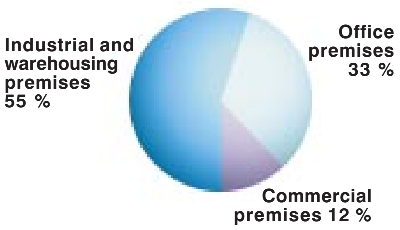
The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

The Tampella area in the Centre of Tampere. The first new building project got under way in the area in the autumn, 1996.

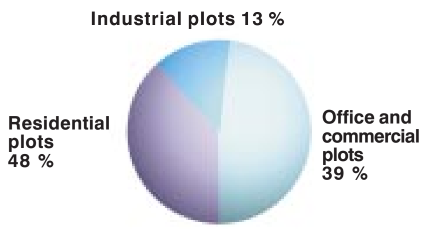
Capital tied up in the property business, 31 December 1996

	Tied-up capital FIM million	Net rent FIM million	Floor area sq.m.	Building rights sq.m.	Prelim. agreement sq.m. and zoning possibility
Housing units, completed and under construction	35				
Housing plots	444			403,000	324,000
Housing production, total	479			403,000	324,000
		Net rent FIM million	**Floor area sq.m.**		**Zoning option sq.m.**
Investment properties	792	50.6	76,600		
Development properties	720	13.0	69,10	437,000	226,000
Other properties	285	5.3	86,300		
Property business, total	1,797	68.9	232,000	437,000	226,000
Other properties held in fixed assets	88				
Properties, total	2,364	68.9	232,000	840,000	550,000

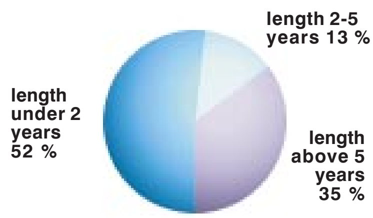
Domestic real-estate property according to usage purpose as at 31 December 1996 (sq.m. of floor space):



Building rights according to usage purpose as at 31 December 1996 (sq.m. of floor space):



Breakdown of the Corporation's net rental income according to length of agreements, as at 31 December 1996:



YIT HUBER

1996 was the first year for the YIT Huber division. It was a year of breaking in the organization and developing joint ways of operating. The changes included the start-up of 19 mergers of companies with the parent group, 14 purchases of businesses within the division and the sell-off of three small companies that did not belong to the core businesses. The result of operations was good despite the non-recurring costs resulting from the acquisition of Huber.

Profit from operations was particularly good in the units serving the forest industry and power utility construction. Earnings of the plumbing, heating and ventilation department improved to a satisfactory level. Operations in Sweden exceeded targets. All the main units achieved their earnings targets and a number of them exceeded them by a significant margin.

Mechanical contracting enjoyed good demand owing to the extensive capital projects carried out in the forest industry, and maintenance also fared well as industrial customers transferred their maintenance jobs to companies specialized in the field. Demand was also up within repair and servicing work connected with plumbing, heating and ventilation. The work situation for inspection and testing continued to be satisfactory.

To increase operations throughout Scandinavia, YIT Installasjon AS was established in Norway with the specific objective of serving the gas and oil industry. Industrial maintenance was concentrated within YIT Service Oy, which meant dropping the name Norstep, which is well known for its maintenance within the food processing industry.

The focus of development and training operations was on process management and the re-engineering of operations, which were supplemented by leadership and teamwork training. The drawing up of an environmental programme was started as part of the quality programmes. An important individual development project was the PROSIT project that is supported by the Technology Development Centre TEKES. Apart from YIT Power Oy, a number of other major Finnish companies in the power plant industry will participate in this project, which aims at developing the logistics, information transfer and project coordination of deliveries within the power utility field.

As the year progressed, the backlog of orders declined as expected from the peak figures at the turn of the year as major investments were completed within the forestry industry. The backlog of orders not recognized as income was still very reasonable at the close of the year.

YIT Huber's near-term objective is to direct its efforts at boosting its international operations and exports, with an accent on Sweden and Norway. Partnership cooperation with customers is the path to growth in a number of areas calling for special expertise - the best examples of this being YIT Power's deliveries of piping to central Europe and the Far East. Significant growth is also sought within servicing and maintenance operations in Finland.

The outlook for 1997 is dual. The units serving construction, industrial maintenance and capital investments in the oil and chemical industry as well as the small and medium-sized enterprise sector have good prospects for growing demand. Since, however, the demand situation of the units serving the forest industry, energy production and the shipyard industry is expected to weaken, the demand for the products and services of YIT Huber as a whole is estimated to decline somewhat from the previous year's level.

Jouko Ketola

WOOD-PROCESSING, METAL AND PROCESS INDUSTRY CONTRACTING

Brisk capital spending within the wood-processing and chemical industry increased the volume of operations. Among the main projects which YIT Huber Industry Ltd completed in 1996 were a piping and storage vessel delivery for the label base paper machine of the UPM-Kymmene mill in Valkeakoski, piping deliveries for the new fibreline of the Kaukas Oy paper mill in Lappeenranta, extensive piping deliveries for Metsä-Rauma Oy's new pulp mill in Rauma as well as a piping delivery for the new paper machine of the Kirkniemi mill in Lohja.

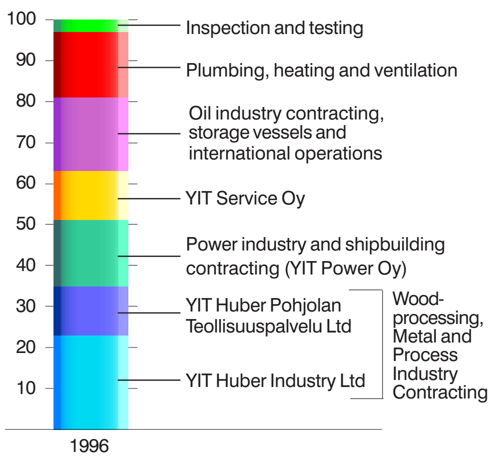
YIT Huber's field of operations comprises industrial piping and storage tank contracting, equipment installations, engineering manufacturing, industrial maintenance and servicing, testing and inspection services, ship fitting contracts, anticorrosion painting, plumbing, heating and ventilation works and servicing for new buildings and renovation jobs as well as fire-fighting alarm and extinguishing systems.

Key indicators (FIM million)

	1996	1995	1994	1993	1992
Invoicing	**1,706**	562	539	477	593
Net sales	**1,774**	545	545	527	673
- including international operations	**281**	87	169	175	93
Operating profit	**83***	21	11	-1	-7
% of net sales	**4.7**	3.9	2.0	-0.2	-1.0
Orderbook at year-end	**532**	176	293	179	160
Average personnel	**3,344**	1,199	1,345	1,395	1,607
Division's share of Group's net sales, %	**34**	14	17	17	18

The Huber group has been included in the consolidated figures since 1996. The figures for the years 1992-1994 are for the former YIT Industry division. The table does not present steel construction figures after 1994.
*= The final operating profit figure for 1996 is burdened by amortization of goodwill, which has been allocated to the division and represents a departure from the previous practice. The amorzation booked in the autumn 1996 was not taken into account in the operating profit figures stated in the interim reports.

Breakdown of invoicing by business units (%)



A unit-by-unit comparison figure is not available for 1995 because the breakdown into business units was completely overhauled when the YIT Huber Division was formed.

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

Major export projects included repeat projects for the process piping of Oy Sinebrychoff Ab's the Vena brewery in St Petersburg as well as piping deliveries to the Ahlstrom Corporation facility in Mönsterås, Sweden.

The main jobs completed by YIT Huber's Pohjolan Tehdaspalvelu Oy were deliveries of piping for the blast furnace of Rautaruukki Oy's steel mill in Raahe, piping for the new pulp cooking and washing plant of Kemijärvi Pulp Ltd as well as numerous separate piping and steel construction deliveries for the Tornio mill of Outokumpu Steel Oy and Kokkola Chemicals Oy.

Principal export projects were liquified gas storage facilities delivered to Statoil in Norway for AGA AB as well as heating plants delivered to October Railways in Russia.

The most important of the deliveries made by the Swedish subsidiary Projektrör AB were a piping delivery for the extension to the Husum wood processing plant of MoDo AB as well as a piping delivery for the recycled paper processing plant of the Lilla Edet mill of SCA Hygiene Paper AB. A sprinkler system was delivered to the Torslanda works of Volvo AB and an extensive remote water cooling system for the Wasakrona real-estate management company in Stockholm.

POWER INDUSTRY AND SHIPBUILDING CONTRACTING

The business operations of Power Piping Ltd, which changed its name to YIT Power Ltd in January 1997, grew strongly, buoyed by numerous capital investment projects in the power industry. Amongst the projects completed in Finland were piping deliveries for the Kemi power plant of Veitsiluoto Power Ltd and for the turbine plant of Metsä-Botnia Ltd, also located in Kemi.

Major piping deliveries were made to the nuclear power stations of both Teollisuuden Voima Oy and Imatran Voima Oy, notably in connection with remedial servicing, and deliveries were made to the plants of Forsmark Kraftgrupp AB in Sweden.

Of the other international assignments completed were a delivery of piping for a new recovery boiler at the Mönsterås pulp mill of Kvaerner Pulping AB in Sweden jointly with Projektrör AB, an entire piping delivery for the new power plant of Brista Kraft AB in Sweden, as well as a delivery of piping for Foster Wheeler Oy's power plant in Växsjö, Sweden. Piping for two turbine plants were delivered to Siemens Ag in Thailand.

Several major deliveries were made to Kvaerner Masa-Yards Oy, including an entire piping delivery and piping modules and prefabricated units for the steam turbine powered machinery system of two LNG tankers as well as ship fitting contracts for other vessels built by the company. Ship fitting contracts were also carried out for Finnyards Oy.

In most of the projects, the department also had responsibility for the layout and manufacturing design of the piping systems. In 1996 the engineering manufacturing operations of YIT Power Ltd were granted the ISO 9002 quality certificate.

The power plant servicing unit Erecon delivered boiler components and equipment rebuilds to both boiler manufacturers and power companies.

YIT SERVICE LTD

Maintenance operations developed favourably and the customer base expanded. Cooperation continued with the Valio Oy dairy company and a new maintenance agreement was concluded during the year for the cheese producing centre in Vaarala. Other major continuous maintenance customers were the bakeries of Fazer Leipomot Oy in Lahti and Vaarala as well as Imatra Steel Oy's plant in Imatra. Agreement-based maintenance operations started up in the spring at the Metsä-Rauma Ltd pulp mill and they developed favourably.

The surface treatment business expanded, and important new painting assignments included the painting of passenger vessels and the deck structures of LNG tankers for Kvaerner Masa-Yards Oy as well as the painting of dozens of large storage tanks for various customers. The Jyväskylä-based painting functions of Finnyards Ltd and Valmet Corporation were transferred to YIT, and an annual agreement was made with Neste Corporation concerning maintenance painting work at the Porvoo refinery.

YIT Huber delivered a total of about 80 kilometres of piping, including installations, for stock handling and pipe bridges within the framework of the Fibre 90 project at the new Kaukas pulp mill of UPM-Kymmene Oy in Lappeenranta. The delivery furthermore included, among other things, the installation of more than 4,000 hand-operated valves as well as pulp and storage tanks.
Prefabrication of high pressure piping at the Ylivieska factory of YIT Power Oy.
A pulp storage tower, including installation, delivered to SCA, Piteå, Sweden.

OIL INDUSTRY CONTRACTING, STORAGE VESSELS AND INTERNATIONAL OPERATIONS

Within domestic contracting for the oil industry, the year was geared towards maintenance, with new investments not bringing a step-up in operations until the end of the year. The building of storage vessels, however, was brisk thanks to the major investments carried out by the forest industry. The most important projects were six 7,500 cu.m. fuel tanks that were delivered to Engel Rakennuttajapalvelut Oy, several pulp and storage tank deliveries to UPM-Kymmene's Kaukas and Valkeakoski mills as well as 46 pulp and process tanks for the new paper mill of Metsä-Serla Paper and Board Ltd. Noteworthy amongst export orders were four pulp and process tanks having a total volume of 10,000 cu.m. that were delivered to the Piteå mill of Assi Domän AB.

YIT's various units carried out a complex contracting project for the world's largest one-line pulp mill, operated by Metsä-Rauma Oy. The project included causticizing and drying plant tanks, a pump mill, an evaporator plant, a tall oil digester house and piping for the power section as well as the steel frame for the boiler plant and extensive excavation and embankment works, Rauma.

Pictures on the right: At the Raahe Steel Mill of Rautaruukki Oy, YIT Huber carried out the contract for renewal of the lining of blast furnace number one and also delivered the piping (upper picture).

YIT Delivered the piping and tanks for a label base paper machine as well as fire-fighting and supervision systems for the Tervasaari paper mill of UPM-Kymmene Oy in Valkeakoski (lower picture).

PLUMBING, HEATING AND VENTILATION

The demand for heating, plumbing and ventilation (HEPAC) works in connection with new building began to revive, but there was still tough competition for contracts. HEPAC renovation work and servicing picked up markedly. The fire-fighting business grew strongly as a result of brisk industrial construction.

Huber Servitek Oy expanded its operations and new locations were opened in Turku, Kotka and Savonlinna. Furthermore, it was decided to open new offices in Espoo, Hämeenlinna and Kuopio at the beginning of 1997, after which the company will be engaged in HEPAC renovation and servicing in 15 localities in Finland. The service for measuring the technical condition of real-estate properties, the Huber analysis, was expanded into a nationwide service.

The largest contracts completed by Huber Talotekniikka Oy were the delivery of heating, plumbing and ventilation equipment for Ikea's interior decorating department store in Espoo and the Senior Building project for the Folkhälsan pension institute.

Business operations of the Huber Sammutin Oy fire-fighting unit grew energetically, spurred by the growth in industry and construction. Important sprinkler deliveries were those made for Hartwall Oy's high warehouse in Lahti, the new paper mills of Metsä-Serla Paper and Board Ltd in Kirkniemi and UPM-Kymmene Ltd in Valkeakoski, Ikea's interior decorating department store in Espoo and the Gateway Terminal of the Helsinki-Vantaa International Airport.

A number of the same projects included deliveries of special fire extinguishing systems such as CO2 and ARGONITE systems which can replace the halide systems that are to be removed from use. AUTRONICA fire and flue gas detection systems for which the company acts as a distributor were delivered to numerous sites.

INSPECTION AND TESTING

The business operations of Huber Testing Ltd developed favourably. In connection with the hiving off of Finnyards Oy's inspection operations into a separate unit, a new office was established in Rauma. Major assignments included inspections of spherical gas tanks of LNG tankers for Kvaerner Masa-Yards Oy and extensive inspection assignments carried out in connection with the annual servicing of the nuclear power stations operated by Teollisuuden Voima Oy and Imatran Voima Oy.

Product development moved ahead energetically. Importantly, methods of examining the bottom of recovery boilers were developed together with customer companies. The Finnish Work Environment Fund also put up part of the funding for the project.

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

YIT CIVIL ENGINEERING

The total volume of civil engineering work in Finland was at the previous year's level. There were nevertheless strong seasonal variations and fluctuations in the types of work taken on. In the first months of the year there was a dearth of earthwork assignments, but demand firmed up as the year wore on. Less tunnelling contracts were up for bidding than in the previous year. Asphalting works ordered by the Government declined substantially, but they increased somewhat in the municipal and private sectors.

There were still only a minor number of invitations to tender for the maintenance of state institutions and municipal infrastructure.

Within the domain of municipal and industrial work, in Finland there were in progress or pending a number of significant projects for plants in the water and environmental technology field. The demand for water and environmental services also developed favourably in the Baltic area and in Southeast Asia.

In Sweden there continued to be plenty of civil engineering activity, which made it possible to achieve a controlled increase in the operations of the subsidiary YIT Bygg AB. YIT Vatten & Miljöteknik AB, which was formed as a unit of YIT Civil Engineering in the wake of the acquisition of the Huber Group, significantly bolstered the water and environmental services which the Corporation offers. Regional offices were established in Poland and Egypt.

In Finland a new earthwork regional office was set up in Lappeenranta. The purchase of Oy G.W.Berg Ab's water technology services rounded out the division's know-how in power plant water treatment and water purification technology connected with industrial process water. In Ostrobothnia, the light asphalting and mineral aggregate service network was supplemented by buying Oy Kruunu-Ös Ab, which is specialized in these functions.

Towards the end of the year the organization of the water and environmental services unit was overhauled in line with the needs of growing international operations.

YIT Civil Engineering's most extensive development project was the follow-up development of its quality system with the objective of gaining certification in 1997. The priority for product development lay in creating new commercial products and services, prime examples of which are the new stabilization techniques, the recycling of asphalt, the conversion of biological waste into energy and soil conditioners as well as the maintenance of traffic arteries.

The outlook for 1997 is cautiously upbeat. Funds earmarked for infrastructure projects in the government budget have been lowered slightly, but in the municipalities and in the private sector capital spending in the field is anticipated to grow. Favourable economic growth is estimated to strengthen the total demand in the field to some extent.

The most important unanswered question affecting the demand for companies' services is the model and timetable for the operational reform undertaken by the Finnish National Road Administration. The threat is that an outsized competitor will appear on the market. Furthermore, new foreign competitors may enter the Finnish market.

If the growth in demand remains slack in Finland, then the markets in Sweden, the other countries in the Baltic area, the Far East and in the Corporation's traditional water technology export countries will offer new opportunities for profitable growth.

Customers at home and abroad demand high quality and reasonably priced services both in project deliveries and in the management of environmental matters connected with them. YIT Civil Engineering's personnel is used to pursuing close cooperation with its customers in both large integrated assignments and in small service works. It also has a strong will to offer its customers the best service.

Pentti Hannonen

EARTHWORK, MUNICIPAL ENGINEERING AND MAINTENANCE

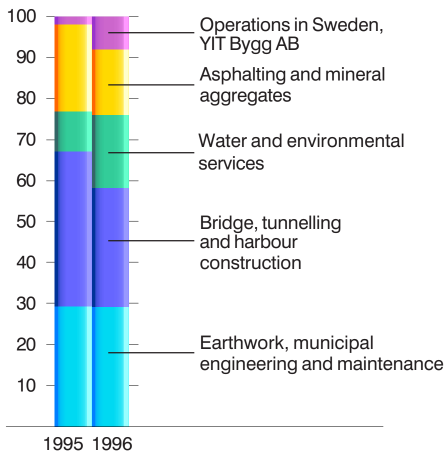
The volume of operations grew fairly slowly from the beginning of the year but got rolling by the summer. The most extensive job was

YIT Civil Engineering's field of operations comprises earthwork, municipal engineering and maintenance; bridge, tunnelling and harbour construction, asphalting and mineral aggregates as well as water and environmental services for communities and industry

Key indicators (FIM million)

	1996	1995	1994	1993	1992
Invoicing	**835**	644	510	487	526
Net sales	**834**	701	477	634	490
- including international operations	**192**	111	42	39	17
Operating profit	**36**	54	42	40	11
% of net sales	**4.3**	7.7	8.8	6.3	2.2
Orderbook at year-end	**359**	272	270	237	274
Average personnel	**886**	777	575	711	839
Division's share of Group's net sales, %	**16**	18	15	21	13

Breakdown of invoicing by business units (%)



The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

the building of the DN900 parallel pipe for the Imatra-Törölä natural gas line for Gasum Oy. The construction of sports facilities increased and gained in diversity. The planned annual production volumes were achieved according to plan except for maintenance. The priority for technical development and equipment investments was in the different subareas of stabilization.

Major jobs completed included the Itäkaari road building job in Turku, the Vikevinniva river channel improvement contract for Kemijoki Oy in Sodankylä, an unloading terminal and area works for a VHVI unit in Sköldvik, track construction works connected with Metsä-Serla's Kiri project in Kirkniemi near Lohja, area works for a label paper mill in Valkeakoski, the Vuosaari sports field job in Helsinki, a water supply contract in Rantasalmi as well as the earthworks for the Chudovo chocolate factory project in Russia.

BRIDGE, TUNNELLING AND HARBOUR CONSTRUCTION

The bridge projects completed were the Ohtaansalmi Bridge in Tuusniemi, the Korvenmäki Intersection Bridge in Piikkiö and the Mosaiikkitori Bridge in Vuosaari, Helsinki, the last mentioned of which was built on the total responsibility principle whereas the first mentioned bridges were based on YIT's own implementation alternative. Under construction at the close of the year were the extensive Kärkistensalmi staycable bridge in Korpilahti and Pakinkylä bridge contract number 1 in Helsinki.

Excavation works completed were the Saattopora and Mullikkoräme mine excavations, the cooling water tunnel for the Vuosaari B natural gas power plant and the Loviisa nuclear waste cavern. A noteworthy construction engineering assignment was the building of the underground electrical station for the Kamppi rapid transit station.

Works continued on the Töölö-Alppila water main tunnel work site in Helsinki and at mines in Kemi in northern Finland. The tunnel job between the Helsinki Fair Centre and the Helsinki Multipurpose Centre under the Pasila railway yard went ahead according to plan in extremely demanding conditions. In Herttoniemi, Helsinki, interior refurbishing works got under way on the area's civil defence shelter.

In the Greater Stockholm area, the Corporation's first tunnel excavation contract in Sweden got under way. The contract is for excavating a sewage tunnel for the municipality of Sundbyberg and the work will continue up to 1998.

Amongst the harbour construction projects completed were the Laucko harbour pier for the town of Pietarsaari and the Rahja pier for the municipality of Kalajoki. Dredging works were carried out notably in Luleå in Sweden as well as in Kotka and Hamina, Finland. In Helsinki the renovation of the foundations of the Council of State's castle was completed. In Hamina construction of a harbour pier got under way and in Helsinki the dam wall and foundation work for the Sanomatalo newspaper building was started.

A project carried out by the department, the raising and straightening of the foundations of the Porvoo City Hall, won the prestigious 1996 Construction Engineer Project competition. The winner of the previous competition, the Tähtiniemi Bridge in Heinola, was also a contract carried out by the department.

Within water supply construction the main projects were a nitrogen removal plant for a municipal waste water treatment plant in Espoo and an extension to the waste water treatment plant of Joutseno Pulp in Lappeenranta. Phase II of the extension to the city waste water treatment plant continued in Tallinn, Estonia. In Lithuania a digestive gas tank contract was completed.

WATER AND ENVIRONMENTAL SERVICES

Operations expanded substantially in step with the new functions acquired in the first part of the year. The subsidiary YIT Vatten och Miljöteknik AB was established in Sweden. Water treatment know-how for power plants was strengthened by buying the business operations of Oy G.W.Berg Ab's process technology department. Offices were opened in Poland and Egypt.

Export deliveries accounted for about 80% of the department's volume. Export projects completed were a waste water treatment plant for Coca-Cola in Moscow, three projects connected with waste water treatment in St Petersburg, the Kärdla and Käina waste water treatment plants in Estonia, the Cesis waste water treatment plant in Latvia as well as a waste water treatment project for the power plant of the Kiani Kertas pulp mill in Indonesia. The most important project in Sweden was the biogas plant in Uppsala.

Works in progress at the turn of the year included continuation contracts for the waste water treatment plant in Tallinn, Estonia, the Zabrze purification plant in Poland, the Heshan waste water treatment plant and the process water plant of the Remnin pulp mill in China as well as a water supply project in Hanoi, Vietnam.

In Finland a number of forest industry process water and power plant water treatment projects were completed for customers such as Metsä-Rauma Oy, Metsä-Serla Ltd and UPM-Kymmene Ltd. New projects that got under way were a process water plant project for the Rautaruukki steel mill in Raahe and a nitrogen removal plant for a waste water treatment installation in Suomenoja, Espoo.

One of the major projects during the year was the building of the 48 km parallel pipeline - 900 millimetres in diameter - for the natural gas main pipeline on the stretch Imatra-Törölä for Gasum Oy.

Asphalting and mineral aggregates

The subsidiary Valtatie Oy is in charge of the Corporation's asphalting and mineral aggregates business. The largest of the contracts for the Finnish National Road Administration were 350,000 sq.m. remixer asphalting works, 56,000 tonne light asphalting works for the Häme road district and 96,000 tonne asphalt concreting works for the Southeast Finland road district on the Heinola bypass road as well as on the Kotka-Hamina Highway.

The largest of the contracts for cities were 52,000 tonne asphalting works for the City of Turku, 18,000 tonne works for the City of Raisio and 45,000 tonne works for the City of Helsinki. The most important job for industry was a 5,500 tonne asphalting contract for the Joutseno pulp mill of UPM-Kymmene.

The business operations of Oy Kruunu-Ös Ab, which were purchased right after the start of the year, were merged during the year with Valtatie Oy. The main development projects were connected with new applications of light asphalting and recycling production techniques.

Operations in Sweden: YIT Bygg AB

1996 was a time of developing diverse aspects of operations and becoming firmly established. With the growth in production activities, development focused on the level of customer service, occupational safety, the quality system, site management and teamwork as an internal way of working. On the basis of systematically collected customer feedback, customers have a clearly positive view of the company's operations.

Of projects that were realized or in progress, the most important were the first part of the contract for SL Bansystem AB on Huddingevägen in Stockholm and the new partial contract at Gullmarsplan, the Arboga station arrangements for Banverket (the National Swedish Rail Administration) as well as several mass stabilization pilot projects for both Vägverket (the National Swedish Road Administration) and Banverket. In the spring the large-scale Sundbyberg sewage tunnel job was landed in the Greater Stockholm area.

Towards the end of the year a decision was taken to establish a regional office in the Stockholm area. The company's headquarters is located in Västerås.

Securing competitiveness through quality

A cornerstone of successful business operations is the efficiency and straightforwardness of ways of working as well as the internalization of agreed modes of operation throughout the entire organization. One important area that has been selected for increasing the efficiency of YIT Civil Engineering's operations is quality and the development of a comprehensive quality system. At the beginning of 1996 the objective was set of bringing the quality system in line with ISO 9000 requirements during the year and putting it into use in all operations.

All the units and the division's entire personnel took part in developing the system. It offered an excellent possibility to unify and change ways of working so that they conform to well honed practices that have been observed to be the best. The quality system is at the same time the company's "memory" which ensures that the top-notch expertise that has been built up over the years is passed on to new staff members and becomes a part of future operations.

During the year the building of an environmental management system was also started up as part of the quality system.

Certification of the quality system according to ISO 9000 will be started in the second quarter of 1997.

Uppermost picture: Waste water clarification basins under construction for the Joutseno Pulp Mills of UPM-Kymmene Oy, Joutseno.

Picture above left: Valtatie Oy carried out asphalting contracts in different parts of Finland.

Picture above: The second phase of the renovation and extension contract for the central waste water treatment plant of the City of Tallinn continued in Estonia.

Picture upper right: The Kärkistensalmi Bridge will measure 787 metres in length upon completion and rank as the country's third longest bridge. The bridge will be completed in the autumn 1997, and the length of its main span will be 240 metres. Korpilahti.

The Vikevinniva river channel improvement project in Lapland, Sodankylä.

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

YIT INTERNATIONAL OPERATIONS

After a fairly slack first half of 1996, demand in the main market area, Russia, picked up, particularly thanks to Western investors. In the Baltic countries the demand for investment services remained steady.

YIT International Operations' earnings improved significantly on the previous year, but they nevertheless were still in the red due to the contract for the concrete panel factory that was built in Sertolovo near St Petersburg. A FIM 51 million loss on the contract was charged to earnings for the report year.

FIM 37.5 million of compensation obtained on the basis of a court of arbitration decision concerning the contract for renovating the Hotel Metropol in Moscow was credited to earnings within the framework of a debt accommodation treaty between the governments of Finland and Russia.

Of YIT International Operations' business units, the St Petersburg-Baltic unit and Makrotalo building components posted good profits, and the result of the Moscow area and central Russia unit was also solidly in the black.

Operations were continued and expanded in cooperation with major local and Western customers. The cost structure was trimmed to be in line with the smaller volume of operations.

The priority area for development and training activities was in the development of customers' product applications and export applications of the YIT quality system as well as in firmly establishing the local units. The most important of the ancillary projects was development work connected with investment projects, which was undertaken together with the Coca-Cola company and will be a significant focus of resources during 1997.

Wide and multidisciplinary experience of project construction in the market area coupled with a good and diversified local and foreign clientele and strong and versatile special expertise create a solid foundation for the long-term development of YIT International Operations.

The agreed backlog and projects that are in the preparatory stage will pave the way for achieving a positive result and strengthening the division's market position in its area of operations - the markets of Russia and the Baltic countries - in 1997.

Mikko Rekola

Moscow area and Central Russia

The main customers included the state corporation Rosvooruzheniye, for whom refurbishment of the headquarters in the centre of Moscow was continued, and Coca-Cola Refreshments Moscow, for whom additional works were carried out on the company's soft drinks factory. A children's ice stadium was built for the Magnetogorsk metallurgy factory. Towards the end of the year an agreement was signed with Transneft's subsidiary Diascan concerning the renovation of the servicing and office centre in Lukhovitsyn.

During the report year, the unit strengthened and centralized its local functions in Moscow and continued the development work to place YIT's subsidiary ZAO Genstroi on a solid operational basis. The development of a site in the Moscow Oblast area into an industrial park was continued in cooperation with local partners.

In February 1997, YIT Corporation's Moscow representative office will move into new premises on Profsoyuznaya Street. The objective is to strengthen the unit's market position in 1997.

St Petersburg area and Baltic countries

The main customers in the St Petersburg area and the Baltic countries are Neste Corporation's local companies, for whom eleven service stations were built, and Cadbury Schweppes, whose chocolate factory was completed in Chudovo, in the Novgorod area, in November. In Latvia, building of the Cesis waste water treatment plant was continued. In the spring 1996, an agreement was signed with the Estonian water administration Eesti Veevärk concerning the building of the Kärdla and Käina water treatment plants in Hiidenmaa.

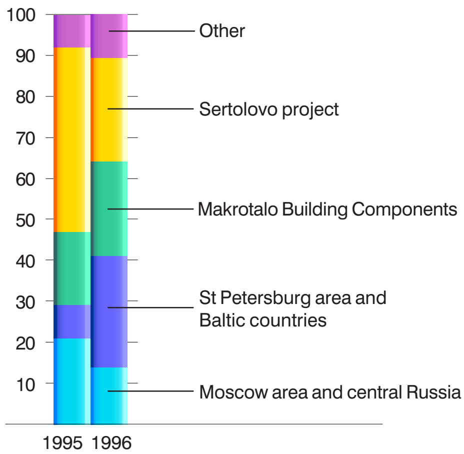
YIT International Operations' field of operations includes project exports and other operations in Russia, the other CIS countries and the Baltic countries.

Key indicators (FIM million)

	1996	1995	1994	1993	1992
Invoicing	**327**	595	604	287	133
Net sales	**324**	623	554	250	127
Operating profit	**- 9**	- 47	31	30	15
% of net sales	**-2.8**	-7.5	5.6	12.0	11.8
Orderbook at year-end	**132**	182	386	169	276
Average personnel	**948***	1,705*	510	345	344
Division's share of Group's net sales, %	6	16	17	8	3

* = Including foreign employees who primarily worked on a project-specific basis (an average of 779 people in 1996)

Breakdown of invoicing by business units (%)



The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

In 1997 efforts will be directed towards achieving the planned volume of operations and strengthening the marketing position by way of the subsidiaries ZAO YIT-Peter in St Petersburg, YIT Universaaliehituse AS in Tallinn, Estonia, YIT Latvija Sia in Riga, and YIT UAB in Vilnius, Lithuania.

MAKROTALO BUILDING COMPONENT EXPORTS

The most important project of Makrotalo Building Component Exports that went to Russia was the delivery of housing units and a store building to Surgutneftegaz in western Siberia. The subsidiary in Estonia, AS Matek, continued deliveries of terraced house precast panels to the Baltic countries, Germany and Poland as well as the manufacture of Makroflex joint insulation foam.

The most important prefabricated house panel delivery went to the SOS Children's Village in Latvia as a continuation of the prefabricated panel deliveries to the SOS Children's Villages in Estonia and Lithuania.

The market for Makroflex joint insulation foam grew significantly in Russia, the Baltic countries and Poland. The sales company ZAO Makroflex greatly boosted its volume of operations in Moscow. It offers its customers import services, sells products from its stocks and is building a distribution network consisting of repeat customers throughout Russia. The company also has an office in St Petersburg.

There is expected to be continued strong demand for Makroflex foam in 1997 as well. Production capacity will be increased substantially in the summer 1997.

ENERGY INDUSTRY AND ANCILLARY PROJECTS

In 1996 a water works was completed and delivered to Kulsary, Kazakhstan. The client was Tengizchevroil. In Megion in western Siberia, a renovation project was completed for Megionneftegaz. The department participated in the investment projects of western oil companies by supplying construction-related expert services.

The priority for marketing was the customer base of Russia's energy industry. During the report year, connections to western investors as well as Russian clients were further cultivated.

During 1997 energy legislation is expected to develop in a positive direction in Russia, though at the start of the year the time for starting projects that have been prepared was still unsettled. In the Caspian Sea area development moved ahead rapidly and concrete projects were about to get under way. The unit offers its expertise and services for various projects.

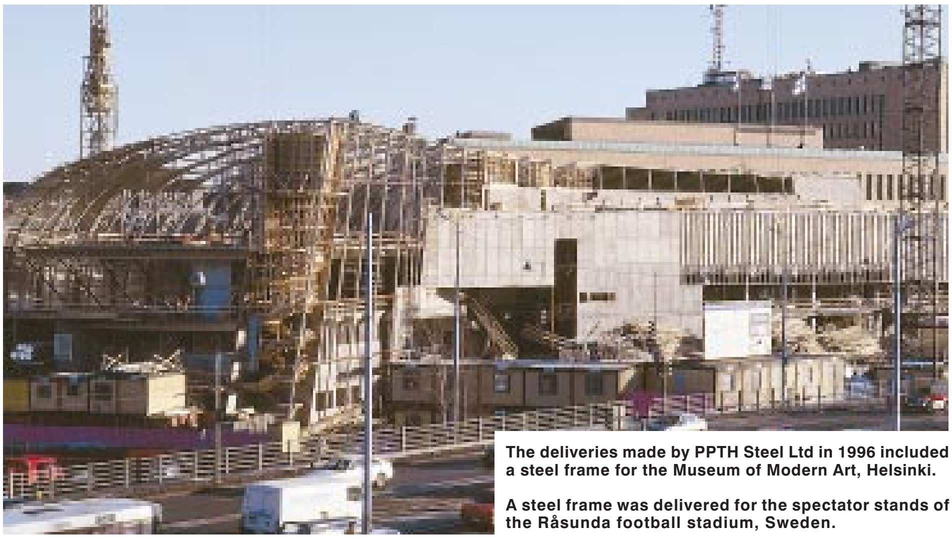
Uppermost picture: The engineering construction of the Sertolovo Concrete Panel Factory, some 550,000 cu.m. in volume, was completed in the autumn 1996. Sertolovo is located in the vicinity of St Petersburg, Russia.
Round picture: A Neste Corporation service station in St Petersburg, Russia.
Picture above: The contract for the Cadbury Schweppes' Chudovo Chocolate Factory near Novgorod comprised the factory's earthwork and foundations as well as interior and finishing works. Shown in the foreground is the factory's administration building. Russia.

SERTOLOVO CONCRETE PANEL FACTORY

During the year under review, the technical construction works for the Sertolovo concrete panel factory reached the stage when they are ready to be handed over to the client. In 1997 the financial final settlement for the project will be continued, including dealing with the additional claims presented to the client and performance of the obligations during the guarantee period.

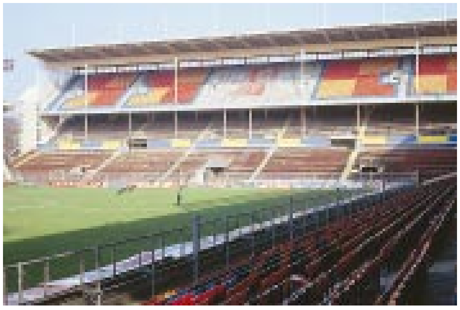
YIT STEEL CONSTRUCTION

YIT Steel Construction's field of operations comprises steel frames for buildings, steel-built intermediate and upper floors and wall structures, industrial steel constructions and steel structures for bridges.



The deliveries made by PPTH Steel Ltd in 1996 included a steel frame for the Museum of Modern Art, Helsinki.

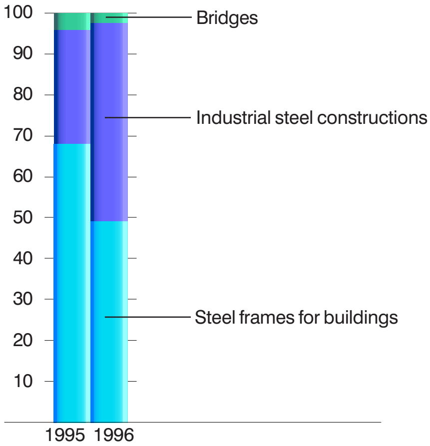
A steel frame was delivered for the spectator stands of the Råsunda football stadium, Sweden.



Key indicators (FIM million)

	1996	1995	1994	1993	1992
Invoicing	**287**	255	196	207	220
Net sales	**280**	253	196	239	270
- including international operations	**160**	141	95	150	108
Operating profit	**17**	13	3	8	13
% of net sales	**6.1**	5.1	1.5	3.3	4.8
Orderbook at year-end	**90**	83	91	62	57
Average personnel	**345**	315	328	348	413
Division's share of Group's net sales, %	**5**	6	6	8	8

Breakdown of invoicing by business units (%)



YIT Steel Construction's business operations are organized within the subsidiary PPTH Steel Ltd, in which YIT Corporation owns 60% of the shares and Rautaruukki 40%. The company is specialized in deliveries of loadbearing steel frames for buildings and industry, their ancillary structures and special constructions in Finland as well as mainly in the Nordic countries and elsewhere in the Baltic environment and it participates in project export deliveries farther afield as a subcontractor.

PPTH Steel Ltd's net sales rose by 30% on the previous year and totalled FIM 280 million. The profit before reserves and taxes was good and was achieved through cost-efficiency and solid know-how, particularly in carrying out projects.

The volume of deliveries grew both in Finland and in the major export sectors. Exports accounted for nearly 60% of all deliveries, as they did last year too. 17% of the deliveries went to Russia and the Baltic countries, 27% to Sweden and Norway, 13% to other export markets, mainly in the Far East, and 43% were delivered to customers in Finland.

Operations in Sweden concentrated on deliveries for industrial projects. In Norway, operations grew faster than the targets that had been set thanks to the extension to the aluminium factory of Norsk Hydro as well as to the deliveries of steel frames for the SAS airplane service hangar. The startup of exports of welded beams to the UK was an important bridgehead to new markets in the West.

Deliveries to Russia increased gratifyingly compared with the previous year, as did deliveries to the Baltic countries, thanks to the marketing unit that was set up in Tallinn at the beginning of the year.

The most important deliveries in Finland were the extensions to the Outokumpu stainless steel mill in Tornio, to the Nokia mobile phones factory in Salo and to the Botnia sports hall near Vaasa. Steel constructions were also delivered to new shopping centres in Vuosaari near Helsinki, Tampere and Turku. The building of the shopping centre in Lahti got started towards the end of the year. The deliveries of steel constructions for the paper mill in Rauma and the delivery of the steel frame for the modern art museum in Helsinki continued into 1997.

Deliveries of steel frames for power plants were completed in Kemi and Rauma in Finland, and in Mönsterås and Stockholm in Sweden. Towards the end of the year deliveries to power plant work sites were in progress at Vuosaari near Helsinki, Kirkniemi near Lohja, Nokia near Tampere and in Oulu.

Frame deliveries for three recovery boiler plants to Indonesia were made largely in the year under review. In addition, frames for diesel power plants were delivered to several sites in the Far East and in South America.

The accent in development activities is on product development and the introduction of progressive technology. The company participated actively in introducing the new EN 729 Euro Standard within the Finnish welding industry and in studies of the weldability of high strength steels and it was successful in applying in practice the research results it has achieved in the field of fire-resistant steel structures.

The backlog of orders strengthened during the year despite the modest demand on the domestic market. Of the year-end order book, more than 70% consists of orders for foreign customers. The net sales budgeted for 1997 are FIM 330 million. Growth will be sought both at home and in the export market.

Jouko Hookana

The currency exchange rate at 31.12.1996 was USD 1 = FIM 4.6439

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