

ANNUAL REPORT 1997



YIT

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ANNUAL GENERAL MEETING

The Annual General Meeting of YIT Corporation will be held on Monday, 9 March 1998 at 2 p.m. at YIT Corporation's head office, Panuntie 11, Helsinki, Finland.

ANNUAL REPORT 1997

This Annual Report is also available in Finnish and Swedish.

INTERIM REPORTS 1998

YIT Corporation will publish an interim report on its first four months of operations on 9 June 1998 and on eight months of operations on 7 October 1998. These reports will also be published in Finnish and in Swedish.

THE REPORTS

CAN BE ORDERED AT THE ADDRESS:

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P.O.Box 36, FIN-00621 HELSINKI
Phone +358 9 159 41, Fax +358 9 1594 3746*

The company's financial stock exchange information can also be viewed on the internet at the address: www.yit.fi

Cover pictures:

Nokia House, which YIT built on a project management basis, was completed in Espoo in February 1997.

YIT carried out the contract for the cooling water tunnel and rock cavern tank of Helsinki's Vuosaari B natural gas power station as well as the entire pipe deliveries for the combined cycle plant and also delivered the steel structures for the boiler plant.

Picture below: The Kärkistensalmi Bridge in Korpilahti is the latest of the large bridges which YIT has built in Finland in recent years.



CHAIRMAN'S REVIEW

1997 was a good year for the YIT Group. Our net sales grew by 7 per cent, thanks mainly to the pick-up in building construction. We achieved this increase in spite of the fact that we got out of the asphaltting business and had to face dwindling demand, as expected, in one of our main business areas – mechanical contracting services. Consolidated profit before extraordinary items rose to FIM 250 million from FIM 169 million and profit before reserves and taxes rose to FIM 306 million from FIM 165 million. The balance sheet strengthened and the equity ratio increased to 36.4 per cent from 26.7 per cent.

The objectives of the share issue we carried out in March 1997 were to support our growth strategy, raise the equity ratio, improve the liquidity of YIT's share and expand the ownership base. The 4.88 million shares that were offered for sale were subscribed in full. The successful share issue bolstered YIT's financial position and improved its resources for continuing its growth strategy.

All five of our main divisions posted a profit. Operating profit of the largest division, YIT Building Construction, declined to 5.3 per cent of net sales, from 6.3 per cent, largely because in state-subsidized housing production the price level approved by the authorities was not in line with the rise in the costs of production inputs. Beginning in the summer 1997 we began, to an increasing extent, to replace subsidized housing production with market-financed production since in this sector the conditions for housing starts began to improve at the same time. The division's earnings improved significantly in the last four months of the year.

Operating profit of our second largest division, YIT Huber, rose to 5.8 per cent of net sales, from 4.7 per cent. The division tightened up its operational structure in step with falling demand due to the downturn in capital spending within Finnish industry. Concurrently, increased inputs were made in the growth sectors in the field, notably in industrial maintenance and servicing in Finland and in Scandinavia.

YIT Civil Engineering generated operating profit of 3.7 per cent, as against 4.3 per cent in the previous year. The division's total earnings were improved by a gain of FIM 64 million – which was booked in extraordinary items in the consolidated accounts – on the sale of the asphaltting business at a favourable moment in the overall competition situation. The Civil Engineering Division's operations were profitable in all its sectors, except for earthwork, bridge and harbour construction in Sweden, despite keen competition. Increased inputs into export activities bore fruit in the water



and environmental services field, in which major new export agreements were concluded.

Operating profit of YIT International Operations, which focuses on the markets in Russia, the other CIS countries and the Baltic Rim, moved solidly into the black during the year under review and was 16.2 per cent of net sales. The operating profit includes a final credit to income of FIM 37.5 million from the compensation obtained for the renovation contract for the Hotel Metropol in Moscow. The division's presence in the St Petersburg and Northwest Russia market was strengthened by acquiring a majority interest in the St Petersburg construction company AOZT Lentek. The division's earnings potential was also increased when YIT gained full ownership of Urepol Oy, which manufactures and markets Makroflex

joint insulation foam.

YIT Steel Construction, which in practice is the subsidiary PPTH Steel Ltd, saw its operating profit rise to 7.1 per cent of net sales, from 6.1 per cent. The company's operations were geared to the export market, and its competitive stance was based on its own product solutions as well as on the efficiency and capacity of its three modern manufacturing units.

Over the past years, YIT Group has gone through a far-reaching structural renewal whose positive results have already shown up in many ways in our business operations and the results achieved during the past year. Our main challenges in 1998, apart from continuing profitable growth, are connected with developing our services and product quality. At the same time we will focus greater attention than before on the environmental impacts of our operations during project implementation.

The market outlook for 1998 continues to be favourable in YIT's main areas of operations. The Corporation's net sales are expected to grow further, now spurred by international operations and exports as well as by the quickening pace of building construction in Finland. Profit before extraordinary items is anticipated to increase on the previous year.

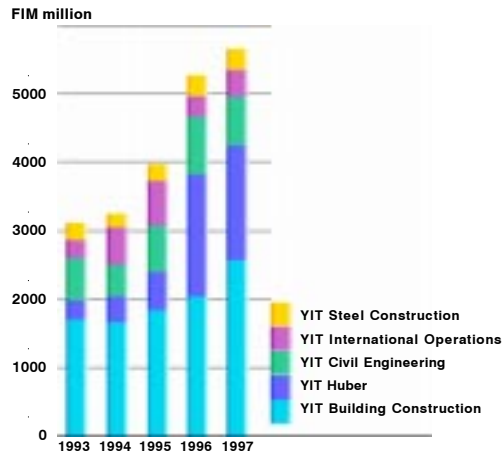
I am grateful to our customers, partners in cooperation and shareholders for the confidence they have shown in our company during the past year. It has been fundamentally important in supporting the good performance of our skilled and fully committed personnel, to all of whom I wish to express my best thanks.

Raimo Harjula

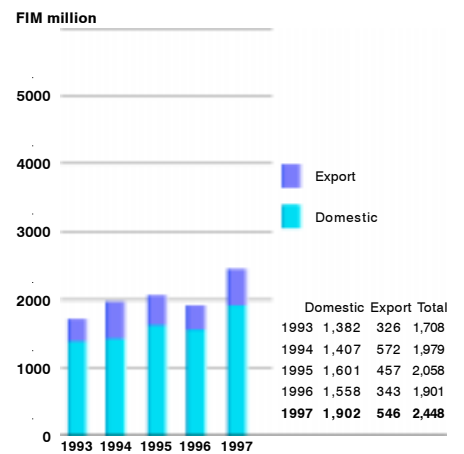
KEY FACTS

(FIM million)	1997	1996
Net sales	5,597	5,210
- share of international business	1,017	936
Invoicing	5,585	5,128
Fixed costs	414	390
Operating profit before depreciation	416	345
Depreciation according to plan	102	94
Operating profit	314	251
Net financial expenses	64	81
Profit before extraordinary items, reserves and taxes	250	169
Extraordinary income and expenses	56	- 4
Profit before reserves and taxes	306	165
Balance sheet total	3,825	3,466
Interest-bearing liabilities	1,130	1,481
Interest-bearing net debts	1,012	1,370
Minority interest	54	42
Shareholders' equity	1,201	535
Voluntary reserves and accumulated depreciation difference	49	292
Gearing ratio, %	78	158
Return on investment, %	14	11
Return on equity, %	14	17
Equity per share, FIM	42.59	33.83
Earnings per share, FIM	4.68	5.09
Share price at year-end, FIM	61.50	53.90
Average personnel	6,531	7,184

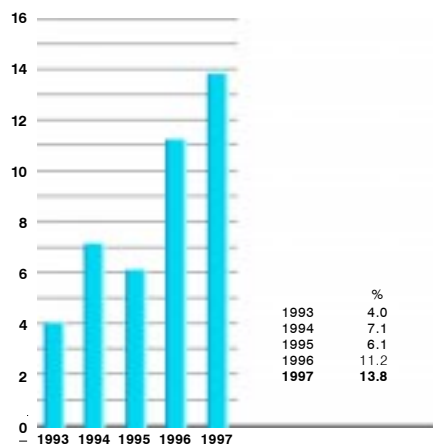
TREND IN NET SALES BY DIVISION



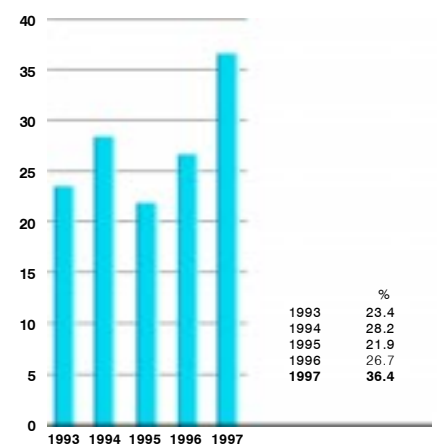
BACKLOG OF WORK AT YEAR-END



RETURN ON INVESTMENT



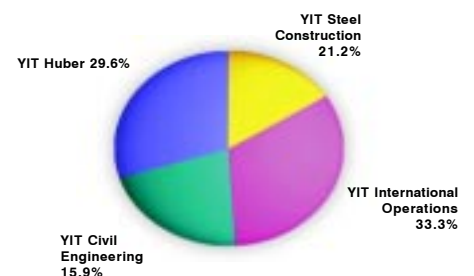
EQUITY RATIO



DISTRIBUTION OF NET SALES IN 1997



DISTRIBUTION OF OVERSEAS NET SALES IN 1997



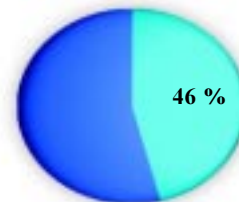
Overseas net sales represented 18.2% of the Group's aggregate net sales.

YIT'S DIVISIONS

• YIT BUILDING CONSTRUCTION

YIT Building Construction's field of operations comprises building construction and the property business in Finland. The forms of construction are residential construction as well as industrial, commercial and office construction and renovations using various forms of contract and implementation. The service also covers design control, the purchase of plots and other services to the extent specified by the client. Measured in terms of net sales, YIT Building Construction is the leading contractor for residential, office and industrial facilities in Finland.

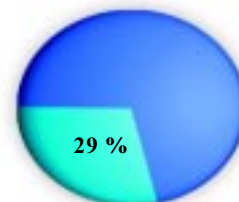
Net sales: FIM 2,591 million
Personnel at year-end: 1,718 people
Housing units completed: 2,628



• YITHUBER

YIT Huber's field of operations includes mechanical contracting for industry and related engineering fabrication, maintenance and servicing for industry, new building, renovation and servicing works connected with heating, plumbing and ventilation services, fire-fighting alarm and extinguishing systems, surface treatment works as well as testing and inspection services. Outside Finland, the division has subsidiaries in Sweden, Norway, Russia and Estonia. YIT Huber is the market leader in Finland in mechanical contracting for industry.

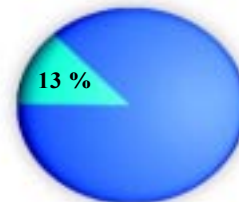
Net sales: FIM 1,645 million
- including international business, FIM 302 million
Personnel at year-end: 3,188 people



• YIT CIVIL ENGINEERING

YIT Civil Engineering's field of operations comprises earthwork, municipal engineering and maintenance works, bridge, foundation, tunnelling and harbour construction as well as water and environmental services for municipalities and industry. In Sweden the division has subsidiaries specializing in earthwork, bridge and harbour construction and environmental technology and it also has locations specializing in environmental technology in a number of countries. In net sales terms, YIT Civil Engineering is Finland's largest civil engineering contractor. It is internationally renowned for its water and environmental technology and equipment, which have been delivered to dozens of countries in different parts of the world.

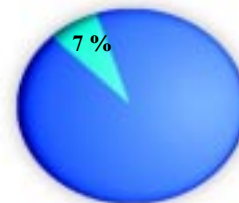
Net sales: FIM 735 million
- including international business, FIM 163 million
Personnel at year-end: 748 people



• YIT INTERNATIONAL OPERATIONS

YIT International Operations' field of activities covers deliveries and services connected with the implementation of construction, infrastructure and industrial projects in Russia, the other CIS countries and the Baltic countries. In Russia the division has subsidiaries and representative offices in Moscow and St Petersburg as well as subsidiaries in all the Baltic countries. The division's factories that manufacture Makroflex joint insulation foam and insulation products are located in Hausjärvi, Finland and Pärnu, Estonia.

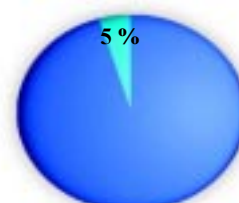
Net sales: FIM 375 million
Personnel at year-end: 859 people



• 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 works 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 313 million
- including international business, FIM 217 million
Personnel at year-end: 350 people



Share of Group net sales, %

INFORMATION ON SHARES

Per-share key figures	1997	1996	1995	1994	1993
Earnings/share (EPS), FIM	4.68	5.09	0.10	1.72	-2.12
Earnings/share (EPS), FIM *)	7.31	5.21	-0.28	1.87	-0.27
Dividend/share, FIM	2.00**)	1.50	0.50	0	0
Equity/share, FIM	42.59	33.83	29.31	28.69	27.26
Equity/share, FIM *)	41.96	30.07	25.56	25.89	23.41
Dividend/profit, %	42.7	29.5	500.0		
Dividend/profit, % *)	27.4	28.8	neg.		
Effective dividend yield, %	3.3	2.8	1.6		
P/E multiple	13.1	10.6	310.0	26.7	neg.
P/E multiple *)	8.4	10.3	neg.	24.6	neg.
Issue-adjusted number of shares, 1,000					
at end of year	29,303	24,423	24,423	24,419	19,965
average	28,042	24,423	24,421	22,192	19,965
Market capitalization at end of year, FIM million	1,802.1	1,316.4	757.1	1,123.3	339.4
Share price, FIM					
at end of year	61.50	53.90	31.00	46.00	17.00
average	65.74	47.75	38.28	49.22	17.88
high	72.50	59.00	53.00	55.00	18.50
low	55.00	26.00	28.00	23.50	17.00
Share turnover					
FIM million	1,052.2	416.6	90.3	128.3	0.2
1,000 shares	16,006	8,726	2,360	2,619	11
turnover as % of shares outstanding	57.1	35.7	9.7	11.8	0.1

*) Taking into account imputed deferred taxes and the minority interest share of reserves and depreciation difference.
 **) Board of Directors' proposal.
 The profit before extraordinary items less imputed taxes of 28 % yields an earnings per share figure of FIM 5.78 (4.55).

**Share price trend,
August 1996 - December 1997**



Monthly share turnover, August 1996 - December 1997
(1,000 shares)



The annual turnover of YIT Corporation's share in 1997 was a total of FIM 1,052,242,544 and 16,006,033 shares.

Distribution by groups of shareholders on 31 December 1997 according to the book-entry securities register

	Shareholders number	%	Number of shares and voting rights	%
Corporations	317	9.37	5,618,547	19.18
Financial and insurance-institutions	71	2.02	18,145,618	61.93
Public sector entities	36	1.07	2,225,185	7.59
Non-profit institutions	116	3.45	1,169,885	3.99
Households and private persons	2,805	83.41	2,101,893	7.17
Foreign owners	23	0.68	37,558	0.13
	3,368	100.00	29,298,686	99.99
On the waiting list			296	0.00
On the grand total account			3,680	0.01
Number of shares issued			29,302,662	100.00
Nominee-registered	5		5,563,256	18.99

Principal shareholders on 31 December 1997

		Number of shares	Percentage of equity and voting rights
Tapiola Group	1)	5,310,500	18.12
Pohjola Group	2)	4,091,740	13.96
Rautaruukki Oy		4,012,000	13.69
OKOBANK Consolidated	3)	1,562,060	5.33
Local Government Pension Fund		750,000	2.56
Sampo Group	4)	626,000	2.14
LEL Employment Pension Fund		334,800	1.14
Brotherus, Ilkka		305,400	1.04
YIT Corporation Pension Fund		282,215	0.96
Metsäliitto Cooperative Society		257,600	0.88
Nominee-registered		5,563,256	18.99
Other shareholders, total		6,207,091	21.19

- 1) Tapiola General Mutual Insurance Company and Tapiola Mutual Life Assurance Company
- 2) Pohjola Insurance Company Ltd, Suomi Mutual Life Assurance Company, Pension Insurance Company Ilmarinen and Pohjola Life Assurance Company
- 3) OKOBANK, The Pension Foundation of the Finnish Cooperative Banks and the Pension Fund of the Finnish Cooperative Banks
- 4) Henki-Sampo Insurance Company Ltd, Yrittäjä-Sampo Insurance Company Ltd, Kaleva Mutual Insurance Company Ltd and Sampo Insurance Company Ltd



SCA Mönsterås, recovery boiler, Sweden.

Distribution of shareholdings on 31 December 1997

	Numbers of shareholders		Numbers of shares	
	No.	%	No.	%
1- 100	858	25.48	49,925	0.17
101- 1,000	1,866	55.40	819,115	2.80
1,001- 10,000	519	15.41	1,503,324	5.13
10,001- 100,000	99	2.94	3,078,051	10.50
100,001- 1,000,000	20	0.59	5,289,055	18.05
1,000,001-	6	0.18	18,559,216	63.34
	3,368	100.00	29,298,686	99.99
On the waiting list			296	0.00
On the grand total account			3,680	0.01
Number of shares issued			29,302,662	100.00

Increases in share capital on the basis of share issues, and issues of convertible bonds and bonds with warrants 1993 - 1997

Type of increase	Subscription time	Subscription price FIM	Number of new shares	Increase in share capital, FIM	New share capital FIM
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
Share issue	17 - 26 March 1997*****		4,880,000	48,800,000	293,026,620

* = to six principal shareholders of YIT Kiinteistöt Oy

** = to the other shareholders of YIT Kiinteistöt Oy

*** = to the shareholders of YIT Kiinteistöt as compensation for the merger with the parent company

**** = one share of YIT Corporation for three shares of YIT Kiinteistöt Oy

***** = 4,080,000 shares to institutional shareholders, and 700,000 shares to retail investors at a subscription price of FIM 61.00 per share, and 100,000 shares to the Group's personnel at a subscription price of FIM 56.00 per share.

YIT issues of bonds with warrants 1993 - 1997

Warrant bond issue	Remaining loan issue (original) amount FIM million	Maturity, years	Interest %	Dept securities No.	Shares/ Equity warrants	Subscription price of shares FIM	Share capital FIM million	Subscription time	Last day for share subscription
1 Nov.1994	0.583	5	7.0	583	1,000	52.00	5.83	1 Sept.98- 1 Nov.99	1 Nov.1999

The subscription price of the issues of bonds with warrants was the nominal value. The bonds have a nominal 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. On the basis of the issue of bonds with warrants, 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 2.0% of the company's voting rights as calculated on the share capital at the end of the report year.

KEY FIGURES FOR GROUP TRENDS 1993 - 1997

INCOME STATEMENTS (FIM million)	1997	1996	1995	1994	1993
Net sales	5,597	5,210	3,924	3,244	3,084
Operating margin	830	735	412	342	226
% of net sales	14.8	14.1	10.5	10.5	7.3
Fixed costs	414	390	236	194	173
Operating profit before depreciation	416	345	176	148	53
% of net sales	7.4	6.6	4.5	4.6	1.7
Depreciation according to plan	102	94	63	50	51
Operating profit	314	251	113	98	2
% of net sales	5.6	4.8	2.9	3.0	0.1
Net financing expenses	64	81	100	43	35
Result before extraordinary items, reserves and taxes	250	169	13	55	-33
% of net sales	4.5	3.2	0.3	1.7	-1.1
Extraordinary income and expenses	56	-4	-1	-36	-66
Result before reserves and taxes	306	165	12	19	-99
% of net sales	5.5	3.2	0.3	0.6	-3.2
BALANCE SHEETS (FIM million)					
Assets					
Fixed assets	623	733	795	1,081	915
Valuation items	7	12	28	29	33
Stocks	1,293	1,078	1,192	944	1,534
Financial assets	1,902	1,643	1,710	1,019	1,112
Liabilities					
Share capital	293	244	244	244	200
Other shareholders' equity	908	290	177	176	56
Minority interest	54	42	38	84	63
Accumulated depreciation difference	48	48	39	26	32
Voluntary reserves	1	244	256	254	256
Obligatory reserves	25	25	50	41	
Non-current creditors					
Interest-bearing	719	990	1,097	931	780
Non-interest-bearing	29	26	41	29	33
Current creditors					
Interest-bearing	411	491	654	419	730
Advances received	245	220	277	287	995
Other non-interest-bearing	1,092	846	852	582	449
Balance sheet total	3,825	3,466	3,725	3,073	3,594
FINANCIAL RATIOS					
Return on investment, %	13.8	11.2	6.1	7.1	4.0
Return on investment, % *)	14.4	11.6	5.9	7.6	4.2
Return on equity, %	13.7	16.6	0.6	5.7	neg.
Return on equity, % *)	21.7	19.0	neg.	1.3	neg.
Equity ratio, %	36.4	26.7	21.9	28.2	23.4
Equity ratio, % *)	36.0	24.0	19.3	25.7	20.4
Quick ratio	1.3	1.2	1.1	1.0	1.0
Gearing ratio, %	77.6	157.8	208.3	151.5	186.5
Gearing ratio, % *)	78.4	175.9	237.1	166.0	213.5
Invoicing, FIM million					
YIT Building Construction	2,251	1,804	1,640	1,589	1,374
YIT Civil Engineering	722	836	644	507	477
YIT Huber	1,630	1,706	562	343	269
YIT Steel Construction	315	287	255	196	207
YIT International Operations	374	327	595	604	287
Sales of company-built condominium shares	360	226	250	109	133
Other and intercompany invoicing	-67	-58	-46	2	
Total invoicing, FIM million	5,585	5,128	3,900	3,350	2,747
of which export invoicing					
of all divisions totalled	1,025	926	845	804	515
Personnel as of December 31	7,116	6,421	7,655	4,225	3,968
Backlog of orders at year-end, FIM million	2,448	1,901	2,058	1,979	1,708
Gross capital expenditures on fixed assets, FIM million	136	92	108	41	23
% of net sales	2.4	1.8	2.8	1.3	0.7

The figures for 1994-97 are based on Finland's new Accounting Act; the year 1993 has not been revised.

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

ADMINISTRATIVE BODIES

SUPERVISORY BOARD

Asmo Kalpala (47), M.Sc.(Econ.), Chairman of the Supervisory Board of YIT Corporation and its member since 1990, Chairman of the boards and CEO of the Tapiola Group, term of office ending in 1999, owns 6,000 YIT shares.

Mikko Kivimäki (59), LL.M., Vice Chairman of the Supervisory Board of YIT Corporation since 1996 and its member since 1990, Chairman of the Board and managing director of Rautaruukki Oy, term of office ending in 2000.

Antti Tanskanen (51), D.Sc.(Econ.), member of the Supervisory Board of YIT Corporation since 1996, CEO of the OKOBANK Group, chairman of the Executive Boards of the OKOBANK Group Central Cooperative and OKOBANK Osuuspankkien Keskuspankki Oy, term of office ending in 1998.

E.J. Toivanen (70), LL.M., member of the Supervisory Board of YIT Corporation since 1994, chairman of the Board of Onvest Oy and



From the left: Asmo Kalpala, E.J.Toivanen, Antti Tanskanen, Iiro Viinainen and Mikko Kivimäki.

Onninen Oy, chairman of the Board of Tamro Oyj, term of office ending in 1998, owns 59,500 YIT shares.

Iiro Viinainen (53), M.Sc.(Eng.), member of the Supervisory Board of YIT Corporation since 1996, CEO of the Pohjola Group, Vice Chairman of the Board of Nokia Corporation, Vice Chairman of the Board of UPM-Kymmene Corporation, Vice Chairman of the Supervisory Board of Huhtamäki Oy, term of office ending in 1999.

The task of the Supervisory Board is to oversee the company's administration under the stewardship of its Board of Directors and

President, to advise the Board of Directors in far-reaching matters that are important in principle, to select the members of the Board of Directors and determine their remuneration, to appoint a president for the company and decide on his salary and compensation, to convene meetings of shareholders and to put before the Annual General Meeting its statement on the annual accounts and the auditors' report as well as to take decisions in a matter that concerns a major contraction or expansion of the company's operations or an essential change in the company's organization.

The Supervisory Board, acting as the Supervisory Board of YIT Corporation, oversees the operations of the entire Group in the same way as it oversees the parent company's operations. The Supervisory Board comprises 5 to 9 members who are elected by the Annual General Meeting for a three-year term of office such that each year an average of one third of the members are due to resign.

BOARD OF DIRECTORS

Reino Hanhinen (54), M.Sc.(Eng.), Chairman of the Board of YIT Corporation since 1989, and member since 1987, term of office ends in 2000, the company's president since 1987, with the Corporation since 1968, owns 9,092 YIT shares.

Esko Mäkelä (54), M.Sc.(Eng.), MBA, Vice Chairman of the Board of YIT Corporation since 1989 and member since 1988, term of office ends in 2000, the company's executive vice president since 1987, with the company since 1965, in charge of YIT Corporation's administration and finance matters, owns 6,050 YIT shares.

The following YIT senior vice presidents who head the divisions are members of the Board of Directors:

Matti Haapala (50), M.Sc.(Eng.), M.Sc.(Econ.), head of YIT Building Construction, member of the Board since 1993, term of office ending in 1998, with the company since 1970.



From the left: Raimo Lahtinen, Esko Mäkelä, Jouko Ketola, Reino Hanhinen, Pentti Hannonen, Mikko Rekola and Matti Haapala.

Pentti Hannonen (56), M.Sc.(Eng.), head of YIT Civil Engineering, member of the Board since 1996, term of office ending in 1999, with the Corporation since 1968, owns 2,966 YIT shares.

Jouko Ketola (52), M.Sc.(Eng.), head of YIT Huber, member of the Board since 1996, term of office ending in 1999, with the Corporation since 1986.

Raimo Lahtinen (51), M.Sc.(Eng.), in charge of Group strategic planning and YIT Steel Construction, member of the Board since 1996, term of office ending in 1998, with the Corporation since 1969.

Mikko Rekola (52), M.Sc.(Eng.), head of YIT International Operations, member of the Board since 1996, term of office ending in 1998, with the Corporation since 1970, owns 1,542 YIT shares.

The Supervisory Board elects 5 to 7 members to the Board of Directors for a three-year term of office such that each year on average one third of the members are due to resign.

AUDITORS

Pekka Nikula (53), M.Sc.(Econ.), Authorized Public Accountant, auditor since 1994, deputy auditor during the years 1988-1993.

Hannu Nülekselä (46), M.Sc.(Econ.), Authorized Public Accountant, auditor since 1994.

The deputy auditor is SVH Coopers & Lybrand Oy, APA firm.

REPORT OF THE BOARD OF DIRECTORS 1 JAN. - 31 DEC. 1997

NET SALES AND PROFIT

YIT Group's net sales in 1997 amounted to FIM 5,597 million (FIM 5,210 million in 1996). The figure includes FIM 360 million (226) from the sale of shares in buildings constructed on a developer basis. Operations abroad accounted for FIM 1,017 million (936) of net sales, or 18% (18).

The Group's operating profit before depreciation was FIM 416 million (345) or 7.4% (6.6) of net sales. Operating profit was FIM 314 million (251) and profit before reserves and taxes was FIM 306 million (165). Projects have been booked in the income statement on the basis of the degree of completion.

Consolidated net profit was burdened by a total of FIM 15 million consisting of a write-down on goodwill due to the discharge of transitional reserves as well as the costs of arranging the share issue in the spring of 1997. The FIM 405 million (127) net profit for the financial year was increased by the discharge of voluntary reserves due to a change in the legislation. At the close of the 1996 financial year, these transitional reserves totalled FIM 244 million and the imputed tax liability for them was FIM 68 million. In addition, a gain of FIM 64 million on the sale of the asphaltting business was booked to extraordinary items in the consolidated accounts.

All of YIT Corporation's divisions posted a profit. The operating profit of YIT Building Construction was FIM 138 million (130), YIT Huber's was FIM 95 million (83), YIT Civil Engineering's was FIM 27 million (36), YIT Steel Construction's was FIM 22 million (17) and YIT International Operations had operating profit of FIM 61 million (-9). The last-mentioned figure includes a final credit to income of FIM 37.5 million from the compensation obtained from the Hotel Metropol renovation and restoration contract in Moscow. The result of YIT Building Construction was burdened by a total of FIM 32 million of losses on the sale of plots of land that were exchanged for plots that can be better exploited in the years ahead.

The return on investment was 14% (11%) and the equity ratio was 36% (27%). The Group's fixed costs totalled FIM 414 million (390). Depreciation according to plan totalled FIM 102 million (94).

FINANCING

The amount of interest-bearing liabilities at the end of the financial year was FIM 1,130 million (1,481), of which FIM 24 million (23) was de-

nominated in foreign currency. Net financial expenses totalled FIM 64 million (81), or 1.1% (1.6) of net sales. Liquid assets at the close of the year totalled FIM 120 million (111).

CAPITAL EXPENDITURES

Gross capital expenditures on fixed assets totalled FIM 136 million (92), of which investments in information technology amounted to FIM 26 million (23), investments in construction equipment FIM 41 million (39), production investments FIM 26 million (10) and other investments in fixed assets FIM 43 million (20).

BACKLOG OF ORDERS

YIT Corporation's backlog of orders – i.e., the value of work not recognized as income – stood at FIM 2,448 million (1,901) at the end of 1997, of which 22% (18) represented the orderbook outside Finland. With the increase in the share of invoicing by the servicing and maintenance business, and because the average duration of projects is shortening, the ratio of the entire order backlog to the total value of the Corporation's production has declined in recent years.

A total of 2,628 (2,352) housing units was completed, of which 2,314 (2,197) represented publicly supported National Housing Board-financed and interest-subsidized production and 314 (155) were built on a developer basis. In 1997, construction work on 2,943 residential units (2,462) was started, of which 740 (148) represented developer construction. At the close of the year, a total of 2,094 (1,722) residential units were under construction, 574 (148) of which were developer construction.

CHANGES IN THE GROUP STRUCTURE

YIT got out of the asphaltting business when it sold off its subsidiary Valtatie Oy to Danish asphaltting contractors on 11 March 1997.

In June it was decided to divide Urepol Oy, which was owned on a fifty-fifty basis by YIT Corporation and Huurre Group Oy, between the owners. Urepol Oy, whose field of business is the manufacture and marketing of Makroflex joint insulation foam and polyurethane insulation panels, was transferred in its entirety to the ownership of YIT Corporation. In carrying out the split-up, the sandwich wall panel manufacturing equipment and pro-

duction were transferred to Huurre Group Oy. Also in June, the subsidiary Huber Servitek Oy acquired Oy PH Pundars Ab, which is engaged in HVAC contracting and renovations in the Vaasa economic area.

In October the subsidiary YIT Service Ltd decided to team up with Oy Metsä-Botnia Ab to establish Oy Botnia Mill Service Ab, which took over the bulk of the maintenance work at Metsä-Botnia's Kemi mills. The company, in which YIT Corporation has a 40% stake and Metsä-Botnia 60%, began operations at the beginning of December and it will seek to take on maintenance assignments from other industrial clients. YIT bears responsibility for the company's operation.

In November YIT Corporation purchased 88% of the shares outstanding in AOZT Lentek, a construction company which operates in the St Petersburg area and Northwest Russia. The remaining shares are divided between the city of St Petersburg and the company's local management. The company was founded in 1987 and its field of operations is building and industrial construction as well as renovations.

In December the subsidiary YIT Power Ltd purchased from Aalborg Industries Oy the company's Rauma-based business unit that fabricates piping and pipe modules primarily for the shipyard industry. The purpose of the deal was to strengthen YIT's engineering operations so that they are better able to meet the needs of the shipyard, offshore and power industries. Also in December a real-estate arrangement was carried out, part of which involved the acquisition by YIT Corporation of Exofennica Oy, a real-estate and development company that owns most of the so-called Tampella area in the centre of Tampere. YIT's holding in the company up to this time was 49% and Sponda Oy with its subsidiaries owned 51%.

In 1997 the subsidiaries Oy Huber Ab and YIT-MNS Projektit Oy were merged with the Corporation's parent company. Oy PH Pundars Ab was merged with Huber Servitek Oy. Of the subsidiaries in Sweden, Huber Industri Ab and Bengtssons Rör Industri i Vargön BR AB were wound up. Projektrör AB and Huber Svenska AB were merged, after which they will continue their operations under the name YIT Projektrör AB. During the report year, winding up of the operations of the subsidiaries Oy Huber Consulting Ab and Mariehamns Huber Ab was set in motion. Norstep Oy's name was changed to YIT Service Ltd and Power Piping Oy's name to YIT Power Ltd.

SHARES AND SHAREHOLDERS

In YIT Corporation's share issue that was carried out in March 1997, the authorization, given by the Annual General Meeting on 10 March 1997 for a period of one year, to issue FIM 48.8 million new shares was exercised to the full extent. Finnish and international institutional investors subscribed 4,080,000 shares, retail investors in Finland 700,000 shares and the Corporation's personnel 100,000 shares.

The share capital of YIT Corporation stood at FIM 244,226,620 at the beginning of the year and FIM 293,026,620 at the end. The nominal value of the share, which was listed on the Helsinki Stock Exchange, was FIM 10. The number of registered shareholders at the beginning of the year was 1,716 and at the end of the year 3,368. According to the figures for nominee registrations, foreigners' holdings in the company were 3.5% at the beginning of the year and 19.0% at the end.

Full-year share turnover was FIM 1,052 million (417), with 16,006,033 shares being traded (8,725,866). The holdings of the Tapiola Group and Rautaruukki Oy fell below one-fifth of the shares outstanding during the financial year.

The dividend paid for the 1996 financial year was FIM 1.50 per share, or a total of FIM 36.6 million. At the close of 1997 the company's Board of Directors did not have an authorization to carry out a share issue or issue of convertible bonds or bonds with warrants.

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 1997. Each one thousand mark bond certificate carries a warrant to subscribe 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 2.0% proportion of the shares and voting rights. The loan is due on 1 November 1999.

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 85,150 shares, or 0.29% of the company's shares and voting rights, on 31 December 1997. Their ownership proportion of the issue of bonds with warrants floated in 1994 was FIM 105,000, or 18.0%. In the



The renovated facilities of the Hotel Fisherman's Cottage in Helsinki.

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 0.6%.

It is the objective of YIT Corporation to distribute to the company's owners, after taxes and minority interests, an average of 20 to 40 per cent of the annual profits in the form of dividends.

ADMINISTRATION

At the Annual General Meeting held on 10 March 1997, Mikko Kivimäki, who was due to resign from the Supervisory Board, was re-elected to his seat on the board. Jouko Tuunainen, who was due to resign, left the Supervisory Board. On 24 March 1997 the Supervisory Board re-elected Asmo Kalpala as its chairman and Mikko Kivimäki as its vice chairman. At the same meeting the Supervisory Board re-elected to the Board of Directors President Reino Hanhinen and Executive Vice President Esko Mäkelä, who were due to resign.

The members of YIT Corporation's Board of Directors during 1997 were President Reino Hanhinen, chairman, Executive Vice President Esko Mäkelä, vice chairman, the regular members being the vice presidents of the company's divisions, Matti Haapala, Pentti Hannonen, Jouko Ketola, Raimo Lahtinen and Mikko Rekola.

PERSONNEL

In 1997 the Group employed an average of 6,531 people (7,184). At the end of 1997, the payroll was 7,116 employees (6,421). The figures include the personnel of units abroad as well as the relevant shares of the personnel employed by joint ventures. The parent company employed an average of 2,945 (4,162) people during the financial year.

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

Development of the personnel continued ahead actively at both the corporation-wide level and within the framework of the divisional development programmes.

Comprehensive health care services are provided for the personnel. Activities that maintain occupational fitness and increase the personnel's

well-being were given greater scope and were coordinated by the Development and Cooperation Group. Occupational safety was promoted by means of increased training and through safety competitions and campaigns.

Development at the workplace level has been monitored each year by means of a development-stage survey of the personnel. The results of the survey are used in planning development activities as well as for other purposes.

SALARIES, WAGES AND EMOLUMENTS

Salaries, wages and emoluments paid by the Group totalled FIM 989 million (952), of which amount the salaries and emoluments paid to the boards, the presidents and the executive vice presidents totalled FIM 13.1 million (13.9), with bonuses amounting to FIM 1.7 million (0.8). The parent company paid salaries, wages and emoluments totalling FIM 429 million (465). The share of this amount paid to the Supervisory Board was FIM 0.2 million (0.2) and the share paid to the Board of Directors, the president and the executive vice president was FIM 5.9 million (5.2), of which bonuses accounted for FIM 1.1 million (0.5). The figures include the shares of joint ventures and salaries and wages paid to foreigners.

The Group's management, permanent salaried employees and salaried employees at sites are covered by bonus systems that have been approved by the Supervisory Board. The members of the Board of Directors are covered by the management bonus system. The size of the bonuses paid depends on the financial results attained by the corporation as a whole, the division and individual unit itself as well as on the employee's personal performance in achieving key results.

The Oy Huber Ab Pension Fund was dissolved on 30 September 1997 in accordance

with an agreement made with Tapiola Corporate Life Insurance Company. The pension fund covers 80 pension beneficiaries and 13 active employees.

DEVELOPMENT

The focus of development activities within the entire Group was on strengthening the ability to produce quality and on developing a customer-oriented service culture among the employees.

On 30 October 1997 YIT Civil Engineering was granted an SFS-EN ISO 9001 quality assurance certificate covering the division's entire construction operations, process, equipment and plant design, deliveries of equipment and plants as well as the division's administration. The certificate also covers the quality system and operations of the Swedish subsidiary YIT Bygg AB.

The ISO 9001 quality certificate that covers the domestic building construction operations of YIT Building Construction was granted to the division's units already in February 1996. In 1997 the division concentrated on ensuring procedures in accordance with the quality system and on further developing them. Development of the division's information systems was continued, notably in the form of joint projects with the construction companies of EU countries.

The priority for YIT Huber's development activities was customer service, teamwork and leadership training with the objective of identifying and further enhancing the core processes of customer service. The process aiming at gaining certification of YIT Huber's quality systems was continued in its main sectors of operations. Preparation of the environmental programme progressed as part of the development work on quality systems.

Development activities within YIT Steel Construction aimed at improving its customer service ability and operational quality as well as on shortening the throughput times of deliveries through means such as increasing the degree of automation of product processes and by building a network of contract suppliers.

The central development project for YIT International Operations was the elaboration of special methods and procedures to produce fast and reliable information on the different design alternatives – including their cost implications – which can be used in investment projects abroad.

Towards the end of 1996 the Corporation launched the wide-ranging TH 2000 project which aims to upgrade the accounting and information systems of the Group's financial administration, along with management information tools, by the start of the 2000 decade. The objective is to meet the challenges brought by increasing information needs, the approach of the new millennium and the introduction of the common Euro currency. Running in paral-



The LUMI 7 paper machine project for Enso Fine Papers in Oulu, Finland, comprised extensive piping, tank, steel construction and concreting contracts that were carried out by YIT.

el with the development project is an overhaul of the Group's information technology systems, hardware and software.

EVENTS SINCE THE END OF 1997

In January 1998, YIT Corporation signed a memorandum of intent concerning the acquisition of the Norwegian company Mongstad Industrier A/S, which operates mainly in the Bergen area in Norway and is specialized in mechanical contracting and maintenance for oil and petrochemical plants and facilities, with the aim of strengthening YIT Huber's foothold in the Norwegian market for oil and petrochemical contracting.

OUTLOOK FOR 1998

According to the business cycle forecast published by the Research Institute of the Finnish Economy in December 1997, the international economy and trade are expected to grow further in 1998, increasing Finland's industrial output and exports. The institute estimates that GDP will grow by 4% in Finland, slowing down slightly but still strong.

The Research Institute of the Finnish Economy estimates that the growth in total capital spending in 1998 will fall by half in Finland, to about 5%. It expects investments in machinery and equipment, which grew by 5% in 1997, to remain at the previous year's level in 1998, since capital spending by the paper industry is contracting strongly. The rising trend in production-boosting renovation and replacement investments is nevertheless expected to continue in most branches of industry.

The growth in construction investments is expected to continue somewhat more slowly in 1998 than it did in the previous year. VTT Building Technology, a division of the Technical Research Centre of Finland, anticipates that total investments in new building will grow by 8-10%.

The company estimates that the demand for market-financed apartments and terraced houses will strengthen and that the number of housing starts will probably rise by a third in 1998 to about 6,000 housing units. Since the construction of market-financed single-family homes is also picking up, it is estimated that housing starts will total more than 31,000 units,

which is on a par with the previous year in spite of the clear reduction in state-subsidized housing.

As the company sees it, the outlook for the property business will improve further in 1998 in the Greater Helsinki area and in other regional growth centres. Demand for office and commercial premises and their rental level are strengthening in the growth centres as Finnish exports continue to enjoy strong demand and as consumer spending grows in the domestic market.

In the Corporation's international operations market, YIT expects industrial capital spending to grow slightly in Sweden in 1998, and there are also signs of quickening activity in the area of building construction investments, though infrastructure investments are contracting further. In Norway growth is expected to slow down, and of the main areas of operations, only the energy sector will continue to invest heavily. In the Baltic countries, construction investments are swinging to growth as the positive economic trend gains momentum in Latvia and Lithuania. In Estonia, however, measures aiming at bringing the economy back into balance are expected to slow down the growth in construction investments.

In Russia investments are expected to increase in 1998 in the sectors of interest to YIT Corporation. The main priority for foreign investments continues to be in the consumer goods and food-processing industry, but new projects appear to be getting under way gradually within the energy sector, too. Within building construction and renovations, there will probably be continued active demand not only in Moscow, but to an increasing extent in the St Petersburg market and in certain other economic areas that are investing their export income.

Growth in the countries of Southeast Asia is expected to be very uneven in the years immediately ahead owing to the currency and stock exchange turmoil that has rocked most of the countries in the area. In the Corporation's special fields, particularly in water and environmental services for municipalities and industry as well as in steel construction, the export outlook in Southeast Asia is so far more modest than in previous years.

YIT Corporation's net sales for 1998 are budgeted at FIM 6 billion. Growth will be sought in particular within international operations in the specialty fields of civil engineering and steel construction as well as within construction, renovation and energy projects in Russia. In Finland, the best possibilities for profitable growth in 1998 will come largely from negotiation-based office and commercial construction, developer-based residential construction, renovations, heating, plumbing and ventilation contracting as well as maintenance and servicing for industry.

YIT Corporation's profit before extraordinary items is expected to increase in 1998 compared with the previous year.

INCOME STATEMENTS

(FIM 1,000)

	CONSOLIDATED		PARENT COMPANY		
	1.1.-31.12.1997	1.1.-31.12.1996	1.1.-31.12.1997	1.1.-31.12.1996	
NET SALES	(1)	5 596 777	5 210 025	3 386 302	3 065 371
Change in stocks of finished goods		93 582	-15 121	71 874	18 403
Production for own use		17 426	8 278	8 929	3 968
Share of associated companies' net profits		924	1 563		
Other operating income and expenses	(2)	231	-698	-14 836	4 324
VARIABLE COSTS					
Materials, supplies and goods:					
Purchases during the period		2 010 142	1 358 065	1 280 785	802 571
Change in stocks		-105 947	91 013	-57 448	90 213
External charges		1 470 530	1 586 518	1 122 576	1 079 939
Personnel expenses	(3)	1 040 533	1 048 626	373 797	487 822
Other variable costs		463 659	384 908	278 829	225 816
		-4 878 917	-4 469 130	-2 998 539	-2 686 361
OPERATING MARGIN		830 023	734 917	453 730	368 899
FIXED COSTS					
Personnel expenses	(3)	272 398	260 826	189 881	170 954
Rents		22 823	21 012	11 183	11 365
Other fixed costs		118 427	108 223	57 110	40 317
		-413 648	-390 061	-258 174	-222 636
OPERATING PROFIT BEFORE DEPRECIATION		416 375	344 856	195 556	146 263
DEPRECIATION					
Depreciation on fixed assets and other non-current investments	(5)	-79 617	-76 522	-45 277	-35 909
Amortization of goodwill		-22 873	-17 826		
		-102 490	-94 348	-45 277	-35 909
OPERATING PROFIT	(6)	313 885	250 508	150 279	110 354
FINANCIAL INCOME AND EXPENSES	(7)				
Dividend income		569	4 204	20 707	4 033
Interest income from non-current investments		4 041	6 343	4 830	6 254
Interest income from current investments		5 013	4 105	5 168	9 132
Other financial income		8 188	10 032	7 754	8 437
Exchange rate gains/losses		-1 654	6 607	-1 398	6 293
Interest expenses		-65 532	-94 359	-70 631	-89 304
Other financial expenses		-15 056	-18 317	-14 242	-12 601
		-64 431	-81 385	-47 812	-67 756
PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES		249 454	169 123	102 467	42 598
EXTRAORDINARY INCOME AND EXPENSES	(8)				
Group contributions				93 690	18 100
Extraordinary income		63 879	9 516	66 616	8 151
Extraordinary expenses		-7 520	-13 363	-23 206	-889
		56 359	-3 847	137 100	25 362
PROFIT BEFORE RESERVES AND TAXES		305 813	165 276	239 567	67 960
Change in depreciation difference	(5)	-9 072	-9 503	-6 242	267
Change in voluntary reserves		245 327	15 670	229 510	15 000
Income taxes	(9)	-119 368	-34 137	-100 334	-2 595
Minority interest		-17 413	-10 750		
PROFIT FOR THE PERIOD		405 287	126 556	362 501	80 632

BALANCE SHEETS

(FIM 1,000)

	CONSOLIDATED		PARENT COMPANY	
	31.12.1997	31.12.1996	31.12.1997	31.12.1996
ASSETS				
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS				
Intangible assets (10)				
Intangible rights	7 114	7 437	851	946
Goodwill	7 056	6 418	3 926	5 232
Goodwill on consolidation	68 843	90 431		
Other capitalized expenditure	10 556	7 199	9 697	6 031
	93 569	111 485	14 474	12 209
Tangible assets (10,11)				
Land and water	86 899	93 033	8 289	9 022
Buildings and structures	205 437	304 587	8 651	19 828
Machinery and equipment (12)	165 595	153 471	89 987	70 842
Other tangible assets	5 621	5 121	3 133	2 302
Advance payments and construction in progress	3 676	1 402		
	467 228	557 614	110 060	101 994
Securities included in fixed assets and other non-current investments (11,13,28)				
Shares in subsidiaries			211 346	184 569
Shares in associated companies	12 468	10 451	13 671	12 058
Other shares and holdings	17 185	20 895	9 491	10 290
Loan receivables	28 185	28 352	203 868	224 472
Other investments	4 448	4 440	4 440	4 440
	62 286	64 138	442 816	435 829
VALUATION ITEMS (14)	7 031	11 926	7 031	11 926
CURRENT ASSETS				
Stocks				
Raw materials and supplies	33 476	22 204	5 940	6 085
Work in progress (15)	185 104	172 287	111 684	119 482
Other stocks (16,26)	1 065 850	877 507	1 022 188	884 938
Advance payments	8 504	6 147	8 368	958
	1 292 934	1 078 145	1 148 180	1 011 463
Receivables (17,18,19,20)				
Trade receivables	668 592	500 849	403 810	288 392
Loan receivables	802 369	779 524	859 729	835 764
Prepaid expenses and accrued income	289 231	244 984	291 658	237 360
Other receivables	22 152	6 877	2 911	3 285
	1 782 344	1 532 234	1 558 108	1 364 801
Investments				
Shares and holdings	2 475	4 683	2 475	100
Other investments	19 669	54 212	18 796	54 212
	22 144	58 895	21 271	54 312
Cash in hand and at banks	97 395	52 044	37 329	44 279
	3 824 931	3 466 481	3 339 269	3 036 813

BALANCE SHEETS

(FIM 1,000)

		CONSOLIDATED		PARENT COMPANY	
		31.12.1997	31.12.1996	31.12.1997	31.12.1996
LIABILITIES					
SHAREHOLDERS' EQUITY (21)					
Restricted equity					
Share capital		293 027	244 227	293 027	244 227
Reserve fund		371 423	122 570	370 221	121 841
		664 450	366 797	663 248	366 068
Non-restricted equity					
Retained earnings		130 966	41 151	204 653	160 655
Profit for the period		405 287	126 556	362 501	80 632
		536 253	167 707	567 154	241 287
MINORITY INTEREST		54 254	42 038		
RESERVES					
Accumulated depreciation difference	(22)	47 440	48 109		2 663
Voluntary reserves	(23)				
Transitional reserve			243 552		229 510
Other reserves		1 116			
		1 116	243 552		229 510
Obligatory reserves	(22)	25 010	24 966	15 908	21 443
CREDITORS					
Non-current	(24)				
Convertible bonds and bonds with warrants		583	583	583	583
Loans from financial institutions	(25)	382 386	579 906	522 003	777 894
Pension loans	(27)	362 606	422 180	358 506	302 289
Accounts payable		896	3 174	802	3 175
Other non-current liabilities		1 764	11 065	542	
		748 235	1 016 908	882 436	1 083 941
Current	(18,19,20)				
Loans from financial institutions		204 862	462 261	196 546	447 355
Pension loans		60 910	28 936	60 611	21 424
Advances received	(15)	244 805	220 380	144 456	131 875
Building fund debts		200 824	49 225	157 197	49 225
Accounts payable		231 008	191 716	107 984	101 735
Accrued liabilities and prepaid income		558 476	495 433	321 603	286 302
Other current liabilities		247 288	108 453	222 126	53 985
		1 748 173	1 556 404	1 210 523	1 091 901
		3 824 931	3 466 481	3 339 269	3 036 813

STATEMENT OF CHANGES IN FINANCIAL POSITION

(FIM 1,000)

	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
Business operations				
Income financing				
Operating margin	416 375	344 856	195 556	146 263
Sales gains included in the operating margin	-1 656	-1 277	1 612	755
Financial income and expenses	-64 431	-81 385	-47 812	-67 756
Extraordinary items	56 359	-3 847	137 100	25 362
Taxes	-119 368	-34 137	-100 334	-2 595
	287 279	224 210	186 122	102 029
Change in net working capital				
Change in stocks	-214 789	113 780	-136 717	112 676
Change in current receivables	-250 110	593	-193 307	-66 817
Change in non-interest-bearing current liabilities	271 678	-64 727	184 418	-43 134
	-193 221	49 646	-145 606	2 725
Cash flow from operations	94 058	273 856	40 516	104 754
Capital expenditures				
Capital expenditures for fixed assets	-159 223	-103 322	-102 323	-71 542
Fixed assets transferred in merger			-157 764	
Sales proceeds from fixed assets	62 485	34 048	77 278	47 765
Transfers from fixed assets to stocks	96 158		96 158	4
Shares eliminated on merger			1 840	2 022
	-580	-69 274	-84 811	-21 751
Cash flow before financing	93 478	204 582	-44 295	83 003
Financing				
Change in non-current receivables	167	3 191	20 604	-45 901
Increase in non-current liabilities	476 721	281 901	460 122	394 401
Decrease in non-current liabilities	-745 394	-403 645	-661 626	-274 319
Change in interest-bearing current liabilities	-79 908	-162 375	-65 797	-223 840
Dividend payout	-36 634	-12 211	-36 634	-12 211
Share issue	297 180		297 180	
Other financial items	2 625	21 761	-9 545	-7 396
	-85 243	-271 378	4 304	-169 266
Change in liquid funds according to the statement	8 235	-66 796	-39 991	-86 263
Adjusting items	365	-452		
Change in liquid funds according to the balance sheet	8 600	-67 248	-39 991	-86 263

DEFINITIONS OF FINANCIAL INDICATORS

Return on investment (%)	=	$\frac{\text{Profit before extraordinary items and taxes} + \text{financial expenses} \pm \text{exchange rate gains/losses}}{\text{Balance sheet total} - \text{non-interest-bearing liabilities (average for the period)}} \times 100$
Return on equity (%)	=	$\frac{\text{Profit before extraordinary items} - \text{taxes for the period}}{\text{Shareholders' equity} + \text{minority interest} + \text{reserves (average for the period)}} \times 100$
Equity ratio (%)	=	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{reserves}}{\text{Balance sheet total} - \text{advances received}} \times 100$
Quick ratio	=	$\frac{\text{Financial assets}}{\text{Current creditors} - \text{advances received}}$
Gearing ratio (%)	=	$\frac{\text{Interest-bearing liabilities} - \text{liquid financial assets}}{\text{Shareholders' equity} + \text{minority interest} + \text{reserves}} \times 100$
Share issue-adjusted earnings per share (FIM)	=	$\frac{\text{Profit before extraordinary items} \pm \text{minority interest from profit/loss for the period} - \text{taxes}}{\text{Share issue-adjusted average number of shares during the period}}$
Equity per share (FIM)	=	$\frac{\text{Shareholders' equity} + \text{reserves}}{\text{Share issue-adjusted number of shares at the end of the period}}$
Share issue-adjusted dividend per share (FIM)	=	$\frac{\text{Dividend for the period per share}}{\text{Adjustment ratios of share issues during the period and afterwards}}$
Dividend per profit (%)	=	$\frac{\text{Dividend for the period}}{\text{Profit before extraordinary items} \pm \text{minority interest from profit/loss for the period} - \text{taxes}} \times 100$
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	=	$\frac{\text{Share issue-adjusted share price at the end of the period}}{\text{Share issue-adjusted earnings per share}}$
Market capitalization	=	Number of shares x share price as of December 31 by share types
Share turnover (%)	=	$\frac{\text{Shares traded (number of shares)}}{\text{Total number of shares (average during the period)}} \times 100$

NOTES TO THE FINANCIAL STATEMENTS

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 FIM 6.2 million of subsidiaries' goodwill, which has been allocated to their transitional reserves, has been written off in its entirety in connection with the discharge of transitional reserves.

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. The forecast loss on loss-making projects included in the backlog of orders has been booked to expense in its entirety.

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 credited to the Reserve fund under Shareholders' equity.

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 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 in the form of pension funds and on the liability of YIT Corporation. 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 income surplus thereafter is shown in Valuation items. The uncovered pension liability will be amortized by 31 December 1999 in equal annual instalments.

Now that Oy Huber Ab has merged with YIT Corporation, the pension fund liabilities of Oy Huber Ab have been transferred to a private pension insurance company.

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.

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)

NOTES TO THE INCOME STATEMENTS	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
1. NET SALES BY BUSINESS DIVISIONS				
YIT Building Construction	2 590 824	2 057 851	2 356 682	1 856 768
YIT Civil Engineering	734 982	834 361	653 405	588 426
YIT Huber	1 645 105	1 773 587	159 119	365 506
YIT Steel Construction	313 163	280 477		
YIT International Operations	375 115	323 670	193 721	232 650
Other items	-62 412	-59 921	23 375	22 021
	5 596 777	5 210 025	3 386 302	3 065 371
Net sales include:				
Net sales from international operations	1 017 404	936 068	301 253	351 886
Sales of company-built condominium shares	359 787	226 056	346 523	225 125
2. OTHER OPERATING INCOME AND EXPENSES				
Other income				
Rent income from fixed assets	3		1 583	
Profit on sales of fixed assets	2 764	2 325	543	2 382
Revaluations on shares held in fixed assets			3 758	
Refund of a loan receivable				1 250
Contributions received	22	182		16
Other	2 141	3 447	6 693	1 822
	4 930	5 954	12 577	5 470
Other expenses				
Expenses of real-estate properties	3 501	3 007		
Losses on the sale of fixed assets	1 108	1 048	12 989	41
Write-downs on shares held in fixed assets	90	1 115	90	1 105
Write-downs and expense entries on loan receivables			14 334	
Other		1 482		
	4 699	6 652	27 413	1 146
3. PERSONNEL EXPENSES AND FRINGE BENEFITS				
Wages and salaries	1 007 385	989 239	434 296	498 221
Pension costs	159 038	151 312	71 330	73 219
Other indirect employee costs	146 508	168 901	58 052	87 336
	1 312 931	1 309 452	563 678	658 776
Fringe benefits	16 211	14 511	11 554	10 695
	1 329 142	1 323 963	575 232	669 471
4. AVERAGE PERSONNEL STRENGTH BY DIVISION				
YIT Building Construction	1 574	1 424		
YIT Civil Engineering	743	886		
YIT Huber	3 202	3 344		
YIT Steel Construction	345	345		
YIT International Operations	412	948		
Others	255	237		
	6 531	7 184		
The President and six members of the Board of Directors of the parent company are entitled to retire at the age of 60. The liability is divided between YIT Corporation's pension foundation and the parent company.				
5. DEPRECIATION				
Depreciation according to plan				
Intangible assets	5 067	4 480	4 086	3 280
Buildings and structures	12 801	20 532	1 537	1 996
Machinery and equipment	60 477	50 121	39 008	30 362
Other tangible assets	1 272	1 389	646	271
	79 617	76 522	45 277	35 909
Depreciation on goodwill	22 873	17 826		
	102 490	94 348		

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)

	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
Change in depreciation difference				
Intangible assets	-91	25	189	
Buildings and structures	-1 104	-2 055	3 205	267
Machinery and equipment	-6 282	-9 974	-9 661	
Other tangible assets	38	35	25	
	-7 439	-11 969	-6 242	267
Sale of buildings		2 639		
Sales of machinery and equipment	-1 633	-173		
Change in depreciation difference	-9 072	-9 503	-6 242	267
6. OPERATING PROFIT BY DIVISIONS				
YIT Building Construction	138 020	129 587		
YIT Civil Engineering	27 185	36 073		
YIT Huber	94 848	82 980		
YIT Steel Construction	22 212	17 048		
YIT International Operations	60 650	-8 563		
Other items	-29 030	-6 617		
	313 885	250 508		
7. INTRA-GROUP FINANCIAL INCOME AND EXPENSES				
Financial income received from Group companies				
Dividend income			14 040	
Interest income			1 915	4 647
Other financial income				240
Financial expenses paid to Group companies				
Interest expenses			8 038	6 619
8. EXTRAORDINARY INCOME AND EXPENSES				
Extraordinary income				
Gains on the sale of fixed assets	63 518	2 351	66 284	
Group contribution			93 690	18 100
Gains on the sale of long-term investments		248		248
Reversals on credit losses		6 186		6 186
Gains on merger	270		270	997
Other	91	731	62	720
	63 879	9 516	160 306	26 251
Extraordinary expenses				
Write-downs		10 000		
Losses on merger	6 305		22 959	
Depreciation on goodwill in excess of plan		2 052		
Loss on the sale of long-term investments		634		634
Other	1 215	677	247	255
	7 520	13 363	23 206	889
9. INCOME TAXES FOR THE YEAR				
For the financial year	114 793	33 862	95 944	3 137
For previous financial years	4 575	275	4 390	-542
	119 368	34 137	100 334	2 595

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)

NOTES TO THE BALANCE SHEETS	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
10. CHANGES IN FIXED ASSETS				
Intangible assets				
Intangible rights				
Acquisition cost as of Jan. 1	7 635	7 637	1 144	1 140
Increases during the year	35	4	6	4
Assets transferred in merger		29		
Decreases during the year	342	24	85	
Transfers to another asset group		11		
Acquisition cost as of Dec. 31	7 328	7 635	1 065	1 144
Accumulated planned depreciation as of Dec. 31	214	198	214	198
Book value as of Dec. 31	7 114	7 437	851	946
Accumulated difference between total and planned depreciation as of Jan. 1		-12		
Assets transferred in merger		12		
Accumulated difference between total and planned depreciation as of Dec. 31				
Goodwill				
Acquisition cost as of Jan. 1	11 574	2 844	6 757	950
Increases during the year	8 161	11 060		5 771
Assets transferred in merger	431	36		36
Decreases during the year	3 236	2 366	441	
Acquisition cost as of Dec. 31	16 930	11 574	6 316	6 757
Accumulated planned depreciation as of Dec. 31	9 874	5 156	2 390	1 525
Book value as of Dec. 31	7 056	6 418	3 926	5 232
Accumulated difference between total and planned depreciation as of Jan. 1	179	-52		
Increase in depreciation difference during the year	4 138	70		
Assets transferred in merger		161		
Accumulated difference between total and planned depreciation as of Dec. 31	4 317	179		
Goodwill on consolidation				
Acquisition cost as of Jan. 1	155 691	149 048		
Increases during the year				
Increases: Urepol Oy	6 119			
Increases: ZAO Lentek	4 663			
Increases: Oy Kruunu-Ös Ab		4 429		
Increases: Other	38	2 214		
Decreases during the year				
Decreases: Valtatie Oy	5 992			
Decreases: Oy Kruunu-Ös Ab	3 543			
Acquisition cost as of Dec. 31	156 976	155 691		
Accumulated planned depreciation as of Dec. 31	88 133	65 260		
Book value as of Dec. 31	68 843	90 431		
Other capitalized expenditure				
Acquisition cost as of Jan. 1	17 622	12 611	15 740	10 685
Increases during the year	7 102	5 229	6 633	4 909
Transfers from another asset group		415		360
Assets transferred in merger			245	
Decreases during the period	155	614		214
Transfers to another asset group		19		
Acquisition cost as of Dec. 31	24 569	17 622	22 618	15 740
Accumulated planned depreciation as of Dec. 31	14 013	10 423	12 921	9 709
Book value as of Dec. 31	10 556	7 199	9 697	6 031
Accumulated difference between total and planned depreciation as of Jan. 1	-132	-26		
Assets transferred in merger		10		
Decrease in depreciation difference during the period	41	116		
Accumulated difference between total and planned depreciation as of Dec. 31	-173	-132		

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)

	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
Tangible assets				
Land and water				
Acquisition cost as of Jan. 1	93 033	92 136	9 022	12 781
Increases during the year	2 303	4 510	502	225
Assets transferred in merger		1 565	4 998	
Decreases during the year	3 469	4 318	1 265	3 124
Transfers to another asset group	4 968	860	4 968	860
Acquisition cost as of Dec. 31	86 899	93 033	8 289	9 022
Book value as of Dec. 31	86 899	93 033	8 289	9 022
Buildings and structures				
Acquisition cost as of Jan. 1	376 089	391 452	40 164	40 164
Increases during the year	34 268	5 844	614	
Assets transferred in merger	838	1 630	104 337	
Decreases during the year	11 090	22 685	10 304	
Transfers to another asset group	104 084	152	104 084	
Acquisition cost as of Dec. 31	296 021	376 089	30 727	40 164
Accumulated planned depreciation as of Dec. 31	90 584	71 502	22 076	20 336
Book value as of Dec. 31	205 437	304 587	8 651	19 828
Accumulated difference between total and planned depreciation as of Jan. 1	38 067	39 518	1 494	1 761
Increase in depreciation difference during the year	4 052	1 316	-298	891
Assets transferred in merger		-39	15 078	
Decrease in depreciation difference during the year	17 364	2 728	17 323	1 158
Accumulated difference between total and planned depreciation as of Dec. 31	24 755	38 067	-1 049	1 494
Machinery and equipment				
Construction machinery bought after Jan. 1, 1995; price over FIM 50,000				
Acquisition cost as of Jan. 1	76 485	46 028	22 894	12 752
Increases during the year	62 025	29 530	30 522	12 259
Transfers from another asset group	106	2 435		
Assets transferred in merger		1 580		
Decreases during the year	39 646	3 080	1 148	2 117
Transfers to another asset group		8		
Acquisition cost as of Dec. 31	98 970	76 485	52 268	22 894
Accumulated planned depreciation as of Dec. 31	30 797	20 484	22 520	9 546
Book value as of Dec. 31	68 173	56 001	29 748	13 348
Other machinery and construction machinery bought before Jan. 1, 1995 *)				
Book value as of Jan. 1	97 470	103 539	57 494	50 017
Increases during the year	47 032	46 620	33 971	37 988
Transfers from another asset group	81	178		
Assets transferred in merger		153	147	
Decreases during the year	6 432	10 739	4 896	5 871
Transfers to another asset group		2 720		
Book value as of Dec. 31 before planned depreciation for the year	138 151	137 031	86 716	82 134
Planned depreciation for the year	40 729	39 561	26 477	24 640
Book value as of Dec. 31	97 422	97 470	60 239	57 494
Book value of machinery and equipment as of Dec. 31, total	165 595	153 471	89 987	70 842
Accumulated difference between total and planned depreciation as of Jan. 1	9 809	-961	1 170	1 170
Increase in depreciation difference during the year	15 533	11 019	7 758	
Assets transferred in merger		190	-8 928	
Decrease in depreciation difference during the year	6 785	439		
Accumulated difference between total and planned depreciation as of Dec. 31	18 557	9 809		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

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)

	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
Other tangible assets				
Acquisition cost as of Jan. 1	8 462	6 502	4 043	3 424
Increases during the year	2 310	1 256	1 269	123
Transfers from another asset group		828		500
Assets transferred in merger		31	365	
Decreases during the year	389	151	125	
Transfers to another asset group	9	4		4
Acquisition cost as of Dec. 31	10 374	8 462	5 552	4 043
Accumulated planned depreciation as of Dec. 31	4 753	3 341	2 419	1 741
Book value as of Dec. 31	5 621	5 121	3 133	2 302
Accumulated difference between total and planned depreciation as of Jan. 1	186	125		
Increase in depreciation difference during the year	-10	64		
Decrease in depreciation difference during the year	192	3		
Accumulated difference between total and planned depreciation as of Dec. 31	-16	186		
Advance payments and construction in progress				
Acquisition cost as of Jan. 1	1 402	1 212		
Increases during the year	4 315	751		
Decreases during the year	2 041	561		
Book value as of Dec. 31	3 676	1 402		
11. TAXABLE VALUES OF FIXED ASSETS				
Land	23 695	32 662	6 729	6 316
Buildings	143 767	208 346	10 442	17 016
Shares in subsidiaries			208 751	145 629
Other shares and holdings	28 217	22 724	23 541	17 930
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	101 404	104 434	49 429	42 431
13. SHARES AND LOAN RECEIVABLES INCLUDED IN NON-CURRENT INVESTMENTS				
Group companies				
Shares			211 346	184 569
Loan receivables			173 565	196 330
			384 911	380 899
Associated companies				
Shares	12 468	13 130	13 671	12 058
Loan receivables	26 770	29 202	26 770	28 852
	39 238	42 332	40 441	40 910
14. VALUATION ITEMS				
Liabilities arising from pension commitments as of Jan. 1	11 926	27 547	11 926	27 547
Change during the year	-4 895	-15 621	-4 895	-15 621
Liabilities arising from pension commitments as of Dec. 31	7 031	11 926	7 031	11 926
Total valuation items as of Dec. 31	7 031	11 926	7 031	11 926
15. EFFECT OF PARTIAL RECOGNITION OF PROJECTS ON BALANCE SHEET ITEMS				
Assets				
Work in progress	1 599 223	1 562 266	954 808	1 011 911
Less partial recognition	1 414 119	1 389 979	843 124	892 429
Work in progress entered in the balance sheet	185 104	172 287	111 684	119 482
Liabilities				
Advances received	1 887 395	1 612 176	1 068 220	1 127 081
Less partial recognition	1 642 590	1 391 796	923 764	995 206
Advances received entered in the balance sheet	244 805	220 380	144 456	131 875

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)

	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
16. OTHER STOCKS				
Land and plot-owning companies	574 077	589 570	538 261	565 586
Shares of housing and real-estate corporations under construction	152 396	36 391	135 504	36 391
Shares in completed housing corporations	15 605	13 976	12 752	11 812
Shares in completed real-estate corporations	244 526	220 780	244 526	255 652
Other	79 246	16 790	91 145	15 497
	1 065 850	877 507	1 022 188	884 938
17. LOAN RECEIVABLES FROM COMPANIES HELD IN STOCKS				
Loan receivables from corporations included in other stocks, total	795 107	769 542	786 642	754 330
18. RECEIVABLES AND LIABILITIES FROM GROUP COMPANIES				
Trade receivables			16 804	11 051
Loan receivables, current			65 186	65 099
Prepaid expenses and accrued income			95 607	86 550
Accounts payable, current			7 361	5 089
Accrued liabilities and prepaid income			3 388	1 697
Other current liabilities			5 192	4 503
19. RECEIVABLES AND LIABILITIES FROM ASSOCIATED COMPANIES				
Trade receivables		3 250		3 250
Loan receivables, current		557		557
Other receivables	10	138		137
Accounts payable, current	139	143		10
Accrued liabilities		5		5
Current loans	1 277	961	1 277	961
20. RECEIVABLES FALLING DUE IN ONE YEAR OR LONGER				
Loan receivables	28 185	28 352	203 868	224 472
Other receivables		272		
21. CHANGES IN SHAREHOLDERS' EQUITY				
Restricted equity				
Share capital as of Jan. 1	244 227	244 227	244 227	244 227
+ Rights issue 3 April 1997	48 800		48 800	
Share capital as of Dec. 31	293 027	244 227	293 027	244 227
Reserve fund as of Jan. 1	122 570	121 841	121 841	121 841
+ Transfer from retained earnings	79	727		
+ Translation difference	394	2		
+ Share issue premium 3 April 1997	248 380		248 380	
Reserve fund as of Dec. 31	371 423	122 570	370 221	121 841
Non-restricted equity				
Retained earnings as of Jan. 1	167 707	54 543	241 287	172 866
./. Dividend paid	-36 634	-12 211	-36 634	-12 211
./. Transfer to contingency fund	-79	-727		
./. Change in translation differences	294	-265		
./. Other change	-322	-189		
Retained earnings as of Dec. 31	130 966	41 151	204 653	160 655
+ Profit for the financial year	405 287	126 556	362 501	80 632
Non-restricted equity as of Dec. 31	536 253	167 707	567 154	241 287
Shareholders' equity, total	1 200 703	534 504	1 230 402	607 355

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)

	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
22. RESERVES				
Accumulated difference between booked and planned depreciation *)				
Intangible rights	4 144	47		
Buildings and structures	24 755	38 067	-1 049	1 493
Machinery and equipment	18 557	9 809	1 049	1 170
Other long-term expenditure	-16	186		
	47 440	48 109		2 663
*) 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	8 428	15 269	8 428	15 204
Provision for loss-making work	563	339	563	339
Reserve for restructuring and winding up	6 527	6 300	6 000	5 900
Guarantee reserve	6 422			
Other obligatory reserves	3 070	3 058	917	
	25 010	24 966	15 908	21 443
23. DEFERRED TAX LIABILITY IN VOLUNTARY RESERVES				
The Group's deferred tax liability in voluntary reserves		68 195		
24. LIABILITIES FALLING DUE IN FIVE YEARS OR LONGER				
Loans from financial institutions	39 135	1 375	16 364	
Pension loans	200 839	276 567	199 176	204 821
Other loans	132	3 489	132	
	240 106	281 431	215 672	204 821
25. Includes a debt to subsidiaries on the Group bank account			162 880	236 145
26. LIABILITIES OF COMPANIES INCLUDED IN STOCKS				
Interest-bearing liabilities of companies included in stocks from sources outside the Group	230 917	43 636	230 917	43 636
27. CONTINGENT LIABILITIES				
Mortgages given				
For own debts	731 716	800 488	561 500	441 910
For security of subsidiaries' debts				24 000
For the commitments of other companies		2 307		
Pledges given *)				
For security of own debts				
Deposits	16 499	61 301	16 417	59 127
Other	170 516	183 412	169 785	220 501
For the commitments of subsidiaries				
Other				10 956
For the commitments of other companies				
Other	5 600	5 600	5 600	5 600
Guarantees given				
On behalf of subsidiaries			295 650	387 982
On behalf of associated companies		15 419		15 419
On behalf of other companies	17 354	19 544	9 792	12 167
Other liabilities				
Leasing commitments	18 165	16 347	17 375	14 599
Repurchase commitments	7 040		7 040	
	966 890	1 104 418	1 083 159	1 192 261
Mortgages given by companies held in stocks				
For liabilities of Group companies	343 170	503 250	543 170	503 000

NOTES TO THE FINANCIAL STATEMENTS

(FIM 1,000)

	CONSOLIDATED		PARENT COMPANY	
	1997	1996	1997	1996
Liability for derivative contracts**)				
Values of underlying assets				
Foreign currency forward contracts	302 044	132 376	234 247	89 185
Going values				
Foreign currency forward contracts	299 438	130 878	232 195	90 467
Pension liabilities ***)				
Liabilities arising from pension commitments	15 623	11 115	15 034	10 571
Pension fund deficit	12 658	14 042	12 658	14 042
	28 281	25 157	27 692	24 613

*) 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 pension loans.

28. SHARES AND HOLDINGS

Name	Group's holding %	Number of shares	Nominal value thousands*	Book value FIM 1,000	Group's share of equity FIM 1,000	Latest profit/loss FIM 1,000
SHARES IN SUBSIDIARIES, OWNED BY THE PARENT COMPANY						
Rakennustoimisto Tolonen Oy, Hämeenlinna	100.00	800	4 000	37 845	4 403	2
Rova-Rakennus Oy, Rovaniemi	100.00	10 000	2 000	16 687	2 558	28
Kiinteistö Oy Panuntie 11, Helsinki	100.00	12 521	125	39 640	39 436	7
Vesikemia Oy, Helsinki	100.00	100	60	90	55	1
YIT Bygg AB, Västerås	100.00	500	SEK 2 000	1 319	1 491	-8 811
YIT Vatten & Miljöteknik AB, Landskrona	100.00	5 000	SEK 500	1 024	383	-41
AS Matek, Tallinn	100.00	480	EEK 14 064	5 038	15 129	7 642
YIT Universaalehituse AS, Tallinn	100.00	700	EEK 700	289	1 779	-2
YIT Latvija SIA, Riga	100.00	259	LVL 26	218	3 144	-735
YIT UAB, Vilnius	100.00	2 000	LTL 200	215	-769	-1 653
ZAO YIT-Genstroi, Moscow	100.00	2 500	RUR 887 500	755	803	0
ZAO YIT-Peter, St. Petersburg	100.00	1 000	RUR 1 000	1	1	0
YIT Invest Export Oy, Helsinki	100.00	2 000	300	307	297	-3
YIT Project Export Oy, Helsinki	100.00	2 000	300	307	299	-1
YIT Project Invest Oy, Helsinki	100.00	60 000	6 000	6 000	6 000	0
ZAO Lentek, St. Petersburg	88.00	880	RUR 8 800	6 000	1 336	0
Urepol Oy, Oitti	100.00	2 700	1 350	9 365	7 742	5 198
ZAO Makroflex, Moscow	50.00	500	RUR 50	0	0	0
ZAO Makroflex, Moscow	50.00	500	RUR 50	0	0	0
Oy Huber Consulting Ab, Vantaa	71.40	500	500	500	700	183
YIT-Huber Pohjolan Tehdaspalvelu Oy, Oulu	100.00	2 000	2 000	4 396	2 325	7
Huber Sammutin Oy, Helsinki	74.30	520	520	600	6 541	4 394
Huber Servitek Oy, Vantaa	100.00	3 000	3 000	9 035	3 192	1
Huber Talotekniikka Oy, Vantaa	100.00	10 000	10 000	10 000	10 962	895
YIT-Huber Industry Ltd, Vantaa	100.00	5 000	300	5 000	5 138	4
Huber Testing Oy, Helsinki	100.00	500	500	2 216	1 373	7
YIT Projektör AB, Stockholm	100.00	125 000	SEK 12 500	4 869	15 210	6 390
YIT Installasjon AS, Oygarden	100.00	1 000	NOK 1 000	713	-45	-574
AS YIT Huber, Tallinn	100.00	10	EEK 400	151	275	40
YIT Service Ltd, Helsinki	100.00	10 000	5 000	8 070	8 553	10
YIT Power Ltd, Ylivieska	60.00	75 000	7 500	7 382	34 337	25 321
Oy Huber Consulting Ab, Vantaa	28.60	200	200	200	280	183
Mariehamns Huber Ab, Maarianhamina	100.00	15	15	15	48	2
YIT-Yhtymän Lomakeskus Oy, Helsinki	100.00	2 300	2 300	10 323	10 171	-245
PPTH Teräs Oy, Peräseinäjoki	60.00	30 000	30 000	30 000	43 333	13 135
Total				211 346		

* = FIM, unless otherwise indicated

NOTES TO THE FINANCIAL STATEMENTS

Name	Group's holding %	Number of shares	Nominal value thousands*	Book value FIM 1,000	Group's share of equity FIM 1,000	Latest profit/loss FIM 1,000
SHARES IN ASSOCIATED COMPANIES, OWNED BY THE PARENT COMPANY						
Kiinteistö Oy Panuntie 6, Helsinki	43.75	3 046	30	5 455	5 380	0
Keilaniemen Kuntoklubi Oy, Espoo	20.00	750	15	0	13	- 2
Arabian Finnish Contracting and Maintenance Co Ltd, Saudi Arabia	49.00	2 450	SAR 2 450	3 396	3 076	- 30
Polartest Oy, Helsinki	42.90	2 206	552	1 401	2 358	2 378
Oy Botnia Mill Service Ab, Kemi	40.00	2 400	2 400	2 400	2 400	0
Asunto Oy Kakkospesä, Espoo	35.00	110	1	1 019	237	1 1)
Finn-Stroi Oy, Helsinki	31.56	1 010	10	0	1 365	1 749
Total				13 671		

1) Financial statements as of 30 September 1997

* = FIM, unless otherwise indicated.

SHARES IN ASSOCIATED COMPANIES, OWNED BY SUBSIDIARIES

Kiinteistö Oy Juronaki, Rovaniemi	27.75	349	100	868	981	- 3
PR-Steel Oy, Peräseinäjoki	40.00	200	200	200	182	159
Total				1 068		

SHARES OWNED BY THE PARENT COMPANY AND HOLDINGS IN OTHER COMPANIES

E. Hiltunen Oy, Helsinki	4.70	4 765	95	572		
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		
Savon Teknia Oy, Kuopio	4.38	10 000	500	500		
HEX Oy, Helsinki		24 400	244	150		
Suomen Osakerekisterikeskus, Helsinki		6	560	420		
Shares in housing and real-estate corporations				2 515		
Shares in telephone companies				2 273		
Other shares and holdings, total				1 908		
Total				9 491		

SHARES OWNED BY SUBSIDIARIES AND HOLDINGS IN OTHER COMPANIES

Shares in housing and real-estate corporations				3 764		
Other shares and holdings, total				3 930		
Total				7 694		

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING

According to the Consolidated Balance Sheet as at 31 December 1997, the Group's non-restricted equity is FIM 536,253,000.00.

The non-restricted equity of the parent company, YIT Corporation, shown in the balance sheet as at 31 December 1997 is FIM 567,153,838.98, which is made up as follows:

retained earnings	204,652,592.19
net profit for the financial period	<u>362,501,246.79</u>
	<u>567,153,838.98</u>

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

Payment of a dividend of 20% or FIM 2.00 per share to shareholders, thus	58,605,324.00
Transfer to retained earnings	<u>508,548,514.98</u>
	<u>567,153,838.98</u>

Helsinki, 12 February 1998

Matti Haapala

Pentti Hannonen

Jouko Ketola

Raimo Lahtinen

Esko Mäkelä

Mikko Rekola

Reino Hanhinen

Chairman and CEO

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 for the year ended 31 December 1997. 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, 16 February 1998

Pekka Nikula
Authorized Public Accountant
(Coopers & Lybrand)

Hannu Niilekselä
Authorized Public Accountant
(KPMG)

STATEMENT BY THE SUPERVISORY BOARD

Having considered YIT Corporation's financial statements, consolidated financial statements and the auditors' report for 1997, 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: E.J. Toivanen, Chairman of the Board, Onninen Oy and Antti Tanskanen, CEO, OKOBANK.

Helsinki, 17 February 1998

Asmo Kalpala

Mikko Kivimäki

Antti Tanskanen

E.J. Toivanen

Iiro Viinanen

YIT'S OPERATIONAL CONCEPT AND STRATEGY

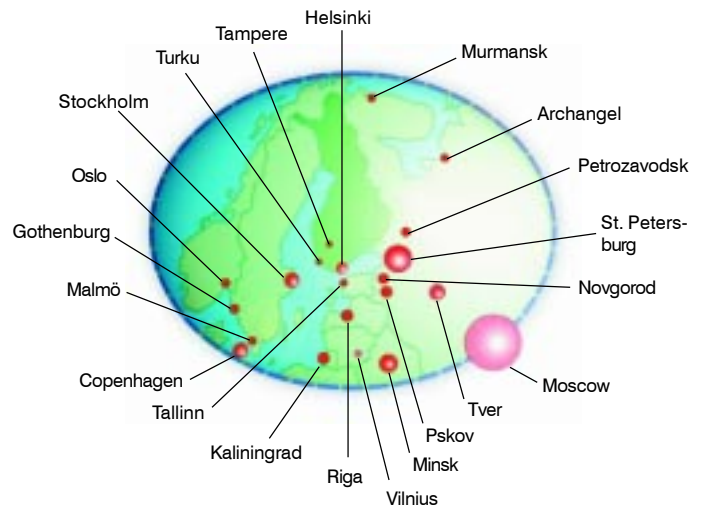
Our operational concept is to help customers invest productively in the living environment and in means of production whilst maintaining the value of their investments.

VISION

Our objective is to be amongst the leading companies in Northern Europe that produce capital investment implementation and maintenance services. At home we intend to maintain market leadership in net sales terms in the most important segments of construction and in mechanical contracting for industry. In the domestic market we seek growth particularly by developing our servicing and maintenance capabilities.

The priority of our international operations is the Baltic area. The objective is continually to strengthen our local market position in the Nordic countries, the Baltic Rim and Russia. In other market areas the foundation of our export operations is engineering know-how and competitiveness in delivery projects.

We invest purposefully in developing the quality of products and services. To this end, we pursue continuous training of our personnel, employ the latest information technology and engage in cooperation with knowledgeable partners. Our customer-oriented way of working lays the foundation for profitable growth and the steady appreciation of the company's share.



The primary market area of YIT's construction and contracting operations is the Nordic countries and the other Baltic Rim countries. Finland's nearby commercial sphere of influence comprises a market of 75 million consumers.

YIT CORPORATION'S KEY STRATEGY in 1998-2000 aims at:

- market leadership in Finland in our main areas of operations •
- strengthening our home market position in Northern Europe •
- achieving strong growth in servicing and maintenance capabilities •
 - realizing the value of our investment properties •
- strengthening a corporate culture that emphasizes the development of service and quality •

COMPETITIVE STRATEGIES OF THE DIVISIONS

The strategy of **YIT Building Construction** is to lower the amount of capital tied up in the property business and to improve its turnover rate, to create real-estate development projects of interest to investors, increase market-financed housing construction, develop renovation construction and design & build service construction and ensure the high quality of its products and service.

The strategy of **YIT Huber** is to increase the volume of mechanical contracting and maintenance in Sweden and Norway, to expand its servicing and maintenance capabilities for customers in industry and real estate, to focus resources on piping deliveries for power

plants and on servicing capabilities and to develop the quality of customer service as a competitive advantage.

The strategy of **YIT Civil Engineering** is to increase its operations in the Baltic Rim and Sweden, particularly as an earthwork, bridge and harbour contractor, to develop the volume of water and environmental services in international growth markets, to develop infrastructure maintenance services and to exploit new project financing models.

The strategy of **YIT International Operations** is to focus project activities and construction exports towards Russia, to create

regional networks in Russia and the Baltic countries, to develop well-functioning service concepts for key customers, notably for the Russian energy industry and international investors, to form strategic alliances with key customers and to increase its polyurethane insulation business in Northern Europe.

The strategy of **YIT Steel Construction** is to increase its contracting services in the home market in the Nordic countries, to boost its exports of components by means of its own products as well as by developing and amplifying project export cooperation with other exporters.

DEVELOPING THE ENVIRONMENTAL PROGRAMME IN 1997

YIT Building Construction expanded its quality system in 1997 to encompass environmental considerations. Monitoring of amounts of waste at sites has started and will be expanded during 1998 to cover all the division's sites. The development projects completed in 1997 were an ecological control system for the upgrading of a factory area as well as a concept for a low-energy house.

The division is developing new tools and comparative methods for establishing the environmental impacts of construction over the entire life-cycle of buildings. This work will be one of the central development projects in 1998.

Within **YIT Civil Engineering**, the top priority will be working out the requirements which clients place on the management of environmental affairs. The results of a questionnaire survey of the division's largest customers in Finland and Sweden in 1997 will be used in building an environmental management system - a project that will be started at the beginning of 1998. The requirements which stakeholders place on the environment and its preservation have grown, particularly in Sweden, where methods of making environmental measurements and complying with other requirements have been developed for YIT's sites. A special development effort in Finland was connected with working methods to be used in polluted land areas.

YIT Huber undertook a commitment to the continuous improvement of its environmental expertise by publishing the *YIT Huber environmental policy*. During the year work started on developing an environmental system that is to be made a part of the quality systems that are in use within the division and comply with the SFS EN ISO 14001 standard. During the financial period heads of environmental affairs were appointed for the division. The main emphasis of the development projects was on building environmental programmes encompassing the special areas of sorting of solid wastes, training, information, the development of indicators measuring environmental impacts as well as surveys of environmental risks.

In 1997, PPTH Steel Ltd, which is responsible for the **YIT Steel Construction** division, published its environmental policy covering its operations. In developing its environmental programme, the company concentrated on studying the environmental loads of factory areas and factory production.

YIT International Operations applies the environmental programmes of YIT's other divisions in its project work. It continuously monitors the development of environmental norms in the countries where it operates as well as customers' requirements according to their own environmental guidelines, and it applies these in its own quality guidelines and in carrying out projects. The units operate in close coop-

At YIT Civil Engineering's sites, working methods have been developed for reclaiming polluted land areas. When soils are transported, there is a risk that pollutants will spread due to the dispersal of dust. At Pikisaari in Lappeenranta, some 150,000 cu.m. of polluted soil was hauled through the city using efficient protection techniques.



eration with the local authorities in each individual project, all the way from the design stage to handing over the completed project. At the Urepol Oy factory environmental analyses were used in preparing an environmental system according to the ISO 14001 standard.

YIT's environmental organization

In 1997 personnel resources were increased in order to carry out work on developing the environmental programme. At the Group level, an Environmental Affairs Steering Group was appointed to guide the development work. The steering group is supported in its activities by a working group made up of the heads of environmental affairs of the various divisions. The heads of environmental affairs coordinate and direct development work within each division and at the same time support the line organization and ongoing projects.

YIT PARTICIPATES IN BALTIC SEA PROTECTION PROJECTS



The Baltic area has become very polluted due to the environmental loads exerted by the municipal and industrial waste waters and agriculture of bordering states. As early as 1974, it led to a treaty among the Baltic Basin states concerning actions to protect the Baltic Sea. In 1992 a new treaty was concluded between all the states in the Baltic area and the European Union. The body that implements the treaty is the HELCOM commission. The Member States have given their commitment to take into account in their legislation the Commission's recommendations on important improvements connected with the state of the environment. Financing for the projects is being provided by the signatory states as well as by international and

national financial and credit institutions and the EU.

YIT Civil Engineering has long been involved in implementing Baltic environmental projects, and in this decade it has been active to an increasing extent in the entire Baltic area. In the Baltic countries, YIT has carried out a number of projects in conjunction with Finland's Ministry of the Environment. The largest of these has been the eight-year modernization of the Tallinn waste water treatment plant. In the Baltic area the focus within waste water treatment plant projects is now shifting to Lithuania and Latvia, where YIT is reconditioning the waste water treatment plant in Riga.

In the St Petersburg area, YIT is participating in developing procedures for carrying out large-scale waste water treatment plant projects in future years. The newest development projects provide for the removal of nutrients from the waste water without

chemicals and full-scale testing of the processing of drinking water using flootation technology. Now that international financing has been arranged, the northern water works in St Petersburg has reached the start-up stage, as have major projects at the Sestoretzky waste water treatment plant, which will extend over several years. YIT is aiming to participate in these projects.

A warning concerning the poor state of the Baltic Sea and the imminent environmental catastrophe came in the summer of 1997 in the form of large stretches of algae. Intensive measures are still necessary to restore the Baltic to health. Alongside water treatment projects, other forms of protection work that have become increasingly important are the treatment of solid wastes as well as the building and reconditioning of landfills. In these sectors, too, YIT is able to offer a versatile range of products and services.

YIT BUILDING CONSTRUCTION

The construction market swung upward in the previous autumn and the trend gained momentum during the first half of 1997. In the summer months the capacity of construction companies in the Greater Helsinki area was



in full use. In Finland's other main growth centres, demand reached a satisfactory level but was still fairly weak elsewhere. During the latter months of the year the growth in demand for services nevertheless slowed down. The reason was that the government introduced in state-subsidized housing production a "price screw" that aimed at containing the rise in construction input prices. This deferred start-ups of planned interest-subsidized and National Housing Board-financed projects.

This change in the market led to a growth spurt in market-financed housing. YIT Corporation started the building of a total of 740 market-financed housing units in 1997, whereas the corresponding figure a year earlier was 148.

Business picked up in the real-estate market in 1997, too. Increased demand further cut down the amount of vacant premises and led to the start-up of new projects. Among the construction starts made by YIT was a more than 10,000 square metre office and commercial building in Helsinki's Ruoholahti office and commercial block. The project was started in the spring for an external investor, and in the autumn, preparation of a new construction project with a price tag of more than FIM 300 million was started in the same area. YIT Building Construction's net sales grew by 26% on the previous year.

There was continued brisk demand in the contracting market, but the willingness to increase the volume of this production was dampened by the margins realized on contracts. These were thin, particularly in state-subsidized housing construction, due to the "price screw". In other areas of building construction, the level of margins on contracting work was healthier.

The operating profit figure of FIM 138 million (130) which YIT Building Construction reported was according to budget.

The development of personnel, ways of working, products and services continued ahead actively. Particular importance was placed on improving service and quality.

Thanks to the stronger market, the backlog of work strengthened significantly compared with the previous year. The order backlog at the close of the year was FIM 1,245 million, as against FIM 788 million a year earlier.

YIT Building Construction's prospects for 1998 are good. Net sales are expected to grow. A further improvement is expected in the earnings trend, which rose markedly in the last four months of 1997. Good earnings will be driven by market-financed housing construction and the property business. The total growth of the market will probably continue at a steadier level than in the past year in the different sectors of construction.

Matti Haapala

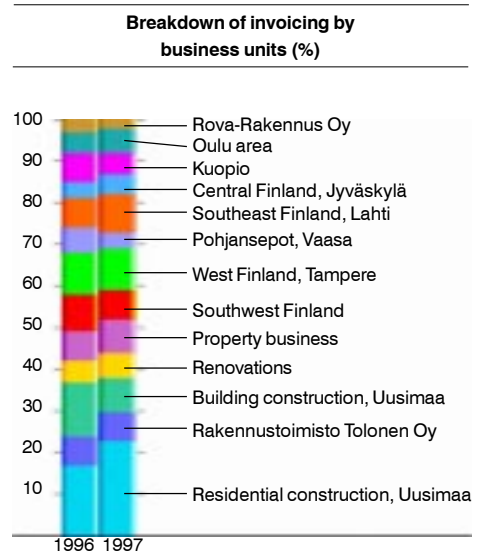
CONTRACTING

The latter phase of the Nokia House in Keilalahti, Espoo, which was implemented on a project management basis, was handed over to Nokia Corporation in February. In Helsinki's Ruoholahti district, work got under way on constructing the Kiinteistö Oy Itämerenkatu 3 office and commercial building. Other major works included the Ulpuukka swimming centre, which was built by the City of Raisio, the state-initiated Rauma classical high school, the Isku furniture showroom in the Graani shopping centre in St Michael, a WPPP power plant in Vaasa, an extension to the Vaskiluoto power plant, an extension and modification contract at the Kuopio Airport, an extension to the Abloy Oy door closer factory, including its renovation, in Joensuu and the building of new office facilities for Valmet Automation in Kajaani. The most important of the projects to be completed on a turnkey basis was the building of the Mäkelänrinne swimming centre, which got started in Helsinki.

Noteworthy renovation jobs included the basic renovation contract for the Hotel Fisherman's Cottage, completed for the Arctia Oy hotel and restaurant chain, and the renovation of the Kiinteistö Oy Haapaniemenkatu 7-9 property in Helsinki for the State Real Prop-

YIT Building Construction's field of business is building construction and the property business in Finland. The different forms of construction include residential construction as well as industrial, office and renovation construction using different types of contract and implementation. The division also provides design control, plot purchasing and other services to the extent specified by the client.

Key indicators (FIM million)					
	1997	1996	1995	1994	1993
Invoicing	2,609	2,030	1,890	1,697	1,505
Net sales	2,591	2,058	1,850	1,680	1,705
Operating profit	138	130	114	44	-27
% of net sales	5.3	6.3	6.2	2.6	-1.6
Order book at year-end	1,245	788	862	1,030	1,123
Average personnel	1,574	1,424	1,463	1,512	1,773
Division's share of the Group's net sales, %	46	39	47	52	55



ty Authority, as well as the renovation of the Hotel Ascot, repair works on the spectator stadium and large ski jump at the sports centre in Lahti and the renovation of the Arctia Hotel Rosendahl in Tampere.

1. The Asunto Oy Kuriirinlinna condominium in Tikkurila, Vantaa.

2. The Asunto Oy Merikannonranta condominium that will be completed in Helsinki's Tööliö district in the summer 1998 and the other apartments which YIT will build in the same block boast an exceptionally high level of quality that matches the site itself. The first construction phase comprises a development project to promote both the practically oriented engineering design of structures exposed to moisture and procedures for keeping moisture under control during the construction phase.



RESIDENTIAL CONSTRUCTION

In 1997 YIT Corporation built a total of 2,628 housing units, of which 314 were built on a developer basis. At the close of the year, a total of 2,094 housing units were under construction, of which 574 were developer construction. At the close of the year there were 23 completed and unsold housing units.

The owners who contracted the building of residential units out to YIT included a number of insurance companies, pension funds and non-profit owner organizations such as the insurance companies Ilmarinen and Verdandi, the Pohjola Group and the Tapiola Group, the Sato housing owner organization, Tarveasunnot, YH-Rakennuttajat Oy and VAV Group, the Helsinki City Housing Production Office, the Youth Foundation, student housing foundations and the Kesko Pension Fund.

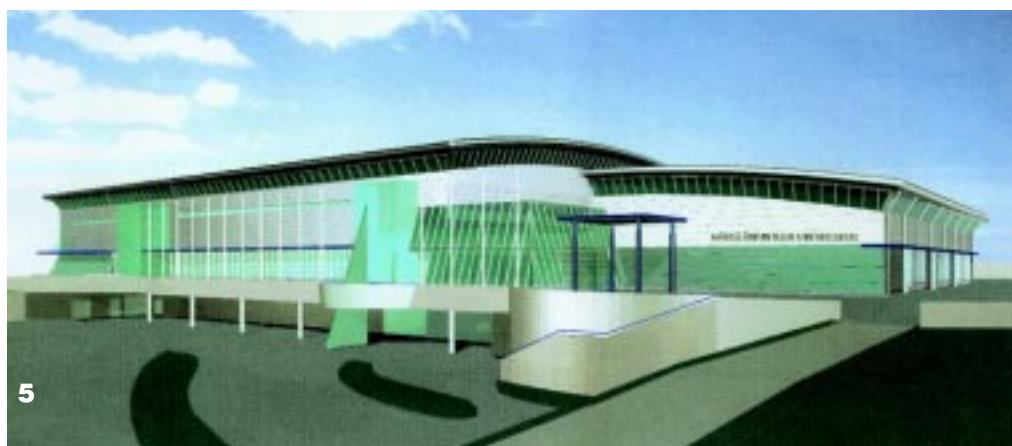
The most important of the projects for which the division bore a marketing responsibility were Asunto Oy Merikannonranta (54 units), in Helsinki, Asunto Oy Tampereen Pellava (80 units), Asunto Oy Lahden Ruoriniemenranta (30 units), Asunto Oy Oulun Keskuspuisto (75 units), Asunto Oy Hämeenlinnan Rauhankatu (44 units) and Asunto Oy Kuopion Ruhtinatar (30 units). There was good demand for apartments in buildings in the best locations, but elsewhere demand was only satisfactory.

3. The Ulpuikka swimming centre, Raisio.

4. The Abloy Oy door closer factory, Joensuu.

5. YIT is building the Mäkelänrinne swimming centre in Helsinki on a turnkey basis.

6. The Asunto Oy Tampereen Pellava housing management company started a large-scale new construction project in the Tampella area in the centre of Tampere.



PROPERTY BUSINESS

The paramount aims of YIT Corporation's property business are to achieve profitable construction operations by creating customer-oriented solutions for the users of buildings and to increase the yield on property assets.

INVESTMENT PROPERTIES

Investment properties are leased projects that are 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 was 97.0% (98.9%) at the close of the year. Net rental income from the investment properties amounted to FIM 65.0 million (50.6). The rental income includes one-off termination compensation of FIM 12.8 million on the lease agreements. The rental income net of these compensations was 7.3% (6.4%).

DEVELOPMENT PROPERTIES

Development properties are mainly plots and sites that have not been fully built up and which can be developed into business premises that are tailored to customers' needs and offered to investors as an interesting placement.

Main development properties:

The Tampella area, Tampere

A residential and office area in the centre of town. It is owned by the Exofennica Oy development and real-estate company that was acquired completely by YIT Corporation as part of real-estate property operations that were carried out in December 1997. In the area owned by the company, there is a total of 161,500 square metres of zoned and confirmed building rights, of which a total of 80,000 square metres has been zoned for residential building in the so-called Tampella area.

Plans call for developing the so-called intermediate area, which is owned by the company, and the shoreline area bordering on Lake Näsijärvi into high-quality town centre areas for office, commercial and residential use. The first new building project, a market-financed apartment building comprising about 6,500 square metres of floor space, was completed in the area in autumn 1997, and at the end of the year a service building for old people was under construction in the area. Plans call for starting the construction of the next apartment buildings in 1998.

The Sinimäki area, Espoo

An office, commercial and residential area that is under development and has been partly built up and zoned. During the financial period the Ministry of the Environment returned the new town plans, which had progressed to the confirmation stage, for redrafting.

The Ruoholahti properties, Helsinki

Part of a zoned head office district in the heart of Helsinki. In the spring 1997 work started on the first construction project to be carried out in the area: construction of the 10,000 square metre Kiinteistö Oy Itämerenkatu 3 office and commercial building for the Finnish Broadcasting Company Pension Fund. A second major project, which got started in the autumn, was the preparation of a construction project for a commercial precinct comprising about 18,900 square metres of floor space following the decision by the Helsinki City Council to sell the precinct to YIT Corporation and to Sitra, the Finnish National Fund for Research and Development. The aggregate value of these projects is nearly FIM 500 million.

The Huber area in Veromiehenkylä, Vantaa

A partly zoned and built-up area near the Helsinki-Vantaa International Airport. An econom-

ic development agreement concerning the area and an agreement on the first phase of the zoning was signed with the City of Vantaa. The works for the first construction project started up in the spring 1997.

The Hatanpää area, Tampere

An office and residential area jointly owned with OKOBANK. The area has been zoned for office premises, and in it the construction of office facilities for Nokia Corporation continued.

Net rental income from all of YIT's development properties in 1997 totalled FIM 10.3 million (13.0). The biggest tenants were Kaukomarkkinat Oy, Suomen Scribona Oy, BSK-Kodinkoneet Oy, LVI-Dahl Oy, Oy Nielsen Global Freight Co and Inex Partners Oy.

OTHER PROPERTIES

Other properties consist of several different office, commercial and industrial premises, primarily in the country's growth centres. Net rental income from these properties totalled FIM 7.0 million (5.3). The most important sales made during 1997 were the Saarijärvi and Kankaanpää industrial properties. The biggest tenants were Valmet Oy, Rauta- ja Konetarve Oy and LVI-Dahl Oy.

The investment properties as at 31 December 1997

Investment property	Floor area owned by YIT	Type of building	YIT's holding	Largest tenants
Panuntie 11 Helsinki	12,029	Office, store	100%	Kesko Oy YIT Corporation
Maistraatinportti 2 Helsinki	11,605	Office	100%	Finnish Standards Association SFS, YIT Corporation United Magazines Ltd
Länsi-Keskus Espoo	8,535	Store	60%	Kesko Oy
Sinimäentie 10 Espoo	9,628	Office	77%	Roche Oy TT-Microtrading Oy
Sinikalliontie 1 Espoo	15,441	Office, store	100%	Kesko Oy Veikon Kone Oy
Kehä-Koskelo Espoo	8,806	Warehouse, Office	51%	Philips Oy
Kanta-Sarvis II Tampere	4,952	Office	50%	Nokia Telecommunications Ltd
Kanta-Sarvis III Tampere	1,875	Office	50%	Nokia Telecommunications Ltd



The 16-storey Kiinteistö Oy Itämerentori office building is being erected within the Ruoholahti shopping and office building complex and will become the western landmark of the Helsinki cityscape. YIT has a number of major construction projects either under way in the area or in the pipeline.

Capital tied up in the property business, 31 December 1997

	Tied-up capital FIM million	Net rent FIM million	Floor area sq.m.	Building rights sq.m.	Prelim./zoning possibility, sq.m.
Housing units, - completed	14				
- under construction	56				
Housing plots	507			464,592	448,783
Housing production, total	577			464,592	448,783
Investment properties	719	65.0	72,871	5,354	
Development properties	830	10.3	66,221	440,826	250,362
Other properties	212	7.0	60,793		
Property business, total	1,761	82.3	199,885	446,180	250,362
Other properties held in fixed assets	94				
Properties, total	2,432	82.3	199,885	910,772	699,145

Of the tied-up capital, FIM 2,152 million (2,111) was stated in the Consolidated Balance Sheet as at 31 December 1997, of which FIM 326 million (433), is included in fixed assets, FIM 1,154 million (956) in stocks, FIM 889 million (798) in receivables and FIM 217 million (76)

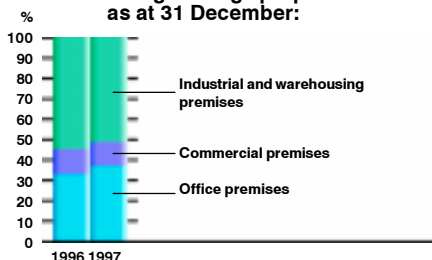
in current creditors. Off the balance sheet was FIM 280 million (253) of an external debt for companies which are held in fixed assets but are not consolidated.

Property rental operations contributed FIM 68

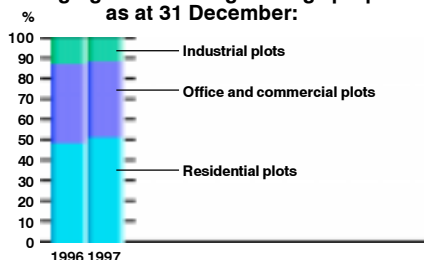
million (46) to YIT Building Construction's operating profit.

Properties sold amounted to FIM 315 million (240). Investments in properties and plot land totalled FIM 380 million (150).

Distribution of real-estate floor area according to usage purpose as at 31 December:



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



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



YIT HUBER

1997 was the second full year of operations for the YIT Huber Division. The reduction in capital investments by industry caused net sales to fall to FIM 1,645 million (1,774), but the result was good - a net profit of FIM 95 million (83).



Capital investments by the forest and power industry in Finland and Sweden declined significantly. On the other hand, the volume of plumbing, heating and ventilation works as well as servicing and maintenance works for industry grew. Important new orders were landed in the export market, including orders for demanding piping for power plants in Central Europe and Asia as well as tank and industrial piping deliveries to France, the UK and Norway. Changes in the backlog of orders for the individual business units were significant. The division's aggregate order book improved from the level of a year earlier and was FIM 598 million (532) at the end of the year.

The organization was overhauled in line with the changed level of demand. One industrial contracting unit in Finland (Mechanical Contracting) was merged in part with YIT Huber Industry Ltd and in part with YIT Huber Pohjolan Tehdaspalvelu Oy. The plumbing, heating and ventilation unit Huber Talotekniikka Oy focused its operations on the growing construction market in the Greater Helsinki area. In order to ensure the growth in service and maintenance operations, this business went over to a matrix organization, with a new Maintenance and Service Department in charge of developing business in the sector within the entire YIT Huber Division.

In order to increase service ability within servicing and renovation operations in the field of plumbing, heating and ventilation, Huber Servitek Oy opened new offices in Hämeenlinna, Espoo and Lappeenranta as well as Vaasa, where it purchased Oy PH Pundars Ab. YIT Power Ltd strengthened its position in the prefabrication of piping by purchasing the piping business of Aalborg Industries Oy in Rauma. Together with Oy Metsä-Botnia Ab, YIT Service Ltd established Botnia Mill Service Oy, which will take over the bulk of the maintenance works at Metsä-Botnia's

Kemi mills. The company will also seek to line up maintenance contracts with other industrial customers. The business responsibility for the company is borne by YIT Service Ltd. After the end of the financial period, YIT Huber Industry Ltd acquired Mongstad Industrier A/S, which is specialized in mechanical contracting and maintenance for oil and petrochemical plants in the Bergen area in Norway.

The top priority in YIT Huber's training and development work was improving customer service. The tool that will be used to do this is identifying the core processes better than before. The development work is supported by training in customer service, teamwork, management by objectives and leadership. Important inputs are being made into the development of occupational safety and environmental affairs as part of the quality programmes. Projects aiming at gaining certification for the quality systems are continuing in the different business units. YIT Huber is also participating in the Prosit project, which will last several years and aims at developing logistics, information transfer and project coordination for power plant deliveries.

In order to even out rapid cyclical shifts in Finland, the objective is to seek growth not only in the service and maintenance businesses, but also to direct efforts at increasing the division's export and international operations. By capitalizing on the division's special products and know-how, the objective is to gain a stronger foothold not only in Norway, Sweden and Estonia but also in the markets of Central Europe and the Far East.

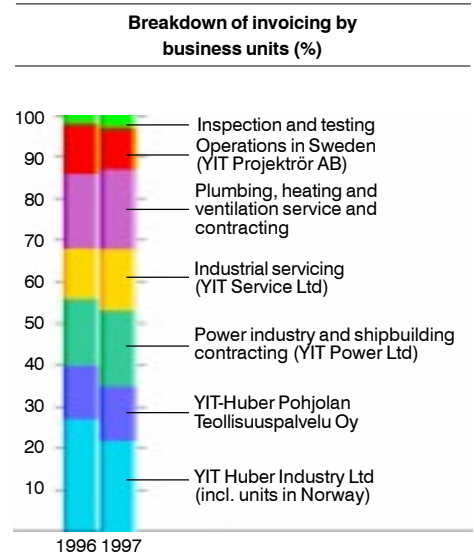
YIT Huber's outlook for 1998 is moderately good. The increase in construction, new projects in the export market, good demand for maintenance services as well as forecasts of quickening industrial investments in the spring of 1998 give us grounds for believing that the value of production could grow somewhat compared with the previous year, with earnings remaining at a good level.

Jouko Ketola

YIT Huber's field of operations includes mechanical contracting for industry and related engineering fabrication, maintenance and service for industry, new building, renovation and servicing works connected with heating, plumbing and ventilation services, fire-fighting alarm and extinguishing systems, surface treatment works as well as testing and inspection services.

Key indicators (FIM million)					
	1997	1996	1995	1994	1993
Invoicing	1,630	1,706	562	539	477
Net sales	1,645	1,774	545	545	527
- including international operations	302	281	87	169	175
Operating profit	95	83	21	11	-1
% of net sales	5.8	4.7	3.9	2.0	-0.2
Order book at year-end	598	532	176	293	179
Average personnel	3,202	3,344	1,199	1,345	1,395
Division's share of the Group's net sales, %	29	34	14	17	17

YIT Huber was formed from Oy Huber Ab with its subsidiaries, which was acquired by YIT in December 1995, and from the then Industrial Services unit of YIT Industry. At the same time, the steel construction functions that belonged to YIT Industry were turned into an independent division. The Huber Group has been included in the consolidated figures since 1996. The figures for the years 1993-1995 are for the former YIT Industry Division. The table does not show steel construction figures after 1994.





WOOD-PROCESSING, METAL- AND PROCESS INDUSTRY CONTRACTING

Although capital expenditures by the wood-processing and metal industry contracted substantially, the objectives set for both the volume of business and profitability were achieved in these customer sectors.

Among the main projects which YIT Huber Industry Ltd completed were the transport of tanks and piping to Rajamäki and modification works on them, completed for Primalco Oy, silicon wafer factory contracts for Okmetic Oy in Vantaa, the piping and tanks for Tikkurila Oy's new colourant factory, new and renovation works on the Suomenoja waste water treatment plant, piping for the TMP plant as part of the Rauma 400 project, completed for UPM Kymmene Oy, as well as a new cracking furnace for Borealis Polymers Oy.

Major works within mechanical contracting and maintenance were shutdown and other works completed at the Porvoo plants of Neste Corporation and Borealis Polymers Oy. Maintenance works for Oy Shell Ab continued in Southern Finland.

Noteworthy export projects included evaporator plant piping for Ahlstrom Machinery Oy in Husum, Sweden, as well as a pulp tower and process tank delivery to Norske Skog Golbey A.S. in France. This project is continuing in to 1998.

Major tank deliveries made in Finland included liquefied gas storage tanks delivered to Tehokaasu Oy in Raahe, in the area of the Rautaruukki Oy steel mill, and the Vihreäsaari storage tanks, renovation of the storage facility in Pansio as well as extension works to the railway wagon unloading areas in Kuopio, which were carried out for Suomen Petrol Oy. Noteworthy export projects included pulp tanks and a wire well for a paper machine, which were delivered to KNP Leykam Gratkorn GmbH in Austria.

Among the main projects completed by YIT Huber Pohjolan Tehdaspalvelu Oy were a piping delivery for the Lumi 7 project of Enso Fine Papers Oy, which was completed for pilot use ahead of schedule, a liquefied gas storage and piping for an air gas factory for Svenska Stål Ab's steel mill, which was completed for Aga Cryo in Sweden, an extension to the cold rolling mill for Outokumpu Polarit Oy in

Umm Al Ashtan is one of the gas tankers which YIT has delivered to Kvaerner Masa-Yards Oy. Different YIT units participated in completing the job. YIT Power supplied the steam turbine machinery and the gas piping, Huber Testing carried out the inspection of the tanks, YIT Service handled the painting of the ship and PPTH Steel delivered the steel constructions for the factory bay in which the gas tanks were fabricated.

Tornio and an extension to the Kokkola zinc factory for Outokumpu Zinc Oy. One of the most important development and training projects was the introduction of the ISO 9002 quality system.

The largest deliveries made by the Swedish subsidiary, YIT Projektrör AB, were the piping for the wire and press section of Stora Hulte AB's Paper Machine 3 in Hyltebruk, the process and cooling piping as well as heating, plumbing and ventilation deliveries for the extension to Astra AB's factory in Södertälje, a piping delivery for the recovery boiler of Kvaerner Pulp AB's mill in Mönsterås, piping for the evaporator plant of MoDo in Husum, completed for Ahlstrom Machinery Oy together with YIT Huber Industry Ltd as well as the delivery of sprinkler piping and control panels for an extension to the Torslanda works of Volvo AB.

POWER INDUSTRY AND SHIPBUILDING CONTRACTING

YIT Power Ltd's business grew further and exports represented an increasingly important part of them. The profitability was very good.

Among the most important deliveries were the main process piping and external natural gas piping for Helsinki Energy's Vuosaari B combined cycle power plant project and the external piping of the gas turbine for a plant operated by Siemens, the piping for the combined cycle power plant in the Hovinsaari area of Kotka, completed for IVO Power Engineering, and turbine piping for ABB Stal, an FOB delivery of power plant piping to Siemens AG for the power plant project in Fuzhou, China, main steam piping for a paper mill power plant, delivered to Norscantech Ltd for the Riau Prima Energy project in Indonesia as well as the Skärbeckverket Unit 3 delivery to Denmark.

The quality system of YIT Power Ltd's project operations was certified according to ISO 9001 during the year. The Prosit project, a joint development project of Finnish power plant suppliers, continued and its first concrete results were obtained, notably, in the transfer of data between different 3D-CAD systems.

The Erecon business in Varkaus was purchased from YIT Corporation and a piping business in Rauma was bought from Aalborg Industries Oy. During the year the development of closer production cooperation was started between the company's three engineering units in Ylivieska, Varkaus and Rauma. In addition, extension works to the engineering facility in Varkaus were started.

The company delivered piping modules and prefabricated units for vessels built by Kvaerner Masa-Yards Oy. In addition, important fitting out and contracting projects were carried out by the shipbuilding service unit for vessels built both by Kvaerner Masa-Yards Oy and Finnyards Oy.

SERVICE AND MAINTENANCE

YIT Huber's maintenance operations developed favourably during the year and their total volume rose to about FIM 600 million. The clientele expanded further as the outsourcing of maintenance work spread within Finnish industry.

The most important new initiative was the turning of the maintenance functions at Oy Metsä-Botnia Ab's Kemi mills into a new company named Botnia Mill Service Ab, whose operations began on 1 December 1997. The company has a payroll of about 180 people. YIT Corporation owns 40% of the company and Oy Metsä-Botnia Ab 60%. YIT Service Ltd is in charge of developing the company's business operations. Other major customers for



whom YIT Service Ltd will take over maintenance operations on a total responsibility basis were the Vaarala plants of the Valio Oy dairy, Albany Fennofelt Oy and Wursti Oy.

Other major maintenance customers were a number of Valio Oy's production plants, the Fazer Bakeries Ltd's facilities in Vantaa and Lahti, the Imatra steel mill of Imatra Steel Oy, Suomen Rehu Oy's feed factory in Vaasa as well as the Metsä-Rauma Oy pulp mill. Important shutdown and maintenance works were carried out on the Olkiluoto and Loviisa nuclear power plants as well as for Outokumpu Harjavalta Metals Oy and the Kerava and Pori breweries of Oy Sinebrychoff Ab.

YIT Service Ltd expanded its surface treatment business further. Noteworthy painting projects were the interior painting jobs on two cruisers at the Kvaerner Masa-Yards Oy shipyard in Helsinki and the external and car deck painting contracts for two cruisers at the Turku shipyard, the painting of the frame of an oil drilling rig for Aker Rauma Offshore Oy as well as painting work on an oil drilling rig for Aker Baku Azerbaidzan. Important bridge projects were the painting work carried out on the Höga-kusten and Kärkistensalmi large bridges. Major surface treatment contract customers were Sisu Terminal Systems Oy in Tampere, Aker Finnyards Oy, Aker Mäntyluoto Oy, Oy Närkö Ab, Neste Corporation's plants in Porvoo, Valmet Corporation's Rautpohja Works, Nordberg Lokomo Oy and Timberjack Oy in Joensuu.

During the year YIT Service Ltd's operations were granted ISO 9001 certification. Condition monitoring was started as a new form of operations. The unit's outlook for 1998 is favourable.

HEATING, PLUMBING AND VENTILATION

Heating, plumbing and ventilation (HEPAC) operations developed favourably during the year due to faster growth in new building, which brought with it more demand for HEPAC services. HEPAC renovations and servicing also picked up markedly. On the other hand, firefighting operations diminished, mainly in step with the slowdown in industrial construction. Competition in the field remained tough and the profitability of the business was unsatisfactory.

Huber Talotekniikka Oy concentrated its HEPAC installation operations in the Greater

Helsinki area. The focus of development activities was on improving the quality of operations, and especially on developing operations in accordance with customer needs.

In 1997 cooperation got started with YIT's property business in the form of two projects that progressed to the construction stage, the Telecommunications Administration Centre and the LVI-Dahl office building. The cooperation will be increased and developed further.

The most important customers were the State Real Property Authority, whose projects included the Turku court building, an extension to Åbo Akademi, the Jokioinen Research Barn, the facilities for a food laboratory in Helsinki, and additional facilities for the Forest Research Institute in Vantaa. Heating, plumbing and ventilation works were carried out for a number of schools, day-care centres, museums and other premises for the cities of Helsinki, Espoo and Vantaa, the single most impressive of which was the modern art museum, which is known by the name Kiasma, in Helsinki.

Huber Servitek Oy further expanded its operations, achieving a sales in excess of FIM 190 million. Profitability remained good. The company bought the entire share capital outstanding of Vaasa-based Oy PH Pundars Ab. In August, a new office was opened in Lappeenranta.

Among the most important renovations, was that carried out on the Tapola meat-processing plant, including extension works, in Tampere and a renovation and extension to the central hospital in Jyväskylä. Major new contract agreements were concluded with the Asunto Oy Mannerheimintie 91-93 housing corporation, comprising the renovation of 280 residential units by modernizing the piping and the HEPAC fixtures of the apartments as well as a contract for renovating the cooling and heating system of the Hotel Palace. The company's most important development projects were the elaboration of a quality system. The outlook for 1998 is favourable.

The business operations of Huber Sammutin Oy contracted by about 15%, mainly due to the low level of capital spending by industry. Profitability nevertheless remained good. The most important development project was the carrying out of reference installations according to the approval criteria of sprinkler companies and the gaining of approval for these installations during 1997.

The biggest installation projects were sprinkler works for the head office of 3M Corporation, for Helsinki Energy's Vuosaari power plant, for the exhibition hall of Eesti Näitused, for the Hatanpää car showroom of Autotalo Laakkonen, for the offices of Turkistuottajat Oy, for a building in which the Helsinki University of Technology Department of Computer Science and Engineering will operate, for the Hotel Kämp, for



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the industrial facilities and extensions to the offices of Nokian Tyres as well as for the Prisma shopping centre in Turku. Noteworthy among the fire detection and special system works carried out were the detection and CO₂ systems for the compressor stations of the GASUM company and the fire detection systems for the Seurasaaari outdoor museum, the CO₂ systems for a gas turbine plant at Imatran Voima's Kirniemi power plant, the CO₂ systems for a gas turbine plant in connection with the KTLV3 project for Neste Corporation, detection systems for Outokumpu's Kokkola plants as well as special fire extinguishing systems for CSC Tieteellinen laskenta Oy.

INSPECTION AND TESTING

The business operations of Huber Testing Ltd developed favourably and the company strengthened its position as the market leader in the NDT field in Finland.

The largest individual works were inspections connected with the annual servicing of the nuclear power plants operated by Imatran Voima Oy and Teollisuuden Voima Oy as well as an isotopic inspection of offshore valve castings for Westad Industri A/S, which were carried out at Leinovalu Oy. Inspections for the shipyard and offshore industry occupied an increased share of the company's operations. Inspections for the projects of YIT Corporation's different units comprised an important proportion of Huber Testing's net sales.

Significant outlays were made on product development, notably by further developing the methodology of testing the bottom of a recovery boiler. Inspections made with the equipment developed were started successfully.

YIT Corporation owns 44% of Polartest Oy, whose operations developed favourably. The company's earnings were good.

1. The YIT Huber plumbing, heating and ventilation department carried out the contract for the heating and plumbing works of the Helsinki Modern Art Museum, which is known by the name Kiasma.

2. Piping modules and prefabricated components as well as various kinds of fitting out projects and ship painting are among YIT Huber's services for the shipyard industry. Shown in the picture is the *Enchantment of the Seas*, which was built by Kvaerner Masa-Yards in Helsinki.

3. YIT Power, YIT Huber Industry and PPTH Steel built a new ethane furnace for Borealis Polymers Oy in record time.

4. YIT Power delivered all the piping for the new Brista Kraft AB power plant in Sweden.

5. YIT Projektör AB delivered the piping for a new oil unit to Nynäs AB in Sweden.

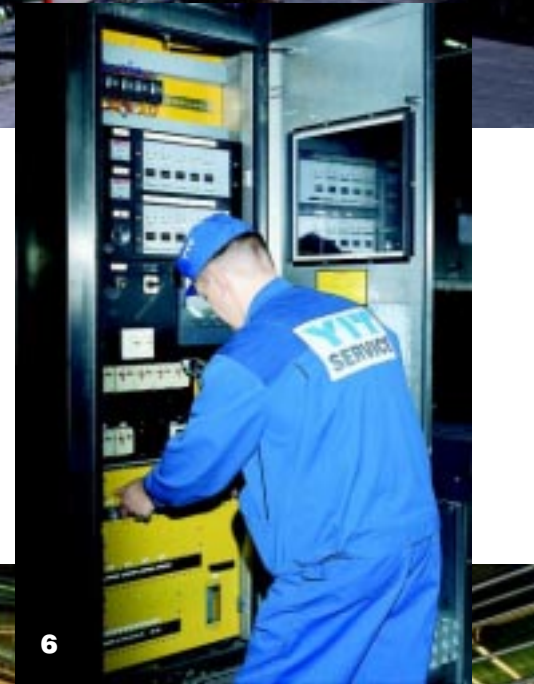
6. Electrical and automation servicing is an important part of the operations of YIT Service.



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YIT CIVIL ENGINEERING

The total demand for civil engineering services grew in Finland by about 4%. YIT Civil Engineering's net sales nevertheless fell by 12%, mainly because the asphaltting business was divested in March 1997, and the growth in other production



did not fully cover the dent in net sales caused by the divestment. Operating profit declined to FIM 27 million from the previous year's FIM 36 million owing to the loss-making result of YIT Bygg AB. The division's total earnings nevertheless topped the previous year's figure thanks to the gain on the sale of the asphaltting business, which was booked in extraordinary items.

There were again strong seasonal variations and fluctuations in the types of work taken on. A clear increase was apparent in area and foundation works for building construction, whereas the demand for bridge and harbour construction in Finland remained at a very low level. The building of plants for the government continued on a par with last year. The expected pick-up in municipal works still did not materialize. The opening up of infrastructure maintenance to competitive bidding brought a fair amount of projects on a test basis.

There continued to be favourable demand for water and environmental services in the Baltic countries, Poland and Sweden. For the first time, international financing was arranged for the up-grading of water supply facilities in St. Petersburg, and this will mean opportunities for starting up larger scale renovations in the near future.

In the Near East and the countries of Southeast Asia, the development of water supply facilities continued within the framework set by the financing for long-term development programmes.

The demand for civil engineering services in the Swedish market continued at a relatively high level. As YIT Bygg AB's order backlog strengthened, Finnish resources were used, particularly in water supply, bridge and harbour projects as well as in tunnelling.

Vatten & Miljöteknik AB expanded its clientele to Sweden's forest industry, which took delivery of two waste water treatment plants. The company also concluded its first Swedish-financed delivery

agreement, which was for the delivery of machinery to a waste water treatment plant in Riga.

In Finland, new earthwork offices were set up in Jyväskylä and Oulu. A new president – a Swede – was appointed for YIT Bygg AB in January 1998.

The most important objective of the division's development programme was the gaining of certifications for its quality system. In the autumn 1997 Det Norske Veritas granted YIT Civil Engineering an ISO 9001 quality certificate covering its entire production and administration. Product development was continued in areas such as foundation construction, the treatment of biowaste, and maintenance.

It is estimated that in 1998 civil engineering in the Finnish market will grow by 3-4%. If economic growth continues to be favourable, demand from the private sector and perhaps also from the municipalities can bring a further measure of growth.

In terms of major market trends over the next years, the way in which state-operated companies and the production units of municipalities are developed will be of great importance to companies. It is to be hoped that the monopolistic areas encompassing the building and maintenance of roads, streets and railways will open up to genuine competition as soon as possible.

Customers' expectations now go beyond product and service quality, and in Sweden and Finland as well as to an increasing extent elsewhere, too, there is a strong emphasis on the systematic and good management of environmental affairs. The development of service, products and the environment in all forms of activity is a continual challenge.

YIT Civil Engineering's result is expected to improve in 1998. Production in the domestic market is expected to grow slightly and operations will remain profitable. In Sweden the demand situation offers good opportunities for carrying out an increasing volume of civil engineering work and further improving profitability. The volume of water and environmental services is estimated to grow, and the result will improve despite the market disturbances in Southeast Asia.

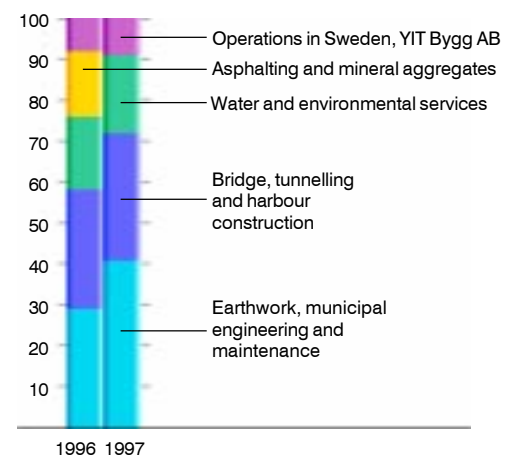
Pentti Hannonen

YIT Civil Engineering's field of operations comprises earthwork, municipal engineering and maintenance works, bridge, foundation, tunnelling and harbour construction as well as water and environmental services for municipalities and industry.

Key indicators (FIM million)

	1997	1996	1995	1994	1993
Invoicing	724	835	644	510	487
Net sales	735	834	701	477	634
- including international operations	163	192	111	42	39
Operating profit	27	36	54	42	40
% of net sales	3.7	4.3	7.7	8.8	6.3
Order book at year-end	265	359	272	270	237
Average personnel	743	886	777	575	711
Division's share of the Group's net sales, %	13	16	18	15	21

Breakdown of invoicing by business units (%)





The denitrification unit of the Suomenoja waste water treatment plant is the first of its kind in Finland. The total volume of the new pools and buildings is 73,000 cu.m.

EARTHWORK, MUNICIPAL ENGINEERING AND MAINTENANCE

The total volume of production grew significantly. Regional construction coverage was increased by establishing regional offices in Jyväskylä and Oulu, where operations got off to a brisk start.

Earthworks connected with building construction increased significantly, as did works on landfills and waste treatment projects. The building of sports facilities and deep stabilization continued at a good clip. The demand for maintenance services in the field did not yet get started in line with expectations.

The biggest single contract was the building of a 48 km long natural gas parallel pipeline with a diameter of 900 mm along the Imatra-Törölä stretch, which was completed for Gasum Oy. The technically demanding job was completed ready to be handed over for use about a month ahead of schedule. Among the other projects completed were the Kolminkunta water pipeline for Helsinki Water, the deep

stabilization for Ring Road II for the Finnish National Road Administration, the Lammi Built-up Area -96 and Oitti Built-up Area -97 projects as well as the Kekkosen tie highway project in Tampere. Basic repair works on tanking areas, which were commissioned by Suomen Petrooli Oy, were completed in Tahkoluoto, Kuopio and the oil harbour in Hamina. Athletic fields were completed in Kemijärvi, Veteli and Kausala.

The most important landfill projects were the earthworks for the Tarastenjärvi waste treatment plant, which were carried out for Pirkanmaan Jätehuolto Oy, as well as the earthworks for a composting field in Hanko, which was completed for Länsi-Uudenmaan Jätehuolto Oy. An environmental building project was the construction work on the Kampintori block, for the City of Helsinki Public Works Department.

In progress at the close of the year were, among other works, the I/96 substructure contract for Ring Road II, the building of Lempo Street and an underpass for the municipality of Lempäälä and for Oy Rata Ab, a Shell

service station in Laitila, municipal engineering and earthworks in the Pikisaari area in Lappeenranta as well as a number of contracts in Kilpilahti, Porvoo. Works that continued in the maintenance area were the upkeep and renovation of the city gas network for Helsinki Gas Ltd as well as a year-round maintenance contract for the Ala-Tikkurila and Suutarila areas on a three-year contract to the City of Helsinki Public Works Department.

The department seeks to ensure its technical know-how and the continuous development of its fleet and machinery in special types of work. Amongst the development priorities was the certification of the quality system, which was obtained in the autumn.

BRIDGE, TUNNELLING AND HARBOUR CONSTRUCTION

The volume of operations of the Bridge, Tunnelling and Harbour Construction Department remained at the previous year's level. The Kärkistensalmi Bridge over Lake Päijänne was completed in August several months ahead of

schedule. Bridge contracts valued at a total of FIM 35 million were in progress at the intersection of Ring Road I and the Tuusula Highway.

Tunnelling works continued at Outokumpu's mines in Kemi and Pyhäsalmi. In Helsinki a number of construction pits were excavated in demanding conditions. The most important of the interior contracts in tunnelled out areas was a parking cavern in Herttoniemi, Helsinki.

Towards the end of the year the earthwork and foundation contract for Sanomatalo, soon to be the headquarters of Finland's largest newspaper publisher, was completed right next to the Helsinki Railway Station and the Modern Art Museum. In terms of structural strength, the watertight dam wall that was implemented with prebored piles 1.5 metres in diameter is in a class of its own in Finland. The EU 3-4 pier was completed in Hamina and the ship channel in Kaskinen was deepened. The Suomenoja denitrification plant was completed for the city of Espoo.

In addition to works in Finland, the department was active in Sweden and the Baltic countries. Two major excavation jobs were under way in Sweden, and bridges and harbours were being built in the Baltic countries.

During the year major outlays were made on excavation and bridge and harbour building equipment. The *Merikuokka* (Sea Pick) pontoon vessel that was placed in use has an efficient new excavator that can remove the toughest of soils from a maximum depth of 15 metres under the water.

WATER AND ENVIRONMENTAL SERVICES

Water and environmental services outside Finland were further strengthened, notably by opening an office in Jakarta, Indonesia. Tendering operations geared to the markets in Sweden, the Near East and Southeast Asia were stepped up.

The most important works completed in Finland were process water plants for Rautaruukki's steel mills in Raahe and an extension to the denitrification process of the Suomenoja waste water treatment plant in Espoo. The biggest work that got under way was a biological waste water treatment plant for the Anjala mills of Enso Publication Papers Oy Ltd.

The Swedish subsidiary YIT Vatten och Miljöteknik AB staked out new territory by carrying out two waste water treatment plant projects for the forest industry and landed a machinery delivery contract for the waste wa-



ter treatment plant in Riga, Latvia, which is mainly financed by Sweden's Ministry of the Environment.

The unit's water supply works continued in the Greater Tallinn area in Estonia in the form of new contracts. At the end of the year new deliveries of machinery got under way for the Rabka and Aleksandrow waste water treatment plants in Poland.

In Egypt a management follow-up agreement was concluded with the Ras El Bar waste water treatment plant. Energetic tendering activities in Saudi Arabia resulted in landing the first machinery delivery contract, which was for the Dawadmi waste water treatment plant.

In China and in Southeast Asia the emphasis was on the development of new projects and on marketing. The change in the general economic situation which occurred in the area towards the end of the year nevertheless caused uncertainty concerning the implementation timetables for projects.

Within the framework of the programme for upgrading power plants in the area of the former Soviet Union, a delivery of new water treatment equipment, including installations, was made for the power plant in Tbilisi, Georgia, in demanding conditions.

YIT BYGG AB

Operations gained in diversity over the past year as the department built up its clientele and landed new jobs. An important bridgehead was the contract for an extension to the aeration facility for a waste water treatment plant, which was completed for Holmens Paper AB in Hallstävik. The job was carried out together with YIT Vatten och Miljöteknik AB. Towards the end of the year, implementation of a pier and dredging project was agreed with the same client.

The Ring Road works are finally getting started in the Stockholm area. YIT Bygg was assigned the implementation of contract portion SL09, which is part of the first phase contracts and comprises tunnelling and demanding open excavation works. The Gröndalsrampen partial contract was agreed with SL Bansystem AB. A central work stage of the contract is the build-

ing of a 350 metre long retaining wall.

On the Mälärbanan railway stretch, a 6-aperture reinforced steel highway bridge was built over the railway. In addition, orders were obtained from the city of Sollentuna and from Oden Anläggning AB.

Work on a sewer tunnel continued in Sundbyberg, as did the Huddingevägen and Gullmarsplan partial contracts for SL Bansystem in Stockholm.

Development of the quality system was a top priority and led to the granting by Det Norske Veritas of an ISO 9001 quality certificate to the company in the autumn 1997. Resources were also channelled into building the environmental management system. The training needs of the company's entire personnel was surveyed with the aim of carrying out an extensive personnel development programme during 1998. Experts from Vägverket (the National Swedish Road Administration) and Banverket (the National Swedish Rail Administration) were invited to a theme day featuring the application of the mass-stabilization method in foundation reinforcement works for traffic arteries.

1. Using two drilling rigs, YIT performed the excavation works for Santa Park in the new Christmas World, deep in the gorges of Syväsenvaara at the Arctic Circle. The network of caves, about 60,000 cu.m. in volume, comprises a fun park that is located in a central square 30 metres in diameter and which runs round its outer rim, as well as an entrance tunnel and a rear tunnel that is used as a service access passage. The cave can be used if necessary as a civil defence shelter.

2. YIT was responsible for the main water and condensation treatment processes and equipment, including installations, for Helsinki's Vuosaari B power plant as well as for the sampling system of the water and steam cycles. YIT Civil Engineering also carried out the contract for the intake and discharge water tunnels of the natural gas power plant and built the rock cavern tank for the oil that serves as a source of reserve energy. The Corporation's other units were in charge of the entire piping deliveries for the combined cycle power plant, the structural and NDT inspections of the deliveries as well as the steel constructions of the boiler plant.

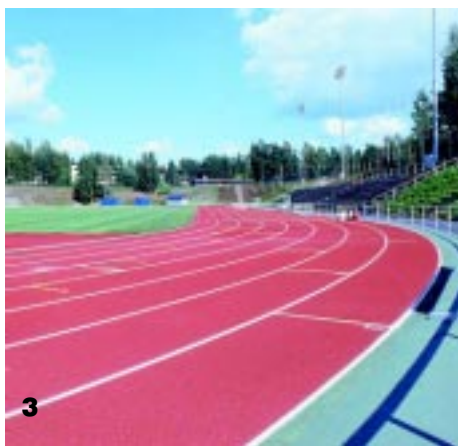
3. New surface structures were built for the Vuosaari athletic field, Helsinki.

4. The extensive foundation contract for the Sanomatalo office building – soon to be the headquarters of Finland's leading newspaper publisher – in the centre of Helsinki involved the building of a pre-bored pile wall that is supported by more than 400 anchors. A total of 246 piles with a diameter of 150 cm were cast. In order to prevent the groundwater level from falling, some 700 tonnes of grout had to be injected into the fractured bedrock. About 80,000 cu.m. of partially polluted soil was removed from the plot and 12,000 cu.m. of bedrock was excavated. The sides of the pit were 72 m in length and it was about 20 m in depth.

5. The renovation and phase II of the extension work for the Tallinn waste water treatment plant, Estonia.

6. YIT carried out the substructure contract on a more than 3 km stretch of Ring Road II, including its ramps and the cycle and pedestrian paths in Espoo. The job called for a total of 360,000 cu.m. of deep stabilization works.

7. The excavation contract for the more than 3 km long rain and waste water tunnel in Sundbyberg in the Greater Stockholm area is the largest excavation contract so far completed by the YIT Bygg AB subsidiary in Sweden.



YIT INTERNATIONAL OPERATIONS

The business activities of YIT International Operations developed positively during the report period. Net sales were FIM 375 million (324) and the operating profit improved significantly on the previous year, rising to FIM 61 million. All the



profit centres posted a profit. The earnings of Makrotalo Building Components were especially good, the result of the Moscow area and Central Russia unit was good and the result of the St. Petersburg and Baltic unit was satisfactory.

The division's operating profit was in part improved by a FIM 37.5 million final credit to income from the compensation obtained for the Metropol Hotel in Moscow on the basis of the decision of a court of arbitration within the framework of a debt arrangement agreement between Finland and Russia. The final financial settlement in connection with the contract for the prefabricated panel factory built in Sertolovo near St. Petersburg continued into 1998.

Operations were continued and expanded in cooperation with major local and western customers. The market position in the St. Petersburg and Northwest Russia area was strengthened by acquiring a majority holding in the ZAO Lentek construction company. The Lentek purchase led to a review of the YIT International Operations organization by dividing the previous St. Petersburg and Baltic unit into two departments, the St. Petersburg and Northwest Russia unit and the Baltic unit. An energy industry unit that will concentrate on the energy projects for the entire division was formed from the previous Export Marketing unit.

The Makroflex business of Makrotalo Building Components was strengthened by concluding an agreement under which Urepol Oy became a wholly-owned subsidiary of YIT Corporation. The company will concentrate on the manufacture and marketing of Makroflex joint insulation foam and polyurethane panels in Finland and abroad.

The priority for development and training activities was on the development of product applications for customers and on export applications of YIT's quality system as well as on amplifying

the local presence of the division's units abroad. Cooperation in investment projects was continued with the Coca-Cola Company by developing special methods and procedures for customer-oriented value engineering joint activities, as a result of which an alliance agreement between the companies was concluded.

The order book developed favourably and increased to FIM 231 million, from FIM 132 million, over the year.

The near-term objective of YIT International Operations is to expand its activities by relying on the versatile special expertise and quality awareness of its personnel, developing its service concept, strengthening its local presence and expanding its regional networking.

The reasonably good market outlook in 1998, the backlog of orders already booked and the projects that are in the preparation stage will make it possible to further expand the volume of business and maintain a favourable trend in profitability. The net profit is expected to grow as compared with the previous year's result net of the final compensation for the Metropol Hotel.

Mikko Rekola

MOSCOW AREA AND CENTRAL RUSSIA

The main customers included the state Rosvoorzheniye Group, for which the multiphase renovation of the office premises was seen to completion as well as Coca-Cola Moscow, with which a contract agreement was concluded concerning an extension to the soft drinks factory in Moscow.

Another main customer was Transneft's subsidiary Diascan, for whom the renovation of the service and office centre in Luhovitsy was seen to completion. Contract agreements were signed with the company concerning the construction of a laboratory building in Luhovitsy and the construction of a diagnostic centre in the city of Ufa. Agreements concerning the design and construction works for car parking and a social building to be erected in Luhovitsy for the company were concluded towards the end of the year. The children's ice stadium built for the Magnitogorsk metallurgy factory was inaugurated in August.

YIT International Operations' field of activities covers deliveries and services connected with the implementation of construction, infrastructure and industrial projects in Russia, the other CIS countries and the Baltic countries.

	Key indicators (FIM million)				
	1997	1996	1995	1994	1993
Invoicing	374	327	595	604	287
Net sales	375	324	623	554	250
Operating profit	61	-9	-47	31	30
% of net sales	16.2	-2.8	-7.5	5.6	12.0
Order book at year-end	231	132	182	386	169
Average personnel	412*	948*	1,705*	510	345
Division's share of the Group's net sales, %	7	6	16	17	8

*= including foreign employees who primarily worked on a project-specific basis (an average of 306 people in 1997)

Breakdown of invoicing by business units (%)



The unit strengthened its position in Moscow during the year. A town plan developed together with local partners and comprising an industrial park area which totals about 170,000 square metres of building rights and will be located along the St. Petersburg highway in the vicinity of the Sheremetyevo Airport received confirmation towards the end of the year and

preparations for marketing the area were started. YIT's role is to market the area to those in need of office premises, to take care of licences and energy supply as well as to construct road connections, municipal engineering facilities and buildings.

ST. PETERSBURG AREA AND NORTHWEST RUSSIA

The main client in the St. Petersburg area was RJR Petro, the local company of R.J. Reynolds, for which an extension and modification project for the tobacco factory got started in St. Petersburg in the summer and continued into the new year.

In November, YIT Corporation purchased 88 per cent of the shares in the ZAO Lentek construction company as well as the business operations of the Eurounic Oy construction company. The company's other shareholders include its local management and the city of St Petersburg. The company had net sales in 1997 of FIM 77 million and a payroll of 250 people. Lentek has operated in St Petersburg since 1988.

In 1997, Lentek built service stations for Neste Corporation, Kiriashavtoservice and Lukoil, a restaurant for the McDonald's company, a factory extension for Philip Morris, a warehouse for RJR Petro, and it carried out works for the Wrigley's chewing gum factory as well as for the Northwest Thermal Station of IVO International. Projects that continued into 1998 included contracts for Helkama Forste in Vyborg, the finishing works on Nokia Corporation's office facilities in St Petersburg as well as a service station contract for Kirishavtoservice in Sushari.

A special focus in 1998 will be the strengthening of the Group's marketing position in the St Petersburg and Northwest Russia area, drawing on Lentek's market savvy and local know-how.

BALTIC UNIT

The main clients in the Baltic area were Neste Corporation's local companies, for which service stations were completed in Jurmala, Latvia, and Kaunas, Lithuania, as well as a hospitality residence in Vilnius. Also completed during the period were the Cesis waste water treatment plant in Latvia, the Kärđla and Käina water treatment plants in Hiidenmaa, Estonia, as well as the Onninen Operations Centre in Tallinn.

The most important new projects that were in progress towards the end of the year were pumping stations in Tallinn as well as a brew-

1 - 2. YIT renovated the service centre and office facilities of the oil pipeline diagnostics centre of Transneft's subsidiary Diascan in Lukhovitsy, south of Moscow, Russia.

3. This house in the vicinity of St Petersburg was built by the subsidiary ZAO Lentek, Russia.



1



3



2

ery building for the Taopin AO subsidiary of Baltic Beverages Holding in Tula, Russia.

The main objective in 1998 is to ensure the continuity of key customer relationships and to further strengthen the market position by developing the operations of local companies.

MAKROTALO BUILDING COMPONENTS

The unit comprises the Helsinki-based Building Component Export unit as well as the subsidiaries AS Matek in Estonia, ZAO Makroflex in Russia and Urepol Oy in Finland.

Makroflex joint insulation foam, which is manufactured by Matek and Urepol, continued to enjoy strong demand. Sales were the best in Russia and Poland. The growth in demand was met by substantially increasing the production capacity at Matek and Urepol.

Within the framework of building component exports, a number of service and distri-

bution stations were delivered to Russian clients. In other respects, too, close cooperation continued with Russian conglomerates in the oil industry. Among other things, residential houses and related administration and service buildings were delivered to different parts of Russia.

ENERGY

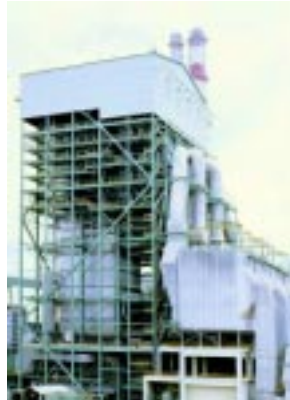
The unit participated in the investment projects of western oil companies during the report year by delivering services connected with construction and by acting as an expert in the early development stages of projects. Close contacts were also maintained with Russian companies in the energy industry. One special area was an assignment to study the market potential of the Caspian Sea region.

Russia's energy legislation developed in a positive direction in 1997. It is probable that investment decisions concerning certain oil fields will be taken during the current year.

YIT STEEL CONSTRUCTION



Among the advantages of a steel frame are its fast installation time. The steel frame of the Kiinteistö Oy Itämerenkatu 3 office and commercial building in Helsinki's Ruoholahti district.



PPTH Steel has participated in forest industry projects in different parts of the world. This recovery boiler frame in Riau Andalan is one of six deliveries of recovery and power boiler frames to Indonesia. YIT often also participates in projects as a major supplier of design and manufacturing services and materials for power boiler piping.

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 – including their ancillary structures – to clients in Finland as well as mainly to 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 12% compared with the previous year and were FIM 313 million. Operating profit increased on the previous year and was FIM 22 million (17 million). Profit before reserves and taxes was FIM 22 million. The good earnings trend was based on the cost-effectiveness of steel fabrication and on the well-controlled implementation of projects at the site.

The volume of deliveries fell in Finland, but exports grew strongly compared with the previous year. 32% of the deliveries went to Sweden and Norway, 14% to Russia and the Baltic countries and 23% to other export market areas, mainly to Southeast Asia, whereas sales in Finland amounted to 31% of the total volume.

Deliveries to Scandinavia increased by a third compared with the previous year. Among the projects completed in Norway was a steel contract for a service hangar for SAS aeroplanes at the new Gardemoen Airport, where the company also landed new projects, including a similar airport hangar contract for Braathens S.A.F.E. in the same area. PPTH Steel Ltd also carried out the steel frame contracts for the Coca-Cola factory and the Byporten commercial centre in the Oslo area.

Steel frames were delivered to Sweden, notably for the Gävle concert house and an extension to the Avesta Sheffield steel mill. Customer service was beefed up by establishing a sales office in Oslo and by strengthening the company's office in Stockholm.

In Russia and Estonia the company delivered steel constructions for a number of projects, the most important of which were the steel constructions for the AssiDomän board mill in the St Petersburg vicinity, and deliveries of steel constructions for a packaging factory near Moscow are continuing into 1998. In Tallinn, Estonia, the company registered a company named PPTH Steel Ltd. Eesti Filiaal, which will have the status of an associated company and will handle steel construction contracting in Estonia.

Deliveries of steel frames for power plant and recovery boiler constructions grew significantly, above all thanks to the deliveries to Kvaerner Pulp in Southeast Asia as well as the increased overseas exports of Wärtsilä NSD's diesel power plants.

In Finland the company participated in building a number of industrial, commercial, office and parking buildings, acting as the contractor for steel constructions. Contracts for industry were carried out in Raahe, Rajamäki, Tikkakoski, Joutseno, Pori, Hämeenlinna and Vantaa as well as other locations. Commercial and office construction picked up as the year wore on and the company delivered steel frame constructions for projects such as the shopping centre in Lahti, the parking plaza in Espoo and in Vuosaari, Helsinki, as well as the office building in Helsinki's Ruoholahti district.

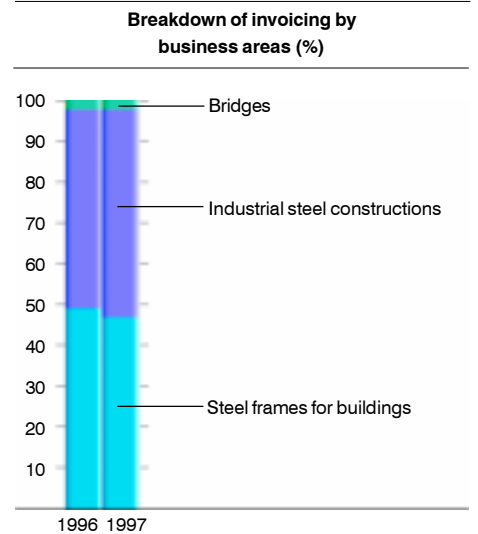
Projects that continued past the turn of the year were deliveries of steel frames for a shopping centre in Oulu, a parking plaza in Helsinki and for office buildings in Hämeenlinna, Tampere and the centre of Helsinki.

The priority for development activities was on improving the quality of customer service and operations and on shortening the throughput time of deliveries, principally by raising the degree of automation of product processes as well as by building a network of contract suppliers. At the beginning of 1998 the company acquired

YIT Steel Construction's field of operations comprises steel frames for buildings and industrial facilities, including ancillary steel structures.

	Key indicators (FIM million)				
	1997	1996	1995	1994	1993
Invoicing	315	287	255	196	207
Net sales	313	280	253	196	239
- including international operations	217	160	141	95	150
Operating profit	22	17	13	3	8
% of net sales	7.1	6.1	5.1	1.5	3.3
Order book at year-end	109	90	83	91	62
Average personnel	345	345	315	328	348
Division's share of the Group's net sales, %	5	5	6	6	8

The figures for the years 1993-1994 are also included in the figures for the former YIT Industry Division, which was presented in the above discussion of YIT Huber's operations.



a majority holding in its associated company PR-Steel Oy with the aim of being better able to develop engineering design know-how in the field of steel construction.

The backlog of orders strengthened in the course of the year and totalled FIM 109 million at the close of the year. Of the year-end orderbook, 64% consisted of deliveries to be made abroad, mainly to Norway and Russia. The net sales budgeted for 1998 are FIM 370 million. Growth will be sought in Finland, the other Nordic countries and the Baltic environment. Earnings are expected to be at the previous year's level.

Jouko Hookana

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