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ANNUAL REPORT 1998

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YIT

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INFORMATION FOR SHAREHOLDERS

ANNUAL GENERAL MEETING

The Annual General Meeting of YIT Corporation will be held on Monday, 8 March 1999 at 2 p.m. at the company's head office, Panuntie 11, Helsinki, Finland.

Shareholders who wish to participate in the Annual General Meeting and to cast their votes must be entered in the company's Shareholder Register, which is kept by Finnish Central Securities Depository Ltd, no later than by 3 March 1999 and they must register for attendance at the Annual General Meeting no later than by 4 March 1999 either by telephone to Pirkko Pesonen, tel. +358 20 433 2453, or Sirkka Vidman, tel. +358 20 433 2257, or in writing at the address YIT Corporation, Marja Salo, P.O.Box 36, FIN-00621 Helsinki, Finland. It is requested that any proxies be submitted in advance to the above-mentioned address.

In accordance with the proposal of the Board of Directors, the dividend for 1998, FIM 2.50 per share, will be paid on 18 March 1999 to shareholders who have been entered in the Shareholder Register kept by Finnish Central Securities Depository Ltd no later than by 11 March 1999.

FINANCIAL INFORMATION

YIT Corporation will publish the following financial reviews in 1999:

Financial Statement Bulletin	12 February 1999
Annual Report 1998	Week eight
Interim Report for the January-April period 1999	8 June 1999
Interim Report for the January-August period 1999	6 October 1999

The financial reviews will be published in Finnish, English and Swedish. They can be ordered at the address YIT Corporation, Publication Service, P.O.Box 36, FIN-00621 Helsinki, Finland, telephone +358 20 433 2467, fax +358 20 433 3700.

The Corporation's financial information is also given on the Internet at: www.yit.fi

SHARES

The Corporation had a total of 29 337 662 shares with a nominal value of FIM 10 each which are quoted on HEX Helsinki Exchanges.

SHARE REGISTER

Shareholders are requested to make notification of changes in their address, name and shareholdings to the book-entry register in which they have a book-entry account.

IMPLEMENTING STRATEGY - CONSISTENTLY

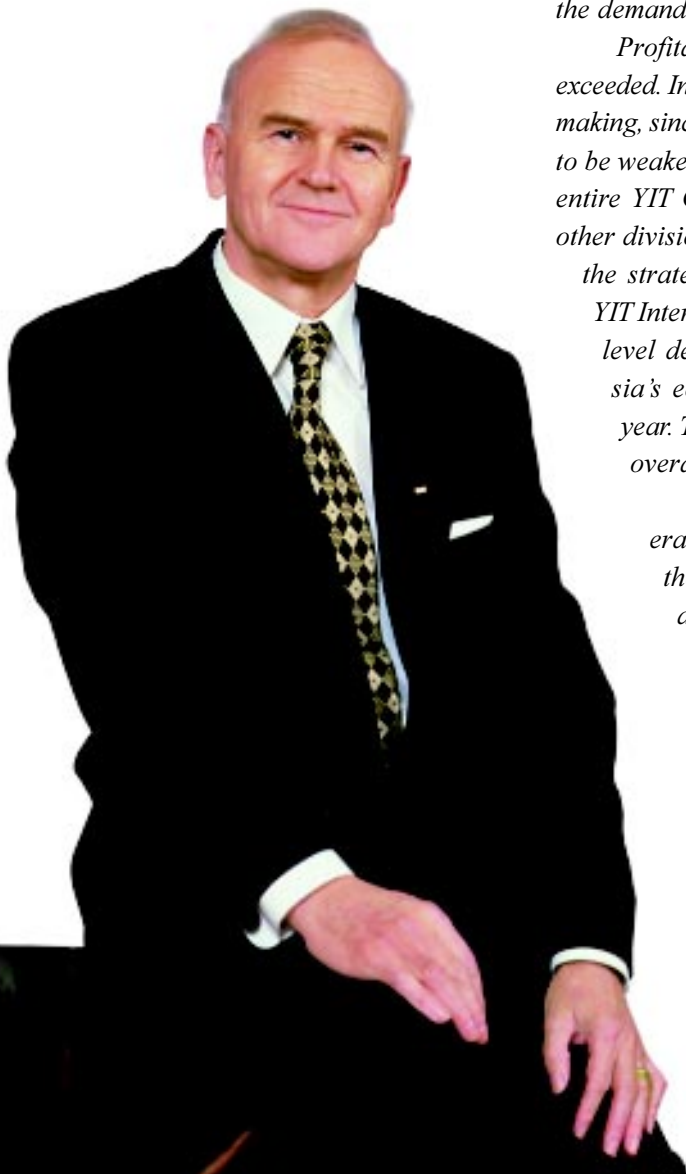
The YIT Group's strategy aims at achieving profitable growth whilst maintaining and strengthening its market leadership in Finland in the Group's main areas of operations as well as bolstering its market position in the nearby markets of Northern Europe. Our objective is to achieve strong growth in our servicing and maintenance business, to free up capital that is tied up in investment properties so that it can be used for other business operations and to reinforce our corporate culture, which emphasizes the development of service and quality.

The continuing strong economic growth in Finland during 1998 offered good possibilities to move ahead in line with the company's strategy. Consolidated net sales grew by 24 per cent. The strongest growth took place in building construction and the property business. Brisk economic activity in Finland's growth centres coupled with the pronounced population shifts inside the country as a consequence of the economic upswing led to an increase in the demand for both housing and company premises.

Profitability rose further in Finland and targets were exceeded. In Sweden, however, operations were clearly loss-making, since the final result of a number of projects proved to be weaker than expected. This dragged the result of the entire YIT Civil Engineering Division into the red. The other divisions posted a clearly positive result. Thanks to the strategy of avoiding risks in Russia, the result of YIT International Operations was at the previous year's level despite the contraction of exports due to Russia's economic situation in the final months of the year. The net effect of these factors is that the Group's overall result was at the previous year's level.

In order to restore the profitability of the operations of YIT Civil Engineering and to resolve the problems in Sweden, major organizational and top management changes were made within the division and its development and operational resources were strengthened. Particular attention was also paid to developing the operations of YIT Huber's subsidiary in Sweden. The effects of these measures will show up in YIT's earnings in 1999.

The amount of vacant office, commercial, industrial and warehouse space shrank to a record low level in the country's growth centres in the course of the year. In order to



meet the demand, YIT started up a number of major projects involving the building of office and commercial premises for different clients. The largest of these is the construction of the Itämerentori business complex in Helsinki's Ruoholahti district, a project that will cost nearly FIM 400 million.

YIT also succeeded in freeing up committed capital so that it would be available for other business operations. To accomplish this, the company sold some of its investment properties for a total amount of FIM 465 million, calculated net of debts. This increased the possibilities to obtain a new portfolio of good plot land to meet the future needs of housing construction. The financing structure was brought into better balance by increasing the share of financing obtained through bond issues on the market, and at the same time the amount of the Group's net liabilities declined further.

Economic growth, population shifts and the cutback in state-subsidized housing construction created a basis for increasing the construction of market-financed housing in the country's growth centres. 45 per cent of YIT's housing starts consisted of market-financed residential units, whereas the corresponding figure a year earlier was 25 per cent.

The YIT Huber Division's volume of servicing and maintenance operations increased substantially, both via the growth in production by its business units and through acquisitions. The combined net sales of the companies which YIT Huber purchased during the year, and which are to a large extent specialized in servicing and maintenance, is about FIM 240 million annually.

A new breakthrough came when the country's first agreement for maintenance of part of the national highway network over a period of several years was signed with the National Road Administration. Similar area maintenance works had previously got under way after an agreement was signed with the City of Helsinki concerning part of its street network. The development of property renovations, maintenance and other property services activities was also speeded up.

The success of a company that offers implementation and maintenance services for capital investments is determined by the added value which its operations bring to customers. When the competitiveness of our customers is strengthened as a result of cooperation, YIT prospers

too. The best service, lifelong learning, well functioning cooperation and good performance are YIT's core values and in 1998, as in previous years, a determined effort was made to help the entire personnel assimilate them.

An essential part of YIT's code of values is the desire to bear social responsibility for controlling the environmental impacts of our operations as well as to ensure the quality of our operations and products and to promote occupational safety and occupational health. In 1998 we made progress in this work by bringing together the operational principles and procedures of these sectors into a manual that unifies them and provides guidelines for development work and practical operations.

As part of a review of Group strategy, in the summer 1998 the target levels for key financial indicators were confirmed: an 18% return on investment, a 45% equity ratio, a dividend payout of 30-50% of annual net profit and a 10-15% annual increase in net sales.

The Group's net sales have been budgeted at FIM 7.2 billion for 1999. It is estimated that net profit before extraordinary items will increase on the previous year.

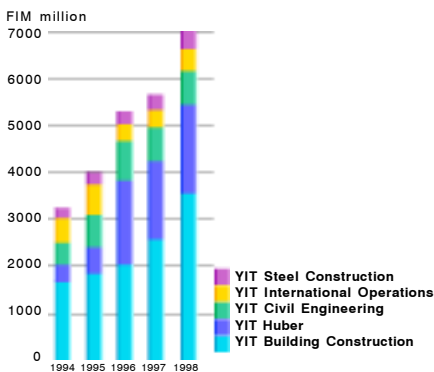
I wish to thank our customers, partners in cooperation and shareholders for the confidence they have shown in our operations as well as all our YIT people for their commitment to hard work and demanding results on behalf of our joint success.



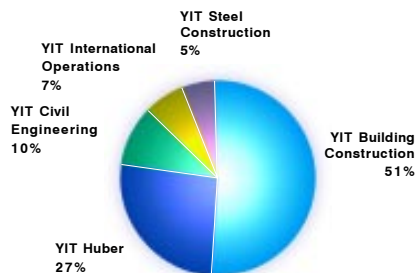
KEY FACTS

	FIM million		EUR million	
	1998	1997	1998	1997
Net sales	6 939	5 597	1 167	941
- share of international business	1 189	1 017	200	171
Fixed costs	469	414	79	70
Operating profit before depreciation	428	416	72	70
Depreciation according to plan	104	95	18	16
Operating profit	324	321	54	54
Net financing expenses	50	64	8	11
Profit before extraordinary items, reserves and taxes	274	257	46	43
Extraordinary income and expenses	-1	57	-0	10
Profit before reserves and taxes	273	314	46	53
Total assets	4 027	3 825	677	643
Interest-bearing liabilities	1 030	1 130	173	190
Interest-bearing net debts	937	1 012	158	170
Minority interest	66	60	11	10
Shareholders' equity	1 341	1 230	226	207
Gearing ratio, %	67	78		
Return on investment, %	14	15		
Return on equity, %	14	22		
Equity per share, FIM/EUR	45.72	41.96	7.69	7.06
Earnings per share, FIM/EUR	5.81	7.31	0.98	1.23
Share price at year-end, FIM/EUR	44.00	61.50	7.40	10.34
Personnel, average	7 340	6 531		

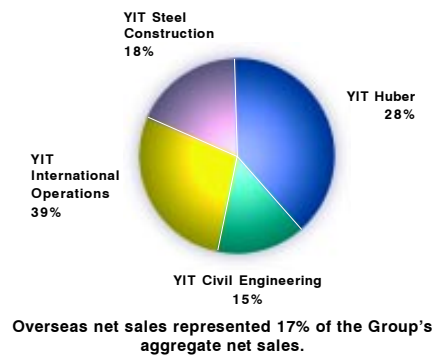
Trend in net sales by division



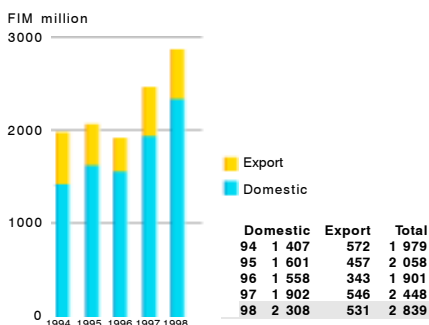
Distribution of net sales in 1998



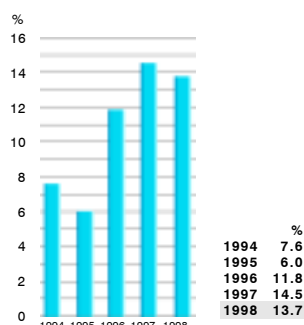
Distribution of overseas net sales in 1998



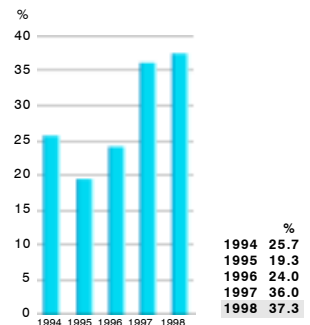
Backlog of work at year-end



Return on investment



Equity ratio



DIVISIONS

Share of consolidated net sales Share of consolidated operating profit* Share of total capital invested* Share of Group personnel

YIT Building Construction

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



51%



70%



80%



24%

YIT Huber

YIT Huber's field of operations includes servicing and maintenance for industry, mechanical contracting and related engineering fabrication, new building, renovation and servicing works connected with heating, plumbing and air-conditioning (HEPAC), fire-safety alarm and extinguishing systems, surface treatment works as well as testing and inspection services. The division's foreign subsidiaries operate in Sweden, Norway, Russia and Estonia. YIT Huber is the biggest player in its field in the Nordic countries, and within maintenance operations it is top-ranking in Finland.



27%



26%



12%



48%

YIT Civil Engineering

YIT Civil Engineering's field of operations comprises earthwork, tunnelling and foundation works, municipal engineering, area construction and sports facilities, bridge building, harbour and plant construction as well as the maintenance of traffic arteries and other infrastructure. The division has a subsidiary in Sweden that is specialized in civil engineering. Measured by net sales, YIT Civil Engineering is Finland's leading civil engineering contractor.



10%



-1%



6%



9%

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 as well as water and environmental services projects in Northern and Eastern Europe, in certain countries in the Middle East and in Asia. In Russia the division has subsidiaries and representative offices in Moscow and St Petersburg and it has subsidiaries in Sweden, all the Baltic countries and Poland. Subsidiaries that manufacture and market Makroflex sealing foam are located in Finland and Estonia.



7%



8%



8%



10%

YIT Steel Construction

The PPTH companies are responsible for the YIT Group's steel construction. The subsidiary PPTH Steel Ltd is specialized in deliveries – to customers in Finland and abroad – of frames for buildings and other load-bearing steel frames as well as ancillary steel structures. Its subsidiary Kalajoen Konepaja Oy is specialized in the manufacture of heavy welded steel structures. The PPTH companies are the market leader in their field in Finland and in Scandinavia. Export deliveries are made to a number of countries, with the accent on Scandinavia.



5%



9%



4%



5%

* = net of non-division eliminations on consolidation

INFORMATION ON SHARES

Per-share key figures

	1998	1997	1996	1995	1994
Earnings/share (EPS), FIM	5.81	7.31	5.21	-0.28	1.87
Dividend/share, FIM	2.50 ^{*)}	2.00	1.50	0.50	0
Equity/share, FIM	45.72	41.96	30.07	25.56	25.89
Dividend/profit, %	43.0	27.4	28.8	neg.	
Effective dividend yield, %	5.7	3.3	2.8	1.6	
P/E multiple	7.6	8.4	10.3	neg.	24.6
Issue-adjusted number of shares, 1 000					
at end of year	29 338	29 303	24 423	24 423	24 419
average	29 308	28 042	24 423	24 421	22 192
Market capitalization at year-end, FIM million	1 290.9	1 802.1	1 316.4	757.1	1 123.3
Share price, FIM					
at end of year	44.00	61.50	53.90	31.00	46.00
average	63.96	65.74	47.75	38.28	49.22
high	96.00	72.50	59.00	53.00	55.00
low	39.00	55.00	26.00	28.00	23.50
Share turnover					
FIM million	756.7	1 052.2	416.6	90.3	128.3
1 000 shares	11 831	16 006	8 726	2 360	2 619
turnover as % of shares outstanding	40.4	57.1	35.7	9.7	11.8

^{*)} Board of Directors' proposal

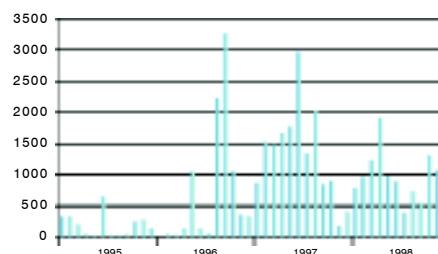
Distribution by groups of shareholders at 31 December 1998 according to the book-entry securities register

	Shareholders		Number of shares and voting rights	
	No.	%	No.	%
Corporations	344	9.80	4 984 489	16.99
Financial and insurance institutions	71	2.02	16 666 025	56.81
Public sector entities	48	1.37	4 122 655	14.05
Non-profit institutions	130	3.70	1 079 859	3.68
Households	2 898	82.56	2 437 892	8.31
Foreign owners	19	0.54	44 182	0.15
	3 510	100.00	29 335 102	99.99
On the waiting list			400	0.00
On the grand total account			2 160	0.01
Number of shares issued			29 337 662	100.00
Nominee-registered	5		3 547 486	12.09

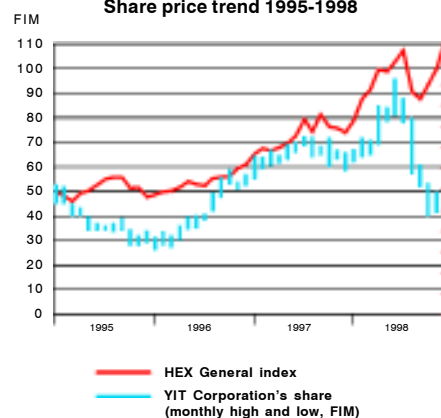
Principal shareholders at 31 December 1998

	Number of shares	Percentage of equity and voting rights
Tapiola Group 1)	5 478 930	18.68
Pohjola Group 2)	3 596 570	12.26
Rautaruukki 3)	3 104 000	10.58
OKOBANK Group 4)	1 552 200	5.29
Local Government		
Pensions Institution	850 000	2.90
Ilmarinen Mutual Pension Insurance Company	779 270	2.66
Sampo Group 5)	550 000	1.87
LEL Employment Pension Fund	470 600	1.60
Brotherus, Ilkka	305 400	1.04
YIT Corporation Pension Fund	282 215	0.96
Nominee-registered	3 547 486	12.09
Other shareholders, total	8 820 991	30.07
Total	29 337 662	100.00

- 1) Tapiola General Mutual Insurance Company, Tapiola Mutual Life Assurance Company, Tapiola Mutual Pension Insurance Company and Tapiola Corporate Life Insurance Company
 2) Pohjola Non-Life Insurance Company Ltd, Pohjola Group Insurance Corporation, Suomi Mutual Life Assurance Company and Pohjola Life Insurance Company
 3) Rautaruukki plc, Rautaruukki's Workers Pension Foundation and Rautaruukki's Officials Pension Foundation
 4) OKOBANK, The Pension Foundation of the Finnish Cooperative Banks, the Pension Fund of the Finnish Cooperative Banks, Aurum Life Assurance Company Ltd and the OKOBANK Group Research Foundation.
 5) Sampo Life Insurance Company Ltd, Sampo Enterprise Insurance Company Ltd and Sampo Insurance Company Ltd

Monthly share turnover 1995-1998
(1 000 shares)

The annual turnover of YIT Corporation's share was a total of FIM 756 684 080 and 11 831 491 shares.

Share price trend 1995-1998

— HEX General index
 — YIT Corporation's share (monthly high and low, FIM)

Distribution of shareholdings at 31 December 1998

	Number of shareholders		Number of shares and voting rights	
	No.	%	No.	%
1 - 100	819	23.30	47 749	0.16
101 - 1 000	1 947	55.39	873 279	2.98
1 001 - 10 000	594	16.90	1 815 236	6.19
10 001 - 100 000	120	3.41	3 969 217	13.53
100 001 - 1 000 000	30	0.85	8 781 688	29.93
1 000 001 -	5	0.14	13 847 933	47.20
	3 515	100.00	29 335 102	99.99
On the waiting list			400	0.00
On the grand total account			2 160	0.01
Number of shares issued			29 337 662	100.00

Increases in share capital on the basis of share issues, convertible bonds and bonds with warrants 1994-1998

Type of increase	Subscription time	Subscription price FIM	Number of new shares	Increase in share capital, FIM	New share capital FIM
Targeted issue*)	5 September 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 merger	****)	1 000	10 000	244 189 980
Targeted issue***)	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
Bonds with warrants (1994)	1998	52.00	35 000	350 000	293 376 620

- *) = to six principal shareholders of YIT Kiinteistöt Oy
 **) = to the other shareholders of YIT Kiinteistöt Oy
 ***) = to the shareholders of YIT Kiinteistöt Oy as compensation for the merger with the parent company
 ****) = one share of YIT Corporation for three shares of YIT-Kiinteistöt Oy
 *****) = 4 080 000 shares to institutional investors, 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 1994-1998

Date	Remaining loan (original amount) FIM million	Maturity, years	Interest %	Debt securities No.	Shares/Equity Warrants	Subscription price of shares FIM	Share capital FIM million	Subscription time	Last day for share subscription
1 Nov. 1994	0.548	5	7.0	548	1 000	52.00	5.48	1 Sept. 1998 - 1 Nov. 1999	1 Nov. 1999

The subscription price of the 1994 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. In 1998 redemptions on the basis of termination of employment totalled FIM 35 000, whereby the remaining amount of the bonds was FIM 548 000. After the share subscriptions made on the basis of this issue and the 1998 issue of bonds with warrants, a further maximum of 513 000 shares can be subscribed up to 1 November 1999 on the basis of the issue of bonds with warrants. The share capital can be increased on the basis of the issue of bonds with warrants by a further maximum of FIM 5 130 000 after the 1998 share subscriptions and repayment of the loan, whereby the increase would correspond to 513 000 shares. These subscriptions confer a maximum of 1.8% of the company's voting rights as calculated on the voting rights conferred by the shares at the end of the report year.

Share Options 1998

Date	Options/ type	Number	Shares/ option	Share subscription price	Share capital	Subscription periods	Last subscription day
15 May 1998	A	600 000	1/1	FIM 76, minimum FIM 70*	FIM 6 million	20 Mar. - 30 Nov. 2001 20 Mar. - 30 Nov. 2002 20 Mar. - 30 Nov. 2003	30 Nov. 2003
15 May 1998	B	600 000	1/1	FIM 82, minimum FIM 74*	FIM 6 million	15 Oct. - 30 Nov. 2002 20 Mar. - 30 Nov. 2003	30 Nov. 2003

*The subscription price of the share will be lowered after 1 January 1999 by the amount of the per-share dividend distributed by the beginning of the share subscription period (A: 20 March 2001 and B: 15 October 2002).

FINANCIAL INDICATORS 1994 - 1998^{*)}

INCOME STATEMENTS (FIM million)	1998	1997	1996	1995	1994
Net sales	6 939	5 597	5 210	3 924	3 244
Operating margin	897	830	735	412	342
% of net sales	12,9	14,8	14,1	10,5	10,5
Fixed costs	469	414	390	236	194
Operating profit before depreciation	428	416	345	176	148
% of net sales	6,2	7,4	6,6	4,5	4,6
Depreciation according to plan	104	95	94	63	45
Operating profit	324	321	251	113	103
% of net sales	4,7	5,7	4,8	2,9	3,0
Net financing expenses	50	64	81	100	43
Profit before extraordinary items, reserves and taxes	274	257	170	13	60
% of net sales	3,9	4,6	3,2	0,3	1,7
Extraordinary income and expenses	-1	57	-4	-1	-37
Profit before reserves and taxes	273	314	166	12	23
% of net sales	3,9	5,6	3,2	0,3	0,6
BALANCE SHEETS (FIM million)					
Assets					
Fixed assets	711	623	726	789	1 085
Valuation items	0	7	12	28	29
Stocks	1 321	1 293	1 078	1 192	943
Financial assets	1 995	1 902	1 643	1 710	1 019
Liabilities					
Share capital	293	293	244	244	244
Other shareholders' equity	1 048	937	490	380	388
Minority interest	66	60	45	40	85
Obligatory reserves	19	26	25	50	41
Non-current creditors					
Interest-bearing	764	719	990	1 097	931
Non-interest-bearing	55	42	108	124	100
Current creditors					
Interest-bearing	266	411	491	654	419
Advances received	252	245	220	277	287
Other non-interest-bearing	1 264	1 092	846	853	581
Balance sheet total	4 027	3 825	3 459	3 719	3 076
FINANCIAL RATIOS					
Return on investment, %	13,7	14,5	11,8	6,0	7,6
Return on equity, %	13,9	21,7	19,0	neg.	7,1
Equity ratio, %	37,3	36,0	24,0	19,3	25,7
Quick ratio	1,3	1,3	1,2	1,1	1,0
Gearing ratio, %	66,6	78,4	175,9	237,1	166,0
Personnel as of December 31	7 536	7 116	6 421	7 655	4 225
Backlog of orders at year-end, FIM million	2 839	2 448	1 901	2 058	1 979
Gross capital expenditures on fixed assets, FIM million	208	147	92	108	41
% of net sales	3,0	2,6	1,8	2,8	1,3

*) Taking into account imputed deferred taxes

ADMINISTRATIVE BODIES

SUPERVISORY BOARD

Asmo Kalpala (48), 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.

Iiro Viinanen (54), M.Sc.(Eng.), member of the Supervisory Board of YIT Corporation since 1996 and its Vice Chairman since 1998, 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.

Ilkka Brotherus (47), M.Sc.(Econ.), member of the Supervisory Board of YIT Corporation since 1998, Managing Director of Sinituote Oy, term of office ending in 2000. Owns 305 400 YIT shares.

Mikko Kivimäki (60), LL.M., member of the Supervisory Board of YIT Corporation since 1990, Chairman of the Board and Managing Director of Rautaruukki plc, term of office ending in 2000.

Antti Tanskanen (52) 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 2001.

E.J. Toivanen (71), LL.M., member of the Supervisory Board of YIT Corporation since 1994, Chairman of the Board of Onvest Oy and Onninen Oy, Chairman of the Board of Tamro Oyj, term of office ending in 2001, owns 91 700 YIT shares.



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 (55), M.Sc.(Eng.), Chairman of the Board of YIT Corporation since 1989, and member since 1987, term of office ending in 2000, the company's President since 1987, with the Corporation since 1968, owns 22 692 YIT shares.

Esko Mäkelä (55), M.Sc.(Eng.), MBA, Vice Chairman of the Board of YIT Corporation since 1989 and member since 1988, term of office ending 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 8 050 YIT shares.

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

Matti Haapala (51), M.Sc.(Eng.), M.Sc.(Econ.), head of YIT Building Construction, member of the Board since 1993, term of office ending in 2001, with the company since 1970, owns 15 000 YIT shares.

Pentti Hannonen (57), M.Sc.(Eng.), director, in charge of development within 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 (53), M.Sc.(Eng.), head of YIT Huber, member of the Board since 1996, term of office ending in 1999, with the Corporation since 1986.

Juhani Kuusisto (50), M.Sc.(Eng.), head of YIT Civil Engineering, member of the Board since 1998, term of office ending in 1999, with the Corporation since 1976.

Raimo Lahtinen (52), M.Sc.(Eng.), in charge of Group Strategic Planning and YIT Steel Construction, member of the Board since 1996, term of office ending in 2001, with the Corporation since 1969.

Mikko Rekola (53), M.Sc.(Eng.), Head of YIT International Operations, member of the Board since 1996, term of office ending in 2001, with the Corporation since 1970, owns 6 542 YIT shares.

The Supervisory Board elects 5 to 8 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 (54), M.Sc.(Econ.), Authorized Public Accountant, auditor since 1994, deputy auditor during the years 1988-1993.

SVH Pricewaterhouse Coopers Oy, public accountants, with *Kimmo Rautvuori* (43), M.Sc.(Econ.), Authorized Public Accountant, acting as responsible auditor.

Raimo Lahtinen

Pentti Hannonen

Juhani Kuusisto

Esko Mäkelä

Reino Hanhinen

Mikko Rekola

Jouko Ketola

Matti Haapala



**REPORT OF
THE BOARD OF
DIRECTORS
1 JAN.-31 DEC. 1998**

NET SALES AND PROFIT

The YIT Group's net sales in 1998 amounted to FIM 6 939 million (5 597 million in 1997). The figure includes FIM 815 million (360) from the sale of real-estate properties and shares in buildings constructed on a developer basis. Operations abroad accounted for FIM 1 189 million (1 017) of net sales, or 17% (18%).

The Group's operating profit before depreciation was FIM 428 million (416 in 1997), or 6.2% (7.4%) of net sales. Operating profit was FIM 324 million (321) and profit before reserves and taxes was FIM 274 million (257). Projects have been booked in the income statement on the basis of the degree of completion.

Operating profit of YIT Building Construction was FIM 226 million (138), YIT Huber's was FIM 84 million (95), YIT Civil Engineering's was FIM -4 million (27), YIT International Operations' was FIM 26 million (61) and YIT Steel Construction had operating profit of FIM 29 million (22).

Operations in Finland resulted in a solid operating profit and a clear improvement on the previous year's result. In international operations, the profitability of work in Sweden did not, however, meet expectations. YIT Civil Engineering's operating profit was burdened by a FIM 34 million loss on its civil engineering contracting in Sweden. YIT Huber's operating profit includes a FIM 12 million loss on operations in Sweden. The operating profit of YIT International Operations, which concentrates on the Russian and Baltic market, was satisfactory but fell short of targets owing to the effect of the economic crisis in Russia.

The return on investment was 13.7% (14.5%). The Group's fixed costs totalled FIM 469 million (414). Depreciation according to plan amounted to FIM 104 million (95).

FINANCING

The amount of interest-bearing liabilities at the end of the financial year was FIM 1 030 million (1 130 million in 1997), of which FIM 3 million (24) was denominated in foreign currency. The amount of net debt was FIM 937 million (1 012). Net financial expenses totalled FIM 50 million (64), or 0.7% (1.1%) of net sales. Liquid assets at the close of the year totalled FIM 93 million (120) and the equity ratio was 37.3% (36.0%).

The proportion of fixed-interest loans in the Group's loan portfolio was 64% (23%).

Loans raised directly on the market amounted to 52% (9%).

CAPITAL EXPENDITURES

Gross capital expenditures on fixed assets totalled FIM 208 million (147) of which investments in information technology amounted to FIM 42 million (26), investments in construction equipment FIM 43 million (41), production investments FIM 36 million (26) and other investments in fixed assets FIM 87 million (54).

BACKLOG OF ORDERS

YIT Corporation's backlog of orders at the end of the year – i.e., the value of work not recognized as income – stood at FIM 2 839 million (2 448 million in 1997), of which FIM 531 million (546) represented the orderbook outside Finland.

RESIDENTIAL CONSTRUCTION

In 1998 YIT Corporation built a total of 2 669 (2 628) housing units, of which 1 941 (2 314) were National Housing Board-financed and interest-subsidized housing and 728 (314) were built on a developer basis. In 1998, 2 791 (2 943) housing starts were made, of which 1 259 (740) were built on a developer basis. At the close of the year, a total of 2 215 (2 094) residential units were under construction, of which 1 104 (574) were developer housing. Completed, unsold residential units numbered 159 at the close of the year (23).

At the close of the year the amount of capital tied up in completed residential units and units under construction was FIM 261 million (70), with FIM 562 million (507) being tied up in plots for residential building, i.e. a total of FIM 823 million (577) was tied up in residential construction.

In the autumn YIT brought out on the market new schemes of financing housing purchases to round out its market-financed residential construction. ALFA apartments offer a means of lowering the purchase threshold by way of a larger than usual loan taken by the condominium, which is a housing corporation. In OPTIO homes, the resident's initial capital investment is lowered by way of fixed-term joint ownership by the resident and an investor. At the end of the year, 211 ALFA apartments were under construction and growing demand is expected for them.



PROPERTY BUSINESS

In line with the Group's strategy, the freeing up of capital that is tied up in investment properties for use in other operations moved ahead according to plan. Investment properties amounted to total of 72 971 square metres of floorspace at the beginning of the year and 27 662 square metres at the close of the year. The total amount of capital tied up in investment properties at year-end was FIM 289 million (719), the capital tied up in real estate with development potential, consisting mainly of plots and partially built-up properties, amounted to FIM 816 million (830) and the capital tied up in other real estate, comprising various office, commercial and industrial premises, amounted to FIM 184 million (212).

At the close of the year a total of FIM 1 289 million (1 761) was invested in the property business. The total amount invested in properties, including housing as well

as other properties included in fixed assets was FIM 2 228 million (2 432).

CHANGES IN THE GROUP STRUCTURE

The organization of YIT Civil Engineering was partially regrouped in September. The primarily export-oriented Water and Environmental Services Department was made a part of the YIT International Operations organization. Juhani Kuusisto, who has been a department head within the YIT Civil Engineering Division was appointed senior vice president of the division.

The Group's growth strategy was carried out in 1998 through acquisitions, especially within the YIT Huber division. Acquisitions abroad included the purchase of Mongstad Industrier AS (YIT Industrier AS following the change of name), which is based in Bergen, Norway and operates on the oil and petrochemical market, and VSP i

Göteborg AB, which operates in the Gothenburg area in Sweden. Acquisitions in Finland included Autto-Asennus Oy and its subsidiary Tampereen Terästyö Oy, which operate in the Tampere area, Ilmastointi Kuittinen Oy, which operates in the Kuopio economic area, Asennus Luttinen Oy, which operates in the Riihimäki and Hyvinkää economic areas, VPT-Putki Oy, which operates in the Kymi River Valley Area and Helsingin Talotekniikka Oy, which operates in the Greater Helsinki area. In addition, the Länsiteknö Group, comprising companies that do business mainly in the Greater Helsinki area as well as in the Oulu and Mikkeli areas and include the companies Kruunhaan Putki Oy and Putkiura Oy, which are owned by the parent company, as well as Länsisähkö Oy and Putkineliö Oy, which are subsidiaries of Putkiura Oy. The acquired companies had aggregate net sales in 1998 of FIM 240 million, of which FIM 149 million was consolidated within net sales for 1998.

The subsidiary in Estonia, AS Makroflex, which is part of YIT International Operations, specialized in the manufacture of polyurethane insulation, and the company's wooden products line and previous business name, AS Matek, were sold to a local construction company. YIT's presence in the Baltic countries and Poland was strengthened. Towards the end of the year, YIT Corporation acquired a 65.6% in AB Kausta, one of Lithuania's leading construction companies. The subsidiary YIT Polska Sp. z o.o., which will operate in the area of water and environmental services, was established in Crakow, Poland.

The Plant and Equipment Services Department, which is specialized in intra-Group services, was spun off as a separate limited company, which began operations under the name YIT Kalusto Oy in October 1998.

During the financial year the subsidiaries Autto-Asennus Oy, Tampereen Terästyö Oy and Rova-Rakennus Oy merged with their parent companies and YIT Installation AS with its associated company. The subsidiaries Vesikemia Oy, Oy Huber Consulting AB and Mariehamns Huber Ab were wound up. At the close of the year the merger of the subsidiary Ilmastointi Kuittinen Oy with its parent company and the winding up the subsidiary VSP i Göteborg Ab were about to be consummated.

SHARES AND SHAREHOLDERS

YIT Corporation's market capitalization at the beginning of the year was FIM 1 802 million (1 316 million in 1997) and it was FIM 1 291 million at the close of the year. The share capital stood at FIM 293 026 620 at the beginning of the year and FIM 293 376 620 at the end. The nominal value of the share, which is listed on HEX Helsinki Exchanges, was FIM 10. The number of registered shareholders was 3 368 at the beginning of the year and 3 510 at the end. According to the figures for nominee registrations, foreigners' holdings in the company were 19.0% at the beginning of the year and 12.1% at the end. Full-year share turnover amounted to FIM 757 million (1 052), with 11 831 491 shares being traded (16 006 033 in 1997).

The dividend paid for the 1997 financial year was FIM 2.00 per share (1.50), or a total of FIM 58.6 million (36.6).

On the basis of a resolution passed by the Annual General Meeting on 9 March 1998, 151 employees of companies belonging to the YIT Group subscribed a total of 1.2 million share options in May. The share capital can be increased by a maximum of FIM 12 million on the basis of these options. Half of the share options entitle their holders to subscribe one share with a

nominal value of FIM 10 at a price of FIM 76 beginning on 20 March 2001 (A-share option) and the other half confer this right at a price of FIM 82 per share beginning on 15 October 2002 (B-share option). After 1 January 1999 the subscription price of the share will be lowered by the amount of the dividend per share distributed by the beginning of the subscription period.

At the close of the year, the Board of Directors had a one-year authorization, valid from the date of the resolution passed by the Annual General Meeting on 9 March 1998, to decide on the issuance of convertible bonds, the granting of share options and/or increasing the share capital through a rights issue by offering for subscription a total maximum amount of 4 million shares.

The outstanding capital of the five-year issue of bonds with warrants at an interest rate of 7%, which was targeted at the corporation's management and separately named key individuals in 1994 decreased to FIM 548 000 in 1998 owing to redemptions made on the basis of termination of employment. Each FIM one thousand bond with warrant confers the right to subscribe one thousand YIT Corporation shares with a nominal value of FIM 10 at a subscription price of FIM 52 during the subscription period from 1 September 1998 to 1 November 1999. The share capital was increased by FIM 350 000 during 1998 on the basis of share subscriptions pursuant to the terms of the issue of bonds with warrants. Thereafter, the share capital can be increased as a consequence of subscriptions based on the issue of bonds by a maximum of FIM 5 130 000, which confers the rights to a 1.8% proportion of the shares and voting rights. The issue of bonds will fall 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 458 350 shares (85 150), or 1.56% (0.29%) of the company's shares and voting rights at 31 December 1998. Their ownership proportion of the issue of bonds with warrants floated in 1994 was FIM 105 000, or 18.0%. In the event that a full amount of shares is subscribed on the basis of the issue of bonds with warrants, the total proportion of the company's shares and voting rights held by the above-mentioned persons will be 1.8%.

TARGET LEVELS FOR FINANCIAL KEY RATIOS

During a review of the Group's strategy in August 1998, the following target levels for key ratios were confirmed: 18% for return on investment and 45% for the equity ratio.



A further objective that was set is to pay a dividend of 30-50% of the net profit for the year after taxes and minority interests. The net sales target is to achieve annual growth of 10-15%. In previous years, YIT Corporation has announced only a target level for the dividend it seeks to pay, which has been 20-40% of the net profit for the year after taxes and minority interests.

ADMINISTRATION

The Annual General Meeting held on 9 March 1998 re-elected as members of the Supervisory Board E.J. Toivanen and Antti Tanskanen, both of whom were due to resign, and Ilkka Brotherus was elected as a new member. At its meeting held on 24 April 1998, the Supervisory Board re-elected Asmo Kalpala as its chairman and elected Iiro Viinanen as its vice chairman. At the same meeting the Supervisory Board re-elected to the Board of Directors senior vice presidents Matti Haapala, Raimo Lahtinen and Mikko Rekola, who were due to resign.

The Annual General Meeting elected as the company's auditors Pekka Nikula, M.Sc.(Econ.), Authorized Public Accountant, and SVH Pricewaterhouse Coopers Oy, who appointed Kimmo Rautvuori, M.Sc.(Econ.), Authorized Public Accountant, to act as the company's responsible auditor.

In connection with the organizational changes in the YIT Civil Engineering Division, on 19 August 1998 the Supervisory Board appointed department head Juhani Kuusisto senior vice president of the division and a member of the Board of Directors of YIT Corporation effective 1 September 1998.

ARTICLES OF ASSOCIATION

The Annual General Meeting held on 9 March 1998 resolved to change the com-



pany into a public limited company and at the same time to amend the Articles of Association. The company's business name was changed to YIT-Yhtymä Oyj, in Swedish YIT Corporation Abp and in English YIT Corporation. The company's field of business was redefined to correspond to the Group's present structure and the maximum number of members of the Board of Directors was changed from seven to eight. The last date for holding the Annual General Meeting was moved up to the end of March. In addition, a number of minor amendments of a technical nature were made to the Articles of Association. The amendments were entered in the Trade Register on 12 March 1998.

PERSONNEL

In 1998 the Group employed an average of 7 340 people (6 531). At the close of the year the payroll was 7 536 employees (7 116). 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 2 958 people (2 945) during the financial year.

Employee representation in corporate governance and pursuant to the Cooperation within Enterprises Act was implemented in the Management Groups of the divisions, in the form of Group-wide cooperation, in the Cooperation Committee as well as in the regional cooperation bodies of the divisions and through shop steward activities.

An active programme of personnel development was carried out throughout the corporation and within the framework of development programmes run by the various divisions.

Within integrated health care for the personnel, activities designed to maintain working capacity and to increase the welfare of

the employees was stepped up and it was coordinated by the Development and Cooperation Working Group. Occupational safety was promoted through training as well as safety competitions and campaigns.

Development of the personnel and workplace has been monitored annually by means of an employee development stage survey whose results are used for purposes such as planning development activities.

SALARIES, WAGES AND EMOLUMENTS

Salaries, wages and emoluments paid by the Group totalled FIM 1 134 million (989 million in 1997), of which amount the salaries and emoluments paid to the Boards, the presidents and the executive vice presidents totalled FIM 16.7 million (13.1), with bonuses amounting to FIM 2.0 million (1.7). The parent company paid salaries, wages and emoluments totalling FIM 438 million (429). 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 7.4 million (5.9), of which bonuses accounted for FIM 1.4 million (1.1). 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.

It was decided to wind up the YIT Corporation Pension Fund on 30 June 1999 in accordance with an agreement signed with Tapiola Corporate Life Insurance Ltd in November 1998. The fund covers 169 pension beneficiaries and 189 who are currently under an employment contract.

DEVELOPMENT

The strengthening of the YIT Group's corporate culture was continued in line with its core values, which were revised in 1996. The focus of development in all the divisions was on improving customer service and quality. An active programme of personnel development was carried out throughout the corporation and within the framework of development programmes run by the various divisions.

In different divisions, work went ahead on developing and supplementing the qual-

ity systems for operational systems and also on the certification process for those parts of the quality systems that have not yet obtained certification. Preparation of the environmental programmes continued within the different divisions with the objective of obtaining certification according to the ISO 14 001 standard for the first division already during 1999.

In 1998 the Group's outlay on developing the personnel and operating systems was about FIM 40 million.

The Group continued its systematic strategic development. Investment properties were sold in a total amount of FIM 465 million. In accordance with the adopted growth strategy, investments were directed particularly at the development of maintenance operations and heating, plumbing, air-conditioning and building automation.

CHANGEOVER TO THE EURO AND YEAR 2000 PREPAREDNESS

The euro will be adopted as the monetary unit used in YIT Corporation's accounting and financial statements beginning on 1 January 1999.

On the basis of the work of upgrading and reviewing production control systems, and EDP hardware and software in order to avoid information technology problems connected with the Year 2000, the Company has arrived at the estimate that the millennium change will not cause major problems for the operations of the YIT Group or its customers. The upgrading and review work is continuing in 1999. Towards the end of 1998 the Group's financial administration introduced systems that meet the requirements of the Year 2000. These development projects will be discussed in greater detail elsewhere in the Corporation's Annual Report.

EVENTS SINCE THE END OF 1998

The entire shares outstanding in the engineering works Kalajoen Konepaja Oy were acquired by the subsidiary PPTH Steel Ltd in January 1999. Kalajoen Konepaja had net sales in 1998 of FIM 61 million and a payroll of 180 employees.

In its developer housing construction that is started after 1 February 1999, the YIT Group has introduced throughout Finland a new home purchase scheme in which at the moment of concluding the deal the buyer pays 15% of the price of the apartment while it is still being built, and the remainder is not paid until the buyer moves in. The practice up to now has been for the buyer to pay for the dwelling almost in full while it is still being built. According to the new model, the developer is responsible for the financing during the construction stage. The new home

purchase scheme, which makes the process of buying an apartment much easier and more simple, is expected to lead to a significant increase in buyers' interest in the new form of housing.

On 11 February 1999, the Board of Directors of YIT Corporation approved a merger plan according to which the subsidiary Exofennica Oy, which is included in stocks and which owns the Tampella area in Tampere, will be merged with the parent company.

OUTLOOK FOR 1999

The strong economic growth in Finland has continued for several years now and at the same time the national economy has continually moved into better balance. Despite the slowdown in the growth of the international economy, economic growth in Finland is expected to remain satisfactory. The Research Institute of the Finnish Economy, estimated in its business cycle forecast that was released in December 1998 that gross domestic product would grow by 3% in Finland in 1999. Growth is expected to be around two percentage points slower than it was in the previous year but to be faster than the growth in the world economy and the average growth of the EMU countries, mainly thanks to good domestic demand.

The Research Institute of the Finnish Economy estimates that total capital expenditures will increase at the same rate in 1999 as they did a year earlier, i.e. by 6%. It estimates that investments in housing will grow by 8% and investments in other building construction by slightly less than 10%. The institution expects only minor growth in civil engineering investments.

According to the estimate of the Confederation of Finnish Construction Industries, the growth in the total volume of construction in 1999 will be half of what it was last year and will come in at around 5%.

In the main sectors of industry the degree of capacity utilization has remained high up to the last months of the year, with profitability and the financing surplus at a good level. The conditions thus exist for growth in industrial investments in 1999 even though industry's business cycle and export outlook has weakened towards the end of the year. The Research Institute of the Finnish Economy expects capital spending by industry, which contracted slightly in 1998, to notch up a bit in 1999. The empha-

sis within machinery and equipment investments is on renovation and replacement investments for existing plants, whereas large-scale new investments are not expected to get under way any time soon.

The company estimates that demand for market-financed apartments and terraced houses will strengthen and that the amount of housing starts in Finland will rise to about 10 000 units in 1999. Since at the same time a pickup is taking place in the construction of market-financed single family houses, it is expected that there will be a total of 33 000 housing starts, exceeding the previous year's level by about one thousand residential units in spite of the cutback in government-subsidized housing.



In the company's estimation, the outlook for the property business in 1999 is still good in the Greater Helsinki area and in other regional growth centres. According to Huoneistomarkkinointi Oy, a real-estate company, the vacancy rate in the Greater Helsinki area, the ratio of vacant premises to the total volume of premises, fell to an exceptionally low level of 2.4% in the autumn 1998, and further brisk demand for new premises is expected. With office premises in scarce supply, the rental level is rising somewhat further in the country's growth centres.

The Research Institute of the Finnish Economy expects the volume of renovations to grow at the rate in the previous year, or about 5%.

The company estimates that the demand for servicing and maintenance will also grow in 1999, particularly within industry, where companies are concentrating more and more on their core operations and outsourcing their maintenance work. Demand for real-estate and infrastructure maintenance services is also estimated to grow somewhat.

Demand on the market for plumbing, heating and air-conditioning contracting has picked up in recent years in step with the growth in construction, and the company expects continuing good demand in 1999 as well.

Of the markets where YIT has international operations, in Sweden the demand for infrastructure construction is expected to remain at the previous year's level, and machinery and equipment investments are anticipated to grow somewhat. In Norway economic growth will slow down further and of the main areas of operations, it is only in the energy sector that investment activity is expected to remain at a high level. In the Baltic countries the growth in construction investments is likely to be only a few per cent owing to the indirect effects of Russia's economic problems.

In Russia the economic crisis is expected to continue in 1999 and the level of construction investments as well as the potential demand for construction services are likely to contract compared with the previous year. The priority for investments by foreigners will apparently still be geared towards projects involving consumer goods and the food industry.

The volume of the YIT Group's operations is expected to grow in 1999. Net sales have been budgeted

at FIM 7.2 billion. Apart from the increased volume due to acquisitions that have been made, growth will be supported by the need to satisfy increased demand for housing and business premises in the country's growth centres, by the strong demand for heating, plumbing and air-conditioning services, the need to increase machinery and equipment investments within industry as well as by the growth in the industrial, real-estate and infrastructure maintenance market.

The YIT Group's net profit before extraordinary items for 1999 is estimated to increase on the previous year.

INCOME STATEMENTS (FIM 1 000)

		CONSOLIDATED		PARENT COMPANY	
		1.1.-31.12.1998	1.1.-31.12.1997	1.1.-31.12.1998	1.1. 31.12.1997
NET SALES	1)	6 939 385	5 596 777	4 196 189	3 386 302
Change in stocks of finished goods		-22 436	93 582	11 298	71 874
Production for own use		12 621	17 426	1 549	8 929
Share of associated companies' net profits		3 353	924		
Other operating income and expenses	2)	3 880	231	-16 354	-14 836
VARIABLE COSTS					
Materials, supplies and goods:					
Purchases during the period		2 619 377	2 010 142	1 716 519	1 280 785
Change in stocks		8 135	-105 947	61 360	-57 448
External charges		1 718 641	1 470 530	1 292 379	1 122 576
Personnel expenses	3)	1 186 738	1 040 533	386 494	373 797
Other variable costs		506 973	463 659	282 530	278 829
		-6 039 864	-4 878 917	-3 739 282	-2 998 539
OPERATING MARGIN		896 939	830 023	453 400	453 730
FIXED COSTS					
Personnel expenses	3)	286 608	272 398	182 216	189 881
Rents		21 594	22 823	11 652	11 183
Other fixed costs		160 838	118 228	73 002	57 110
		-469 040	-413 449	-266 870	-258 174
OPERATING PROFIT BEFORE DEPRECIATION		427 899	416 574	186 530	195 556
DEPRECIATION					
Depreciation on fixed assets and other non-current investments	5)	-84 067	-79 607	-19 806	-45 277
Amortization of goodwill		-19 706	-15 692		
		-103 773	-95 299	-19 806	-45 277
OPERATING PROFIT	6)	324 126	321 275	166 724	150 279
FINANCIAL INCOME AND EXPENSES	7)				
Dividend income		818	569	29 019	20 707
Interest income from non-current investments		2 600	4 041	3 826	4 830
Interest income from current investments		5 769	5 013	9 229	5 168
Other financial income		532	8 188	4	7 754
Exchange rate gains/losses		-5 731	-1 654	-4 984	-1 398
Interest expenses		-49 943	-65 532	-54 095	-70 631
Other financial expenses		-4 407	-15 056	-3 785	-14 242
		-50 362	-64 431	-20 786	-47 812
PROFIT BEFORE EXTRAORDINARY ITEMS, RESERVES AND TAXES		273 764	256 844	145 938	102 467
EXTRAORDINARY INCOME AND EXPENSES	8)				
Group contributions				88 055	93 690
Extraordinary income		500	64 404	2 390	66 616
Extraordinary expenses		-1 655	-7 520	-14 983	-23 206
		-1 155	56 884	75 462	137 100
PROFIT BEFORE RESERVES AND TAXES		272 609	313 728	221 400	239 567
Change in depreciation difference	5)			-6 058	-6 242
Change in voluntary reserves					229 510
Income taxes	9)	-86 029	-50 986	-59 105	-100 334
Minority interest		-17 533	-19 314		
PROFIT FOR THE PERIOD		169 047	243 428	156 237	362 501

The currency exchange rate at 31 December 1998 was EUR 1 = FIM 5.94573

BALANCE SHEETS (FIM 1 000)

	CONSOLIDATED		PARENT COMPANY	
	31.12.1998	31.12.1997	31.12.1998	31.12.1997
ASSETS				
FIXED ASSETS AND OTHER NON-CURRENT INVESTMENTS				
Intangible assets				
Intangible rights	7 226	7 114	851	851
Goodwill	5 453	7 056	3 079	3 926
Goodwill on consolidation	72 042	68 843		
Other capitalized expenditure	21 996	10 556	19 527	9 697
	106 717	93 569	23 457	14 474
Tangible assets				
Land and water	88 774	86 899	8 289	8 289
Buildings and structures	216 083	205 437	9 114	8 651
Machinery and equipment	210 763	165 595	50 074	89 987
Other tangible assets	5 425	5 621	2 666	3 133
Advance payments and construction in progress	101	3 676		
	521 146	467 228	70 143	110 060
Securities included in fixed assets and other non-current investments				
Shares in subsidiaries			247 647	211 346
Shares in associated companies	12 039	12 468	13 520	13 671
Other shares and holdings	33 365	17 185	11 791	9 491
Loan receivables	33 512	28 185	357 202	203 868
Other investments	4 488	4 448	4 440	4 440
	83 404	62 286	634 600	442 816
VALUATION ITEMS		7 031		7 031
CURRENT ASSETS				
Stocks				
Raw materials and supplies	30 356	33 476	2 038	5 940
Work in progress	225 995	185 104	126 686	111 684
Other stocks	1 058 992	1 065 850	980 810	1 022 188
Advance payments	5 498	8 504	3 818	8 368
	1 320 841	1 292 934	1 113 352	1 148 180
Receivables				
Trade receivables	857 269	668 592	525 078	403 810
Loan receivables	765 337	802 369	808 512	859 729
Prepaid expenses and accrued income	270 405	289 231	274 299	291 658
Other receivables	8 947	22 152	2 601	2 911
	1 901 958	1 782 344	1 610 490	1 558 108
Investments				
Shares and holdings	8 232	2 475	8 232	2 475
Other investments	22 246	19 669	18 600	18 796
	30 478	22 144	26 832	21 271
Cash in hand and at banks	62 264	97 395	21 627	37 329
	4 026 808	3 824 931	3 500 501	3 339 269

	CONSOLIDATED		PARENT COMPANY	
	31.12.1998	31.12.1997	31.12.1998	31.12.1997
LIABILITIES				
SHAREHOLDERS' EQUITY 21)				
Restricted equity				
Share capital	293 377	293 027	293 377	293 027
Premium on share issue fund	1 470		1 470	
Reserve fund	372 789	371 423	370 221	370 221
	667 636	664 450	665 068	663 248
Non-restricted equity				
Retained earnings	504 772	321 707	508 548	204 653
Profit for the period	169 047	243 428	156 237	362 501
	673 819	565 135	664 785	567 154
MINORITY INTEREST	65 885	59 529		
RESERVES				
Accumulated depreciation difference			6 173	
Obligatory reserves	19 266	26 126	10 802	15 908
CREDITORS				
Non-current	23)			
Bonds	350 000		350 000	
Convertible bonds and bonds with warrants		583		583
Loans from financial institutions	24)	181 278	315 135	522 003
Pension loans	26)	268 405	266 786	358 506
Accounts payable				802
Imputed deferred taxes		17 421		
Other non-current liabilities		1 751	695	542
	818 855	761 518	932 616	882 436
Current	18, 19)			
Convertible bonds and bonds with warrants	548		548	
Loans from financial institutions	44 761	204 862	41 141	196 546
Pension loans	28 847	60 910	28 750	60 611
Advances received	15)	252 140	124 938	144 456
Building fund debts	399 285	200 824	368 400	157 197
Accounts payable	226 228	231 008	138 410	107 984
Accrued liabilities and prepaid income	537 155	558 476	266 396	321 603
Other current liabilities	292 383	247 288	252 474	222 126
	1 781 347	1 748 173	1 221 057	1 210 523
	4 026 808	3 824 931	3 500 501	3 339 269

STATEMENTS OF CHANGES IN FINANCIAL POSITION (FIM 1 000)

	CONSOLIDATED		PARENT COMPANY	
	1998	1997	1998	1997
Business operations				
Income financing				
Operating margin	427 899	416 574	186 530	195 556
Sales gains included in the operating margin	-2 520	-1 656	-1 313	1 612
Financial income and expenses	-50 362	-64 431	-20 786	-47 812
Extraordinary items	-1 155	56 884	75 462	137 100
Taxes	-86 029	-50 986	-59 105	-100 334
	287 833	356 385	180 788	186 122
Change in net working capital				
Change in stocks	-27 907	-214 789	34 828	-136 717
Change in current receivables	-119 614	-250 110	-52 382	-193 307
Change in non-interest-bearing current liabilities	178 520	203 296	156 702	184 418
	30 999	-261 603	139 148	-145 606
Cash flow from operations	318 832	94 782	319 936	40 516
Capital expenditures				
Capital expenditures for fixed assets	-208 075	-159 223	-146 032	-102 323
Fixed assets transferred in merger			-1 563	-157 764
Sales proceeds from fixed assets	17 703	61 960	100 893	77 278
Transfers from fixed assets to stocks		96 158		96 158
Shares eliminated on merger			18 056	1 840
	-190 372	-1 105	-28 646	-84 811
Cash flow before financing	128 460	93 677	291 290	-44 295
Financing				
Change in non-current receivables	-5 327	167	-153 334	20 604
Increase in non-current liabilities	631 189	476 721	609 176	460 122
Decrease in non-current liabilities	-573 852	-745 394	-558 996	-661 626
Change in interest-bearing current liabilities	-145 346	-79 908	-146 169	-65 797
Dividend payout	-58 605	-36 634	-58 605	-36 634
Share issue	1 820	297 180	1 820	297 180
Other financial items	-11 046	2 426	4 677	-9 545
	-161 167	-85 442	-301 431	4 304
Change in liquid funds according to the statement	-32 707	8 235	-10 141	-39 991
Adjusting items	5 910	365		
Change in liquid funds according to the balance sheet	-26 797	8 600	-10 141	-39 991

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 (%)	=	$\frac{\text{Profit before extraordinary items} - \text{taxes for the period}}{\text{Shareholders' equity} + \text{minority interest (average for the period)}} \times 100$
Equity ratio (%)	=	$\frac{\text{Shareholders' equity} + \text{minority interest}}{\text{Balance sheet total} - \text{advances received}} \times 100$
Quick ratio	=	$\frac{\text{Financial assets}}{\text{Current creditors} - \text{advances received}}$
Gearing ratio (%)	=	$\frac{\text{Interest-bearing liabilities} - \text{liquid financial assets}}{\text{Shareholders' equity} + \text{minority interest}} \times 100$
Share issue-adjusted earnings per share (FIM)	=	$\frac{\text{Profit before extraordinary items} \pm \text{minority interest from profit/loss for the period} - \text{taxes}}{\text{Share issue-adjusted average number of shares during the period}}$

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. In preparing the consolidated financial statements, the shares in the Lithuanian company AB Kausta have been transferred to ordinary shares due to the time of the purchase at the turn of the year as well as to the fact that the financial statement information of AB Kausta is still in preparation.

Intra-Group transactions and margins

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

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 in 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.

Minority interests

The shares of minority interest shareholders in the equity, depreciation difference 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 physi-

cal 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 FIM 0.5 million have as a rule not been partially credited to earnings. Within the Putkiura Group, which was acquired in November 1998, the transition to partial credits to earnings will be made in 1999. The volume of the Putkiura Group's uncompleted works at 31 December 1998 was FIM 62.2 million.

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 final exchange differences resulting from the fixed conversion rates of currencies in the euro zone have been realized in the financial statements and they are minor in effect. 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 balance sheet date, with the exception of ZAO Lentek, whose income statement items, except for the net profit, have been consolidated using the Bank of Finland's weighted monthly middle rate. The translation difference arising thereby has been applied as a credit to the negative translation differences from other consolidations, which have been booked to translation differences under non-restricted 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 price 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 the Steel Construction Division, 10 years; the machinery and equipment of subsidiaries, 3–10 years, other machinery and equipment, 30% depreciation on the carrying value, and other fixed assets, 4–40 years.

YIT Kalusto Oy, which began operations on 1 October 1998, has used depreciation according to plan in its financial statements. In the consolidated financial statements, the non-statement of the parent company's depreciation for the period 1 January – 30 September 1998, which was due to the difference in the depreciation practices of YIT Kalusto Oy and the parent company, has been taken into account to the full extent.

APPROPRIATIONS

Depreciation in excess of or under plan in the financial statements of individual companies is stated as part of the net profit for the financial year less the deferred tax liability.

In the consolidated financial statements, the accumulated difference between planned and total depreciation is divided between the deferred tax liability and non-restricted equity. The deferred tax liability has been calculated according to the tax base for the next year, which is 28%.

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 has been arranged as a liability of a pension fund for which YIT Corporation is responsible or as a direct liability of YIT Corporation. The pension liability deficit is shown in the balance sheet under Non-current creditors. The uncovered pension liability deficit that is stated in valuation items has been fully amortized as at 31 December 1998.

CHANGES IN STOCKS AND RESERVES

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

The Group will go over to applying the Accounting Act of 30 December 1997 as from 1 January 1999.

Equity per share (FIM)	=	$\frac{\text{Shareholders' equity}}{\text{Share issue-adjusted number of shares at the end of the period}}$
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 (%)	=	$\frac{\text{Dividend for the period}}{\text{Profit before extraordinary items } \pm \text{ minority interest from profit/loss for the period - taxes}} \times 100$
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 (FIM 1 000)

NOTES TO THE INCOME STATEMENTS	CONSOLIDATED		PARENT COMPANY	
	1998	1997	1998	1997
1. NET SALES BY BUSINESS DIVISIONS				
YIT Building Construction	3 584 505	2 590 824	3 293 224	2 356 682
YIT Civil Engineering	690 777	734 982	587 972	653 405
YIT Huber	1 871 407	1 645 105	710	159 119
YIT Steel Construction	389 010	313 163		
YIT International Operations	485 376	375 115	288 508	193 721
Other items	-81 690	-62 412	25 775	23 375
	6 939 385	5 596 777	4 196 189	3 386 302
Net sales include:				
Net sales from international operations	1 189 077	1 017 404	360 283	301 253
Sales of company-built condominium shares	815 000	359 787	757 097	346 523
2. OTHER OPERATING INCOME AND EXPENSES				
Other income				
Rent income from fixed assets	1 221	3	3 981	1 583
Profit on sales of fixed assets	2 857	2 764	1 636	543
Revaluations on shares held in fixed assets				3 758
Contributions received	666	22	825	
Other	5 808	2 141	16 843	6 693
	10 552	4 930	23 285	12 577
Other expenses				
Expenses of real-estate properties	3 698	3 501		
Losses on the sale of fixed assets	337	1 108	323	12 989
Write-downs on shares held in fixed assets	2 637	90	2 637	90
Write-downs and expense entries on loan receivables			36 679	14 334
	6 672	4 699	39 639	27 413
3. PERSONNEL EXPENSES AND FRINGE BENEFITS				
Wages and salaries	1 139 888	1 007 385	437 019	434 296
Pension costs	173 251	159 038	68 131	71 330
Other indirect employee costs	160 207	146 508	63 560	58 052
	1 473 346	1 312 931	568 710	563 678
Fringe benefits	17 599	16 211	12 405	11 554
	1 490 945	1 329 142	581 115	575 232
4. AVERAGE PERSONNEL STRENGTH BY DIVISIONS				
YIT Building Construction	1 791	1 574		
YIT Civil Engineering	709	743		
YIT Huber	3 380	3 202		
YIT Steel Construction	377	345		
YIT International Operations	822	412		
Others	261	255		
	7 340	6 531		

The President and seven 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 pension fund and the parent company.

	CONSOLIDATED		PARENT COMPANY	
	1998	1997	1998	1997
5. DEPRECIATION				
Depreciation according to plan				
Intangible assets	5 822	5 067	4 715	4 086
Buildings and structures	12 466	12 801	1 168	1 537
Machinery and equipment	64 611	60 467	13 333	39 008
Other tangible assets	1 168	1 272	590	646
	84 067	79 607	19 806	45 277
Depreciation on goodwill	19 706	15 692		
	103 773	95 299		
Change in depreciation difference				
Intangible assets			-1 207	189
Buildings and structures			437	3 205
Machinery and equipment			-5 288	-9 661
Other tangible assets				25
			-6 058	-6 242
6. OPERATING PROFIT BY DIVISIONS				
YIT Building Construction	225 700	138 020		
YIT Civil Engineering	-3 917	27 185		
YIT Huber	84 016	94 848		
YIT Steel Construction	29 090	22 212		
YIT International Operations	26 333	60 650		
Other items	-37 096	-21 640		
	324 126	321 275		
7. INTRA-GROUP FINANCIAL INCOME AND EXPENSES				
Financial income received from Group companies				
Dividend income			17 894	14 040
Interest income			4 522	1 732
Financial expenses paid to Group companies				
Interest expenses			186	167
8. EXTRAORDINARY INCOME AND EXPENSES				
Extraordinary income				
Gains on the sale of fixed assets		64 043	1 875	66 284
Group contribution			88 055	93 690
Gains on merger and winding up	234	270	385	270
Other	266	91	130	62
	500	64 404	90 445	160 306
Extraordinary expenses				
Losses on merger and winding up	1 040	6 305	14 469	22 959
Other	615	1 215	514	247
	1 655	7 520	14 983	23 206
9. INCOME TAXES FOR THE YEAR				
For the financial year	90 212	114 793	66 922	95 944
For previous financial years	-8 321	4 575	-7 817	4 390
Change in imputed deferred taxes	4 138	-68 382		
	86 029	50 986	59 105	100 334

NOTES TO THE BALANCE SHEETS

10. CHANGES IN FIXED ASSETS

Intangible assets				
Intangible rights				
Acquisition cost as of Jan. 1	7 328	7 635	1 065	1 144
Increases during the year	137	35		6
Decreases during the year	23	342		85
Acquisition cost as of Dec. 31	7 442	7 328	1 065	1 065
Accumulated planned depreciation as of Dec. 31	216	214	214	214
Book value as of Dec. 31	7 226	7 114	851	851

NOTES TO THE FINANCIAL STATEMENTS (FIM 1 000)

	CONSOLIDATED		PARENT COMPANY	
	1998	1997	1998	1997
Goodwill				
Acquisition cost as of Jan. 1	16 930	11 574	6 316	6 757
Increases during the year	505	8 161		
Assets transferred in merger		431		
Decreases during the year	138	3 236		441
Acquisition cost as of Dec. 31	17 297	16 930	6 316	6 316
Accumulated planned depreciation as of Dec. 31	11 844	9 874	3 237	2 390
Book value as of Dec. 31	5 453	7 056	3 079	3 926
Accumulated difference between total and planned depreciation as of Jan. 1	4 317	179		
Increase in depreciation difference during the year		4 138		
Decrease in depreciation difference during the year	4 083			
Accumulated difference between total and planned depreciation as of Dec. 31	234	4 317		
Goodwill on consolidation				
Acquisition cost as of Jan. 1	156 976	155 691		
Increases during the year	22 904	10 820		
Decreases during the year		9 535		
Acquisition cost as of Dec. 31	179 880	156 976		
Accumulated planned depreciation as of Dec. 31	107 838	88 133		
Book value as of Dec. 31	72 042	68 843		
Other capitalized expenditure				
Acquisition cost as of Jan. 1	24 569	17 622	22 618	15 740
Increases during the year	15 967	7 102	13 995	6 633
Assets transferred in merger				245
Decreases during the year	311	155	297	
Transfers to another asset group	24			
Acquisition cost as of Dec. 31	40 201	24 569	36 316	22 618
Accumulated planned depreciation as of Dec. 31	18 205	14 013	16 789	12 921
Book value as of Dec. 31	21 996	10 556	19 527	9 697
Accumulated difference between total and planned depreciation as of Jan. 1	-173	-132		
Increase in depreciation difference during the year	1 235		1 207	
Decrease in depreciation difference during the year	5	41		
Accumulated difference between total and planned depreciation as of Dec. 31	1 057	-173	1 207	
Tangible assets				
Land and water				
Acquisition cost as of Jan. 1	86 899	93 033	8 289	9 022
Increases during the year	1 990	2 303		502
Assets transferred in merger				4 998
Decreases during the year	107	3 469		1 265
Transfers to another asset group	8	4 968		4 968
Acquisition cost as of Dec. 31	88 774	86 899	8 289	8 289
Book value as of Dec. 31	88 774	86 899	8 289	8 289
Buildings and structures				
Acquisition cost as of Jan. 1	296 021	376 089	30 727	40 164
Increases during the year	25 110	34 268	1 671	614
Transfers from another asset group	10			
Assets transferred in merger		838	339	104 337
Decreases during the year	929	11 090	188	10 304
Transfers to another asset group	30	104 084	30	104 084
Acquisition cost as of Dec. 31	320 182	296 021	32 519	30 727
Accumulated planned depreciation as of Dec. 31	104 099	90 584	23 405	22 076
Book value as of Dec. 31	216 083	205 437	9 114	8 651

	CONSOLIDATED		PARENT COMPANY	
	1998	1997	1998	1997
Accumulated difference between total and planned depreciation as of Jan. 1	24 755	38 067	-1 049	1 494
Increase in depreciation difference during the year	-986	4 052	-437	-298
Assets transferred in merger			25	15 078
Decrease in depreciation difference during the year	438	17 364		17 323
Accumulated difference between total and planned depreciation as of Dec. 31	23 331	24 755	-1 461	-1 049
Machinery and equipment				
Construction machinery bought after Jan. 1, 1995; price over FIM 50 000				
Acquisition cost as of Jan. 1	98 970	76 485	52 268	22 894
Increases during the year	86 239	62 025	12 715	30 522
Transfers from another asset group		106		
Decrease during the year	42 363	39 646	42 363	1 148
Acquisition cost as of Dec. 31	142 846	98 970	22 620	52 268
Accumulated planned depreciation as of Dec. 31	42 642	30 797	22 620	22 520
Book value as of Dec. 31	100 204	68 173		29 748
Other machinery and construction machinery bought before Jan. 1, 1995 *)				
Book value as of Jan. 1	97 422	97 470	60 239	57 494
Increases during the year	123 562	47 032	56 720	33 971
Transfers from another asset group	393	81		
Assets transferred in merger			255	147
Decreases during the year	58 901	6 432	53 934	4 896
Transfers to another asset group	42			
Book value as of Dec. 31 before planned depreciation for the year	162 434	138 151	63 280	86 716
Planned depreciation for the year	51 875	40 729	13 206	26 477
Book value as of Dec. 31	110 559	97 422	50 074	60 239
Book value of machinery and equipment as of Dec. 31, total	210 763	165 595	50 074	89 987
Accumulated difference between total and planned depreciation as of Jan. 1	18 557	9 809	1 049	1 170
Increase in depreciation difference during the year	14 884	15 533	5 353	8 807
Transfers from another asset group	26			
Assets transferred in merger			95	-8 928
Decrease in depreciation difference during the year	1 167	6 785	70	
Accumulated difference between total and planned depreciation as of Dec. 31	32 300	18 557	6 427	1 049
*) 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.				
Other tangible assets				
Acquisition cost as of Jan. 1	10 374	8 462	5 552	4 043
Increases during the year	1 104	2 310	92	1 269
Transfers from another asset group	33		9	
Assets transferred in merger			23	365
Decreases during the year	10	389		125
Transfers to another asset group	355	9		
Acquisition cost as of Dec. 31	11 146	10 374	5 676	5 552
Accumulated planned depreciation as of Dec. 31	5 721	4 753	3 010	2 419
Book value as of Dec. 31	5 425	5 621	2 666	3 133

NOTES TO THE FINANCIAL STATEMENTS (FIM 1 000)

	CONSOLIDATED		PARENT COMPANY	
	1998	1997	1998	1997
Accumulated difference between total and planned depreciation as of Jan. 1	-16	186		
Increase in depreciation difference during the year	5	-10		
Decrease in depreciation difference during the year	14	192		
Accumulated difference between total and planned depreciation as of Dec. 31	-25	-16		
Advance payments and construction in progress				
Acquisition cost as of Jan. 1	3 676	1 402		
Increases during the year	18	4 315		
Decreases during the year	3 593	2 041		
Book value as of Dec. 31	101	3 676		
11. TAXABLE VALUES OF FIXED ASSETS				
Land	30 456	23 695	6 629	6 729
Buildings	154 006	143 767	10 850	10 442
Shares in subsidiaries			175 462	208 751
Other shares and holdings	23 083	28 217	17 373	23 541
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	105 141	101 404		49 429
13. SHARES AND LOAN RECEIVABLES INCLUDED IN NON-CURRENT INVESTMENTS				
Group companies				
Shares			247 647	211 346
Loan receivables			323 997	175 683
			571 644	387 029
Associated companies				
Shares	12 039	12 468	13 520	13 671
Loan receivables	32 055	26 770	32 055	26 770
	44 094	39 238	45 575	40 441
14. VALUATION ITEMS				
Liabilities arising from pension commitments as of Jan. 1	7 031	11 926	7 031	11 926
Change during the year.	-7 031	-4 895	-7 031	-4 895
Liabilities arising from pension commitments as of Dec. 31		7 031		7 031
Total valuation items as of Dec. 31		7 031		7 031
15. EFFECT OF PARTIAL RECOGNITION OF PROJECTS ON BALANCE SHEET ITEMS				
Assets				
Work in progress	1 907 216	1 599 223	1 115 712	954 808
./. Partial recognition	1 681 221	1 414 119	989 026	843 124
Work in progress entered in the balance sheet	225 995	185 104	126 686	111 684
Liabilities				
Advances received	2 129 981	1 887 395	1 207 990	1 068 220
./. Partial recognition	1 877 841	1 642 590	1 083 052	923 764
Advances received entered in the balance sheet	252 140	244 805	124 938	144 456
16. OTHER STOCKS				
Land and plot-owning companies	465 640	574 077	411 035	538 261
Shares of housing and real-estate corporations under construction	348 213	152 396	332 584	135 504
Shares in completed housing corporations	77 824	15 605	57 333	12 752
Shares in completed real-estate corporations	76 798	244 526	76 798	244 526
Other	90 517	79 246	103 060	91 145
	1 058 992	1 065 850	980 810	1 022 188

	CONSOLIDATED		PARENT COMPANY	
	1998	1997	1998	1997
17. LOAN RECEIVABLES FROM COMPANIES HELD IN STOCKS				
Loan receivables from corporations included in other stocks, total	761 082	795 107	759 545	786 642
18. RECEIVABLES AND LIABILITIES FROM GROUP COMPANIES				
Trade receivables			11 334	16 804
Current loan receivables			45 635	65 186
Prepaid expenses and accrued income			12 538	95 607
Current accounts payable			18 070	7 361
Accrued liabilities and prepaid income			2 150	3 388
Other current liabilities			14 264	5 192
19. RECEIVABLES AND LIABILITIES FROM ASSOCIATED COMPANIES				
Other receivables	192	10	192	
Current accounts payable		139		
Current loans	871	1 277	871	1 277
20. RECEIVABLES FALLING DUE IN ONE YEAR OR LONGER				
Loan receivables	1 150	28 185	168 225	203 868
21. CHANGES IN SHAREHOLDERS' EQUITY				
Restricted equity				
Share capital as of Jan. 1	293 027	244 227	293 027	244 227
+ Rights issue 3 April 1997		48 800		48 800
+ Options 5 Nov. 1998	350		350	
Share capital as of Dec. 31	293 377	293 027	293 377	293 027
Premium on share issue fund as of Jan. 1				
+ Options 5 Nov. 1998	1 470		1 470	
Premium on share issue fund as of Dec. 31	1 470		1 470	
Reserve fund as of Jan. 1	371 423	122 570	370 221	121 841
+ Transfer from retained earnings	1 820	79		
./. Translation difference	-454	394		
+ Rights issue 3 April 1997		248 380		248 380
Reserve fund as of Dec. 31	372 789	371 423	370 221	370 221
Non-restricted equity				
Retained earnings as of Jan. 1	565 135	367 540	567 154	241 287
./. Dividend paid	-58 606	-36 634	-58 606	-36 634
./. Transfer to contingency fund	-1 820	-79		
./. Change in translation differences	-2 298	294		
+ Change in accumulated depreciation difference and imputed deferred taxes	1 866	-9 092		
+ Other change	495	-322		
Retained earnings as of Dec. 31	504 772	321 707	508 548	204 653
+ Profit for the financial year	169 047	243 428	156 237	362 501
Non-restricted equity as of Dec. 31	673 819	565 135	664 785	567 154
Shareholders' equity, total	1 341 455	1 229 585	1 329 853	1 230 402

NOTES TO THE FINANCIAL STATEMENTS (FIM 1 000)

	CONSOLIDATED		PARENT COMPANY	
	1998	1997	1998	1997
22. RESERVES				
Accumulated difference between booked and planned depreciation				
Intangible rights			1 207	
Buildings and structures			-1 461	-1 049
Machinery and equipment			6 427	1 049
			6 173	
Obligatory reserves				
Provisions for rental guarantees	7 001	8 428	7 001	8 428
Provision for loss-making work	2 243	563	766	563
Reserve for restructuring and winding up		6 527		6 000
Guarantee reserve	4 492	6 422		
Other obligatory reserves	5 530	4 186	3 035	917
	19 266	26 126	10 802	15 908
23. LIABILITIES FALLING DUE IN FIVE YEARS OR LONGER				
Loans from financial institutions	33 182	39 135	33 182	16 364
Pension loans	116 478	200 839	116 225	199 176
Other loans	200 387	132	200 048	132
	350 047	240 106	349 455	215 672
24. Includes a debt to subsidiaries on the Group bank account			161 342	162 880
25. LIABILITIES OF COMPANIES INCLUDED IN STOCKS				
Interest-bearing liabilities of companies included in stocks from sources outside the Group	159 183	230 917	159 183	230 917
26. CONTINGENT LIABILITIES				
Mortgages given				
For own debts	606 020	731 716	449 400	561 500
Pledges given *)				
For security of own debts				
Deposits	16 680	16 499	15 100	16 417
Other	125 501	170 516	122 335	169 785
For the commitments of other companies				
Other	5 600	5 600	5 600	5 600
Guarantees given				
On behalf of subsidiaries			356 137	295 650
On behalf of associated companies	4 745		4 745	
On behalf of other companies	11 475	17 354	9 419	9 792
Other liabilities				
Leasing commitments	17 626	18 165	3 002	17 375
Repurchase commitment from contract receivables sold to financial institutions	165 109	7 040	165 109	7 040
	952 756	966 890	1 130 847	1 083 159
Mortgages given by companies held in stocks				
For liabilities of Group companies	14 000	343 170	14 000	343 170
Liability for derivative contracts **)				
Values of underlying assets				
Foreign currency forward contracts	156 037	302 044	104 741	234 247
Going values				
Foreign currency forward contracts	157 074	299 438	105 689	232 195
Pension liabilities ***)				
Liabilities arising from pension commitments	15 994	15 623	14 783	15 034
Pension fund deficit, entered as expense	20 778	12 658	20 778	12 658
	36 772	28 281	35 561	27 692

*) 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.

27. 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	4 408	5
Kiinteistö Oy Panuntie 11, Helsinki	100.00	12 521	125	39 640	39 436	0
YIT Bygg AB, Västerås	100.00	500	SEK 2 000	1 319	1 579	-35 504
YIT Vatten & Miljöteknik AB, Landskrona	100.00	5 000	SEK 500	SEK 1 024	430	-1 955
AS Makroflex, Tallinn	100.00	480	EEK 14 064	5 038	21 448	6 253
YIT Universaalehituse AS, Tallinn	100.00	700	EEK 700	290	2 058	271
YIT Latvija SIA, Riga	100.00	259	LVL 26	218	2 570	-497
YIT UAB, Vilnius	100.00	2 000	LTL 200	215	131	-65
ZAO YIT-Genstroj, Moscow	100.00	1 000	RUR 887 500	754	201	0
YIT Invest Export Oy, Helsinki	100.00	2 000	300	307	297	0
YIT Project Export Oy, Helsinki	100.00	2 000	300	307	305	6
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	834	1 151
Makroflex Oy, Oitti	100.00	2 700	1 350	9 365	7 742	0
Saumaeriste Oy, Helsinki	100.00	3 000	300	300	300	0
ZAO Makroflex, Moscow	100.00	1 000	RUR 0	0	0	0
YIT Polska Sp. z o.o., Krakow	100.00	100	PLN 100	161	-46	-191
AB Kausta, Kaunas	65.61	6 560 800	LTL 6 561	11 374		
YIT Saly Development Oy, Helsinki	100.00	500	50	50	50	0
YIT-Huber Pohjolan Tehdaspalvelu Oy, Oulu	100.00	2 000	2 000	4 395	2 611	286
Huber Sammutin Oy, Helsinki	74.30	520	520	600	9 644	4 143
Huber Servitek Oy, Vantaa	100.00	3 000	3 000	9 035	3 861	669
Ilmastointi Kuittinen Oy, Kuopio	100.00	200	500	2 845	738	403
Huber Talotekniikka Oy, Vantaa	100.00	10 000	10 000	10 000	13 224	2 262
Helsingin Talotekniikka Oy, Helsinki	100.00	240	240	4 396	2 946	1 088
YIT-Huber Industry Ltd, Vantaa	100.00	5 000	5 000	5 000	7 709	2 571
VPT-Putki Oy, Kouvolaa	100.00	100	500	2 286	1 451	555
Asennus Luttinen Oy, Riihimäki	100.00	100	500	6 844	2 943	2 323
Huber Testing Oy, Helsinki	100.00	500	500	2 216	1 850	477
YIT Projektör AB, Stockholm	100.00	125 000	SEK 12 500	4 869	12 035	-9 374
VSP I Göteborg Ab	100.00	100	SEK 100	385	383	317
AS YIT Huber, Tallinn	100.00	4 000	EEK 400	151	-249	-511
YIT Service Ltd, Helsinki	100.00	10 000	5 000	8 070	8 623	70
YIT Power Ltd, Ylivieska	60.00	87 000	8 700	7 382	42 592	11 909
Länsiteknö Oy, Helsinki	100.00	15 000	150	28 448	5 243	4 493
Putkiura Oy, Mikkeli	100.00	500	4	1 584	8 458	2 372
Kruunuhaan Putki Oy, Helsinki	100.00	60	1	3 907	4 971	2 673
Oulun Ykär Oy, Oulu	100.00	15	1	185	214	47
AsOy Nurmipetäjä, Helsinki	100.00	467		1 700	1 401	3
Putki-Neliö Oy, Helsinki	100.00	30	1	3 693	3 971	2 457
Länsisähkö Oy, Helsinki	100.00	30	5	1 676	2 021	1 152
Länsi-Pohjan Asennus Oy, Kempele	100.00	40	100	1 816	132	17
YIT-Huber East Oy, Helsinki	100.00	500	50	50		
YIT-Huber Invest Oy, Helsinki	100.00	2 000	200	200		
ZAO YIT-Peter, St. Petersburg	100.00	1 000	RUR 1 000	1	1	0
YIT Industrier A/S, Mongstad	100.00	2 601	NOK 2 601	2 268	537	-46
YIT Kalusto Oy, Urjala	100.00	10 000	10 000	11 013	11 018	5
YIT-Yhtymän Lomakeskus Oy, Helsinki	100.00	2 300	2 300	10 766	10 676	61
PPTH Steel Ltd, Peräseinäjoki	60.00	30 000	30 000	30 000	40 753	10 558
PR-Steel Oy, Peräseinäjoki	60.00	300	300	403	374	119
Total				247 647		

* = FIM, unless otherwise indicated

NOTES TO THE FINANCIAL STATEMENTS (FIM 1 000)

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	26 624	0
Kiinteistö Oy Juronaki, Rovaniemi	27.76	349	100	868	982	0
Arabian Finnish Contracting and Maintenance Co Ltd, Saudi Arabia	49.00	2 450	SAR 2 450	3 396	3 288	-26
Polartest Oy, Helsinki	42.90	2 206	552	1 401	2 500	1 266
Oy Botnia Mill Service Ab	40.00	2 400	2 400	2 400	3 225	825
Finn-Stroi Oy, Helsinki	31.56	1 010	10	0	187	0
Total				13 520		
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 Joensuu Sepänahjo, Joensuu	14.96	1 515	3	759		
As Oy Voimalaanila, Oulu		980	5	300		
HEX Oy, Helsinki		24 400	244	150		
OKR-Liikkeeseenlaskijat Osuuskunta, Helsinki		6	120	120		
Suomen Arvopaperikeskus Oy, Helsinki		2	140	140		
Shares in housing and real-estate corporations				1 664		
Shares and holdings in telephone companies				2 273		
Other shares and holdings, total				7 525		
Total				13 897		
SHARES OWNED BY THE SUBSIDIARIES AND HOLDINGS IN OTHER COMPANIES						
Shares in housing and real-estate corporations				4 159		
Shares and holdings in telephone companies				656		
Other shares and holdings, total				2 979		
Total				7 794		

* = FIM, unless otherwise indicated

PROPOSAL OF THE BOARD OF DIRECTORS TO THE ANNUAL GENERAL MEETING

According to the Consolidated Balance Sheet as at 31 December 1998, the Group's distributable non-restricted equity is FIM 639 795 000.00

The non-restricted equity of the parent company, YIT Corporation, shown in the balance sheet as at 31 December 1998 is FIM 664 785 794.56 which is made up as follows:

- retained earnings	508 548 514.98
- net profit for the financial period	<u>156 237 279.58</u>
	664 785 794.56

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

- Payment of a dividend of 25% or FIM 2.50 per share to shareholders, thus	73 344 155.00
- Transfer to retained earnings	<u>591 441 639.56</u>
	664 785 794.56

Helsinki, 11 February 1999

Matti Haapala
Pentti Hannonen
Jouko Ketola
Juhani Kuusisto
Raimo Lahtinen
Esko Mäkelä
Mikko Rekola
Reino Hanhinen
 Chairman and CEO

The above financial statements have been prepared in accordance with generally accepted accounting principles in Finland. We have today submitted the report of the audit carried out by us.

Helsinki, 16 February 1999

Pekka Nikula
 Authorized Public Accountant

SVH Pricewaterhouse Coopers Oy
 APA firm
Kimmo Rautvuori
 Authorized Public Accountant

AUDITORS' REPORT

To the shareholders of YIT Corporation

We have audited the accounting, the financial statements and the corporate governance of YIT Corporation for the financial year ended 31 December 1998. 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 President. Based on the audit, we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Auditing Standards. Those standards require that we perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An 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 management, as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of Supervisory Board and the Board of Directors and the President have legally complied with the rules of the Companies' Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of the financial statements. 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 with the consolidated financial statements can be adopted and the members of the Supervisory Board and the Board of Directors and the President of the parent company can be discharged from liability for the period audited by us.

The proposal by the Board of Directors regarding the distribution of retained earnings is in compliance with the 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.

Helsinki, 16 February 1999

Pekka Nikula
 Authorized Public Accountant

SVH Pricewaterhouse Coopers Oy
 APA firm
Kimmo Rautvuori
 Authorized Public Accountant

STATEMENT BY THE SUPERVISORY BOARD

The Supervisory Board of YIT Corporation has examined the consolidated and parent company financial statements for 1998, which have been submitted to it, as well as the Auditors' Report and the proposal of the Board of Directors to the Annual General Meeting concerning the disposal of profits. As its statement the Supervisory Board observes that in respect of the material presented, it has no remarks and that it concurs with the Board of Directors' proposal.

The members of the Supervisory Board due to resign are CEO Asmo Kalpala and CEO Iiro Viinanen

Helsinki, 17 February 1999

SUPERVISORY BOARD

Asmo Kalpala
Ilkka Brotherus
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.

CORE STRATEGY 1999 - 2001

In Finland our objective is to strengthen YIT's market leadership in new and renovation building as well as in mechanical contracting for industry. In all the main areas of operations the objective is to achieve strong growth in maintenance and upkeep services.

The priority of our international operations is the Baltic area, where our objective is to establish a strong presence in special sectors through a step-by-step approach.

A service culture will be emphasized throughout the organization. The central objective is customers who are satisfied with YIT's service and the quality of its products and who derive added value from YIT's operations.

YIT'S STRATEGIC TARGET LEVELS FOR INVESTOR RETURNS

Return on investment: 18%

Equity ratio: 45%

A dividend of 30 - 50% of the annual profit after taxes and minority interests

Annual growth in sales of 10 - 15%

COMPETITIVE STRATEGIES OF THE DIVISIONS

The strategy of **YIT Building Construction** is to improve the yield on capital invested by stepping up the turnover rate of capital employed, by developing real-estate projects of interest to investors and by increasing the volume of market-financed residential construction. The division will seek to expand its service chain by developing its renovation activities and property maintenance services as well as Design & Build service construction.

The strategy of **YIT Huber** is to increase maintenance and upkeep services for the process and power plant industry in Finland and to strengthen its service chain extending from mechanical contracting to maintenance services in Sweden and Norway. Apart from services for industry, a second priority of the division is HEPAC contracting as well as maintenance. Growth will also be sought in industrial instrumentation and automation.

The strategy of **YIT Civil Engineering** is to achieve profitable growth in civil engineering operations in the Baltic Rim area. In Finland the objective is to retain the division's position of market leadership in civil engineering and to seek growth by developing upkeep and maintenance services for infrastructure networks. New project financing models will be used as vehicles for obtaining competitive advantage.

The strategy of **YIT International Operations** is to strengthen project export activities based on YIT's special expertise, with a primary emphasis on the Baltic area and Russia. The significance of a strong local presence will be stressed in all the selected target areas.

The strategy of **YIT Steel Construction** is to produce steel frame solutions in the Nordic home market. The division will now go after growth particularly in the Swedish market as well as in exporting fabricated components and shell deliveries.

TAPPING THE AFTERMARKET FOR GROWTH

At present about 1/6 of YIT's net sales comes from the aftermarket, i.e. maintenance services connected with construction investments. A central aim of the Group's strategy is to achieve a strong increase in upkeep and maintenance services in all its main areas of operations. This strategic choice is based on the following appraisals:

- Maintenance and basic improvements will account for a continually growing share in relation to new investments.
- Industry and the property management field are currently in the process of outsourcing their maintenance operations, thereby creating greater demand for purchased services. The same trend is now

expected in the public sector.

- YIT's market position in the aftermarket can be strengthened by reliance on our own know-how in implementing construction investments as well as by making selected acquisitions.
- The growth in aftermarket services balances YIT's business structure and reduces dependence on business cycles.
- From the customer service standpoint, implementation and maintenance services for investments form a service chain that offers synergy benefits. This dimension is supported by the greater emphasis on product liability and life cycle thinking in capital project planning and in the taking of investment decisions.

The total market for new construction investments, basic improvements and maintenance in Finland (est. FIM bn/yr):

	Construction investments	Maintenance	Total
Infrastructure	15	10	25
Real estate	40	70	110
Industry	20	20	40
Total	75	100	175

STRATEGIC CHOICES AND DEVELOPMENT OF THE BUSINESS STRUCTURE

- In the first half of the 1970s, the Group was fundamentally a civil engineering company (Pellonraivaus/Perusyhtymä, Yleinen Insinööritoimisto, Vesto)
- In the 1970s, the Group expanded its operations to industrial construction and in the latter half of the decade also to building construction. Construction and project exports in the Middle East and Russia grew strongly.
- In the 1980s the Group's role as a building and residential construction company in Finland soon became very pronounced (notably, Makrotalo, Otto Wuorio, Tolonen, Arvo Westerlund).

- By way of PPTH's activities, the Group expanded into steel construction and piping contracts for industry during the 1980s.
- The acquisition of Huber in 1995 strengthened YIT's leading market position within mechanical contracting for industry. At the same time YIT expanded its scope of activities to upkeep and maintenance services for industry as well as to HEPAC contracting.
- In recent years YIT has developed into a major HEPAC contractor that has a solid market position particularly in property maintenance services (YIT Service, Huber Servitek, etc.).

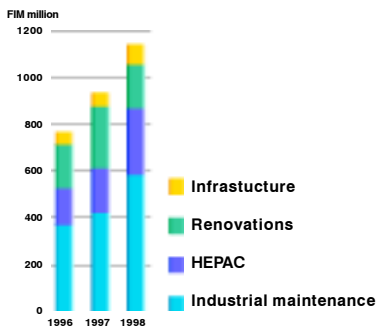
	CAPITAL PROJECT IMPLEMENTATION SERVICES		CAPITAL PROJECT MAINTENANCE SERVICES
INFRASTRUCTURE	Civil Engineering, water supply and waste water treatment	➤	Area maintenance, plant upkeep
REAL ESTATE AND HOUSING	Building and industrial construction Property development HEPAC	➤	Renovation, property services, HEPAC
INDUSTRY AND ENERGY	Piping, tanks mechanical contracting	➤	Servicing and maintenance for the process and power plant industry



COMPETITIVE ADVANTAGE THROUGH DEVELOPMENT



Development of YIT's service and maintenance business in 1996 - 1998



For the YIT Group, the maintenance and upkeep market offers significant growth potential in the industrial, property management and infrastructure customer groups that have been singled out in the Group's strategy. Industry has been a forerunner in outsourcing the maintenance services it requires. This is also seen in the structure and development of the net sales which YIT is generating from work on the aftermarket.

YIT is developing its operations increasingly towards providing more customer-centred total service. The fundamental premise is to produce added value for the customer by raising productivity and offering good service so that the customer benefits from the versatile special expertise of the capital project, renovation, upkeep and maintenance services offered by YIT's divisions whilst at the same time making use of the Group's joint resources.

Within industrial maintenance, the Group's comprehensive service palette has led to the making of integrated service contracts alongside more conventional annual maintenance agreements. Customers who have made an agreement with YIT Service for maintaining plants or handling

other functions include Valio, Karjaportti, Metsä-Rauma, Shell and Finland's nuclear power plants.

YIT has made a major commitment to developing infrastructure maintenance services and marketing them to the public sector, an area where maintenance is expected to open up to competition on a wide scale in the near future. Among recent breakthroughs in this area are YIT's landing of a three-year contract to handle year-round maintenance in the Suutarila area for the City of Helsinki. YIT was also the first outside company to be awarded a regional pilot contract for road maintenance, which was put out to competitive building by the Finnish National Road Administration.

Real-estate properties are subject to growing yield and availability requirements. These demands call for life cycle know-how related to real-estate properties and for improved cost management in property maintenance. For real-estate maintenance, YIT has developed a customer-oriented operational model that is based on the Group's extensive expertise in the field of property management and building services. The model was put into operation in 1998.

YIT IS BANKING ON BUILDING SERVICES

The real-estate service field is undergoing fundamental changes. Real-estate owners, users and service providers are searching for more efficient ways of operating. The user's needs are now paramount because the real-estate property must fulfil the user's growing requirements so that the user in turn will accept the owner's yield requirements.

The stronger accent on a life cycle approach to real-estate properties has underscored the importance of property maintenance and technical systems. Concurrently, automation is now a factor of growing importance in real-estate properties. Construction engineering solutions provide a framework, but technical systems determine the productivity of the property both in respect of its operational efficiency and reasonably priced operating costs.

YIT beefed up its HEPAC capabilities significantly when it acquired the Huber

Group in 1995. YIT has built a strong market position not only in HEPAC contracting but also in the upkeep and maintenance of technical building services.

YIT's net sales from HEPAC operations are expected to reach FIM 600 million in 1999 both through organic growth and the acquisitions that have recently been made. About half of the turnover will come from HEPAC contracting connected with properties and the other half from related servicing and maintenance.

An important element in YIT's property services cluster is personal and property security systems. YIT's strategy is to act as a security systems provider for its building management clients, offering a range of products including not only fire extinguishing systems but also all the other main technical surveillance systems found in buildings.



THE POPULATION SHIFT MEANS GREATER DEMAND FOR NON-RENTAL HOUSING

YIT has responded to the changed situation on the housing market by increasing the volume of its market-financed residential construction in the country's growth centres and by developing new financing solutions for purchasing a home.

The shortage of rental apartments coupled with the rise in the level of rents in the country's growth centres is contributing to an increase in the demand for market-financed housing.

YIT's new home financing models

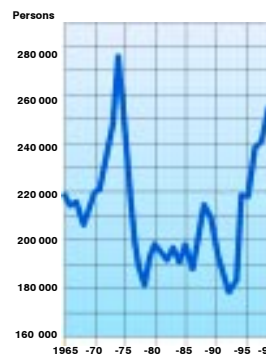
In the autumn 1998 YIT announced two new financing models for purchasing a home. ALFA apartments are financed through a

larger than average condominium loan, whereas OPTIO homes are based on a partial ownership model. Both schemes are part of the YIT HOME service concept, which is discussed in more detail in the review of YIT Building Construction.

A new scheme that makes buying a home easier

YIT has introduced a new purchase scheme in all its developer residential construction. The buyer pays only 15 per cent of the price of the apartment or house while buying it and the remaining 85 per cent while moving in. This way the buyer incurs housing costs for only one dwelling at a time.

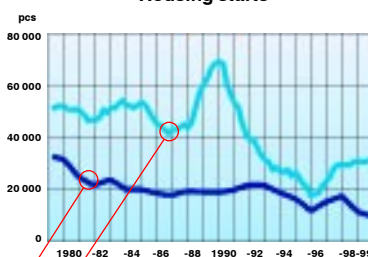
Population shifts between municipalities



Source: Confederation of Finnish Construction Industries

Economic growth, the strong internal population shift to growth centres and the concurrent contraction in state-subsidized housing have created a foundation for augmenting market-financed residential construction.

Housing starts



Source: Statistics Finland
Total
State-subsidized housing production

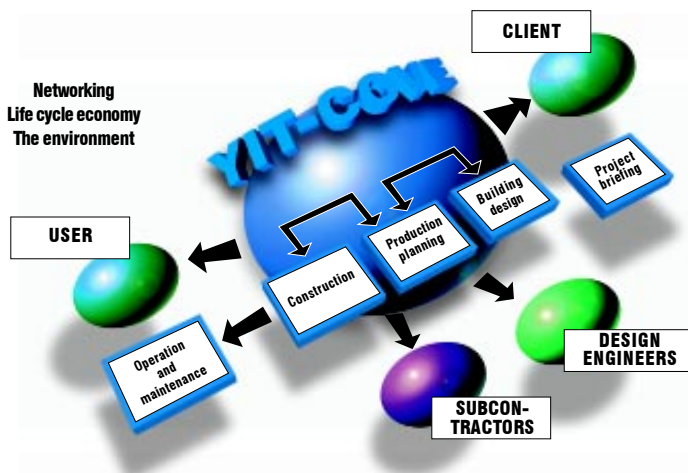
BETTER INFORMATION MANAGEMENT STEPS UP PRODUCTION PROCESSES

Jarmo Laitinen, D.Sc.(Tech.), has written a doctoral dissertation in which he developed – while working at YIT – a completely new model-based information management system for construction projects. The system makes possible substantially more efficient use of information obtained from design engineers in the process of carrying out a construction project.

The model allows fast simulation of the cost impacts on plans due to modifications. Up to now, the calculations of modification-induced cost impacts have been a time-consuming, expensive and multistage process.

YIT's head start

At the doctoral dissertation defence held at the Royal Institute of Technology of Stockholm in 1998, the opponent was Professor Martin Fischer of Stanford University, USA, and the examination board consisted of representatives from several European universities. The group of professors was unanimous in stating that Laitinen's study was top calibre by international standards. Professor Rob Howard of the UK said that YIT had a 3-4 year head start over its competitors because in his opinion a corresponding system cannot be created in a jiffy.



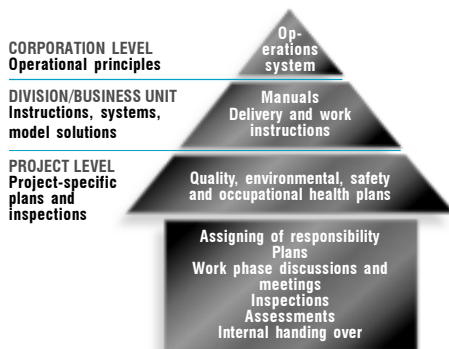
YIT's new construction information management system is built around a product model and the new COVE cost estimation software.

The new system is already in production use in YIT's residential construction projects. For example, in the Ruoholahti project, YIT is able to present modellings of all the project elements. The system is being introduced gradually in YIT's office and industrial projects as well.

Jarmo Laitinen



UNIFIED WORKING PRACTICES PROMOTE BETTER QUALITY, THE ENVIRONMENT, SAFETY AND HEALTH



The operational system comprises a Group-level manual, division-specific systems and plans relating to specific projects.

Companies are called on to an increasing extent to show responsibility in taking into account aspects connected with quality, the environment, safety and health in all their operations. YIT has met this challenge by combining separate operational systems and guidelines connected with quality, the environment, safety and health into an integrated operational system. The system will form the basis for an improved manage-

ment of operations as well as for achieving unified working practices that will contribute to improving YIT's competitiveness and profitability.

The Group-level operations manual describes the central principles and measures employed in YIT's operations. The manual also sets forth basic objectives for development work on systems for the separate divisions.

YIT AND THE YEAR 2000



YIT has carried out far-reaching work in overhauling its key information systems to meet the changed requirements of operations and also to ensure that the information systems function properly after the millennium change.

The TH-2000 project that got started in November 1996 with the aim of overhauling the Group's financial administration systems moved ahead as planned during the 1998 financial year. The financial administration system chosen was Unic Oy's Intime Open, which was put into operation stage by stage at all the Group companies by 1 January 1999, with the exception of YIT Power Ltd, which will go over to Intime Open on 1 September 1999.

During 1998 a review was conducted of the suitability of YIT's own production control systems for complying with the require-

ments of the transition to the new millennium. According to the plans that have been made, the Group's most important information systems will be Year 2000-compliant by the end of 1999. Any minor incompatibilities that may be encountered are not expected to interfere with YIT's own operations or those of its customers.

Several significant information system projects that have been assigned priority status in 1999 are under close scrutiny. These include the introduction of a new payroll accounting system (MBP), the building services production control system (Visio 3) and the production control system of certain YIT Huber units (MOVEX) as well as Year 2000 checking and back-up measures covering workstations and network servers.

YIT CHANGED OVER TO THE EURO ON 1 JANUARY 1999



level of interest rates in Finland than the country has been accustomed to. Over the long term, this is expected to have a significant positive effect on the demand for the capital project and maintenance services which YIT provides.

Finland's membership of European Economic and Monetary Union is expected to lead to a permanently lower

YIT undertook concerted preparations in 1998 for the introduction of the single currency, the euro, in connection with stage three of monetary union. YIT Corporation accordingly introduced the euro as the Group's currency of account and home currency in bookkeeping as from the beginning of 1999. The changeover to the euro will not have an impact on customers' or subcontractors' timetable for introducing the euro.

YIT AND THE ENVIRONMENT



An Environmental Affairs Steering Group is responsible for environmental affairs within the YIT Group. In accordance with the new integrated operational system, its scope of activities includes matters related to quality, health and safety. The steering group is

proved by the international Environmental Auditors Registration Association (EARA). Some 650 office and site employees participated in basic orientation training in environmental affairs.

entitled Designing an Eco-efficient Building, which was carried out by VTT Technical Research Centre of Finland. Application of the results in practice was launched during 1999. In addition, YIT is participating in a Moisture-proof Bathroom research project in cooperation with VTT Building Technology, the Technology Development Centre TEKES and certain other parties. YIT's own moisture control training continued in 1998.

NEW TECHNOLOGY FOR THE TREATMENT OF WASTE WATER AND WASTES

YIT has developed a new technique for treating waste water. The technique is suitable above all for the treatment of industrial waste water. The solution is based on an anaerobic filter. The advantage compared with previous anaerobic plants is a lower price, more reliable operation and better resistance to disturbances.

A new YIT-developed waste processing plant that applies solid waste processing technology produces fuel for collector vehicles and compost earth for cultivation or soil conditioning. The technology has already been adapted for practical use in Sweden.

MEMORANDUM OF INTENT ON A RECYCLING CENTRE FOR CONSTRUCTION WASTES

YIT has signed a memorandum of intent whose other parties are the Helsinki Metropolitan Area Council and two other construction companies. The parties to the agreement will establish a company that will operate in the field of processing construction waste and redirecting it for useful purposes in the Greater Helsinki area.



YIT has developed special new technology for treating forest industry waste water. The energy consumption of the active sludge treatment plant is less than half that of conventional waste water treatment plants. A full-scale plant has been started up at the Anjala plant of Enso Publication Papers.

supported in its activities by a working group made up of the heads of environmental affairs of the various divisions. In addition, the different divisions have their own environmental organization.

During 1998 YIT's different divisions have developed their environmental affairs management system. The objective is for the first profit centres to obtain certification of their environmental management systems according to the ISO 14001 standard during 1999.

ENVIRONMENTAL TRAINING

Twelve YIT employees drawn from the different divisions went through an environmental training programme that is ap-

RESEARCH AND DEVELOPMENT PROJECTS

The Western Finland unit of YIT Building Construction carried out a study, as a master's thesis, on the practice of applying the principles of the YIT-developed low-energy building model. The study involved an assessment of the environmental impacts, over a 50-year usage period, of the different structural and heating alternatives of a pilot building. The study demonstrated that the YIT low-energy building is an ecologically sound solution.

The overall picture of the environmental impacts of construction was elucidated in 1998 by means of two engineering master's theses as well as a target criteria study

HUMAN RESOURCES IN 1998

CORE VALUES

THE BEST SERVICE

LIFELONG LEARNING

WELL FUNCTIONING COOPERATION

GOOD PERFORMANCE

YIT Corporation had an average payroll in 1998 of 7 340 employees, 952 of whom were full-time staff and 1 348 project staff as well as 5 040 blue-collar employees.

At the close of the year the total number of employees were 7 536 people, of whom 820 were foreigners.

Of the employees, 197, or 10%, were university graduates, 680, or 31% had a college or polytechnic degree and 675, or 31% of YIT's salaried staff had a two-year business or equivalent degree. An increasing number of the blue-collar employees nowadays have a vocational degree.

PERSONNEL DEVELOPMENT

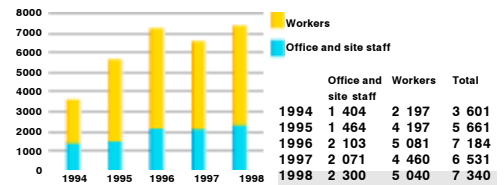
The Group spent some FIM 40 million on development activities in 1998. The priority areas were service and quality training, the further development of information systems and sharpening the focus of management by objectives. Regional safety and hot work training was continued. YIT supported employees' completion of a vocational degree by organizing, together with the authorities, training aiming at a vocational degree under the labour policy training programmes.

Development of the personnel as well as job morale and conditions are monitored by means of an annual workplace survey. The research results find a variety of uses and serve as a basis for planning development activities. YIT's core values and strategic choices naturally guide the focus of development activities. In 1998 YIT carried out a separate survey of its personnel to determine how well its internal communications function and to gauge the implementation of YIT's core values. The results of the study will be utilized in developing operations. The majority of the respondents stated that the values were put into practice on the job either very well or fairly well.

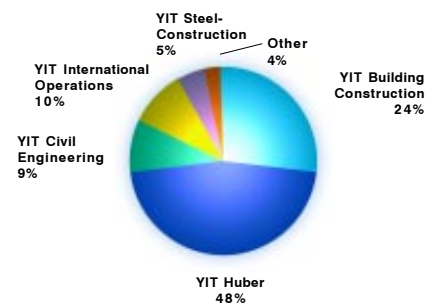
OCCUPATIONAL SAFETY AND MAINTAINING WORKING ABILITY

YIT's integrated occupational health care covers not only the personnel's statutory preventive health care but also provides hospitalization. Activities that maintain working ability and increase the employees' welfare are coordinated by a development and cooperation group whose representatives come from different worker and office staff levels as well as

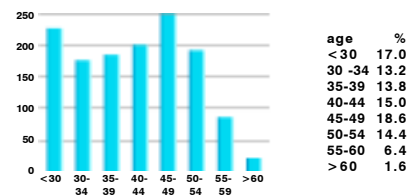
Trend in number of personnel 1994 - 1998



Breakdown of YIT personnel by division, 1998



Age distribution of YIT's construction workers in 1998



GROUP ORGANIZATION

CHAIRMAN OF THE BOARD AND CEO <i>Reino Hanhinen</i>	YIT BUILDING CONSTRUCTION <i>Matti Haapala</i> Development <i>Sakari Toikkanen</i> Financial Administration <i>Mauri Jormanainen</i>	Residential Construction Uusimaa <i>Juhani Väisänen</i> <i>Petri Suuperko</i> Rakennustoimisto Tolonen Oy <i>Ippo Jalasjoki</i> Building Construction Uusimaa <i>Matti Schultz</i>	Real-Estate Services <i>Kalle-Pekka Sävelkoski</i> Property Business <i>Heikki Levo</i> Greater Helsinki Area <i>Seppo Martikainen</i> Regional Operations <i>Timo Lehmus</i>	Southwest Finland Turku <i>Mikko Pirhonen</i> Pori <i>Seppo Saarivirta</i> West Finland Tampere <i>Jukka Terhonen</i> Vaasa <i>Olavi Pohjapelto</i>	Southeast Finland Lahti <i>Jorma Tamminen</i> Kouvola Kotka Mikkeli Central Finland Jyväskylä <i>Heikki Miettinen</i> Kuopio <i>Pertti Halonen</i> Joensuu	North Finland Oulu <i>Taisto Järvelä</i> Lapland <i>Juhani Ylitolonen</i>
	CORPORATE PLANNING <i>Raimo Lahtinen</i>	YIT HUBER <i>Jouko Ketola</i> Service and Maintenance <i>Juha Moisto</i> Development and Marketing <i>Christer Nyström</i> Financial Administration <i>Markku Virtanen</i>	HEPAC Contracting and Servicing, NTD Testing <i>Christer Nyström</i> Huber Talotekniikka Oy <i>Arvo Ylönen</i> Putkiura Oy <i>Eero Nuutinen</i> Huber Servitec Oy <i>Risto Kirjalainen</i> Kruunuhaan Putki Oy Putkineliö Oy <i>Keijo Rantanen</i> Huber Sammutin Oy <i>Jyrki Isotalo</i> Huber Testing Oy <i>Ari Juva</i>	Industrial Maintenance and Servicing <i>Juhani Pitkääkoski</i> YIT Service Ltd	Power Industry and Shipbuilding Contracting <i>Raimo Poutainen</i> YIT Power Ltd	Mechanical Contracting and Maintenance <i>Unto Kuisma</i> YIT-Huber Industry Ltd (South and Central Finland) YIT Industrier AS (Norway) <i>Sakari Leino</i>
CORPORATE SERVICES Executive Vice President <i>Esko Mäkelä</i> Corporate Communications <i>Jorma Lampikoski</i> Corporate Finance <i>Jaakko Mäkyne</i> Corporate Operational Accounting <i>Leila Vanhanen</i> Information Technology <i>Reino Myllymäki</i> Investor Relations <i>Satu Mehtälä</i> Legal Services <i>Jorma Liisanantti</i> Office Services <i>Oiva Siltanen</i> Personnel <i>Antero Saarilahti</i> YIT Kalusto Oy <i>Kimmo Karppanen</i>	YIT CIVIL ENGINEERING <i>Juhani Kuusisto</i> Business Development <i>Pentti Hamonen</i> Project Development <i>Heikki Koivisto</i> Marketing of Maintenance Services <i>Heikki Kauranen</i> Financial Administration <i>Seppo Mäkinen</i>	Bridge, Harbour and Plant Construction <i>Juhani Kuusisto</i> Bridge Building <i>Risto Kanervo</i> Harbours and Waterways <i>Pekka Ristikartano</i> Plant Construction <i>Jouko Hartikainen</i>	Earthwork, Tunnelling and Municipal Engineering <i>Jouko Munukka</i> Earthwork and Municipal Engineering Tunnelling <i>Tapio Siren</i>	Regional Construction and Maintenance <i>Pekka Liisanantti</i> Regional Offices: Jyväskylä Lahti Lappeenranta Oulu Tampere Turku	Sweden <i>Pentti Hamonen</i> YIT Bygg AB <i>Michael Myhré</i>	
	YIT INTERNATIONAL OPERATIONS <i>Mikko Rekola</i> Technical Services <i>Veli-Pekka Hämäläinen</i> Financial Administration <i>Leo Mäkyne</i> Sertolovo project	Moscow Area and Central Russia <i>Matti Pennanen</i> Office in Moscow ZAO YIT-Genstroj St. Petersburg Area and Northwest Russia <i>Juha Väistö</i> ZAO Lentek <i>Viktor Demidenko</i>	Baltic Countries <i>Pekka Entelä</i> YIT Universaal-ehituse AS <i>Tonu Iives</i> AB Kausta <i>Antanas Butkus</i> YIT UAB YIT-Latvija SIA	Makrotalo Building Components <i>Olavi Eloranta</i> Makroflex Oy <i>Osmo Mikkonen</i> AS Makroflex <i>Sirje Aal</i> ZAO Makroflex <i>Jari Paukkonen</i>	Water and Environmental Services <i>Reijo Sirpoma</i> Baltic Sea <i>Jaakko Virtanen</i> Southeast Asia <i>Veijo Hassinen</i> Power Plants <i>Matti Rantala</i> Equipment <i>Jouko Mäkinen</i> YIT Polska Sp. z o.o <i>Krzysztof Kocon</i> Sweden (YIT Vatten & Miljöteknik AB) <i>Risto Arminen</i>	Energy and Special Projects <i>Veli-Pekka Hämäläinen</i>
	YIT STEEL CONSTRUCTION <i>Raimo Lahtinen</i>	PPTH Steel Ltd <i>Jouko Hookana</i> Financial Administration <i>Jaakko Laiho</i>	Steel Frames Finland <i>Heikki Hirsimäki</i> Steel Frames Scandinavia <i>Esko Vattulainen</i> Steel Frames Russia and the Baltic Rim <i>Martti Myllymäki</i>	Engineering Projects <i>Veikko Koivisto</i> Component Deliveries <i>Heikki Wilén</i>		

YIT BUILDING CONSTRUCTION

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



In all respects, 1998 was a year of positive development for YIT Building Construction. Operating profit improved by 64% and net sales were up 38%. The return on investment rose from 7.1% to 11.5%. Apart from earnings and volume increases, the quality and service level of products and production developed favourably.

Of the business areas, the strongest growth took place in market-

financed residential construction. Its profitability also improved. In order to make it easier for customers to buy a home, new financing models were created and these were announced in the autumn: ALFA apartments and OPTIO homes. Before the turn of the year the construction of 211 ALFA apartments had already been started. Brisk demand for housing under the new scheme is also expected in 1999.

Good progress was made in freeing up capital that was tied up in investment properties for use in other areas of operations. Sales of investment properties totalled FIM 465 million, calculated net of debt.

Among the property business's major new construction projects that started up in Helsinki were the Itämerentori and Metrotori office tower projects, which will tie up capital only temporarily and to a minor extent.

There was an increase in joint projects of the Design & Build type because it is becoming more widely recognized in the construction field that a clearly defined total responsibility for construction projects is the way to ensure quality and reduce overall costs.

Traditional contracting work accounted for less than a third of total net sales. Despite tough competition, contracting also reached profitability, though margins were still fairly thin.

Of YIT Building Construction's thirteen business units, good earnings were reported by Rakennustoimisto Tolonen Oy, the Turku, Southeast Finland and Oulu regional units, Residential Construction, Uusimaa and the Property Business. The other units turned in a satisfactory result, with the exception of Jyväskylä, whose result was slightly in the red.

A strong programme of development activities was kept up and its results contributed to supporting the growth in net sales, whilst lowering production costs. Apart from the new models of financing residential construc-

tion, an effort that became operational was a completely new YIT-developed model-based information management system for construction projects. The new system is built on the platform of a product model and the new COVE cost estimation software. The system is being widely introduced in the development and implementation of YIT's projects. Intensive development work was again carried out on quality management and an environmental system for building construction.

The backlog of work strengthened further in a busy construction market in 1998 and stood at FIM 1 496 million at the close of the year, as against FIM 1 245 million a year earlier.

Total growth of the market is expected to continue, though it will be slower than last year. The objective is to achieve reasonable growth in most of the division's business units and improved profitability at all of them by continually providing customers with quality service.

As YIT Building Construction moves into 1999, it is in a better position than it has been in for years. Net sales are expected to increase, operating profit to rise and tied-up capital to diminish whilst at the same time yielding an increased return.

Matti Haapala

Key indicators

FIM million	1998	1997	1996	1995	1994
Net sales	3 585	2 591	2 058	1 850	1 680
Operating profit	226	138	130	114	44
% of net sales	6.3	5.3	6.3	6.2	2.6
Return on investment, %	11.5	7.1			
Orderbook at year-end	1 496	1 245	788	862	1 030
Average personnel	1 791	1 574	1 424	1 463	1 512
Division's share of the Group's net sales, %	51	46	39	47	52

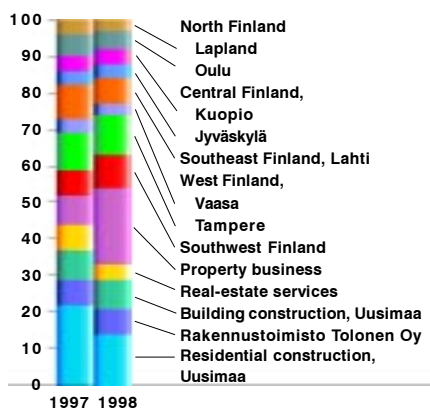
Division income statement summary

FIM million	1998	1997
Net sales	3 585	2 591
Operating profit before depreciation	232	151
Depreciation according to plan	6	13
Operating profit	226	138
Result before extraordinary items	177	81

Division balance sheet summary

FIM million	1998	1997
Fixed assets	221	222
Stocks	1 161	1 165
Financial assets	1 303	1 196
Shareholders' equity	851	757
Obligatory reserves	8	9
Interest-bearing debts	1 101	1 267
Non-interest-bearing debts	725	550
Balance sheet total	2 685	2 583

Breakdown of net sales by business unit (%)



1.-2. Kinopalatsi (movie theatres), Helsinki.

3. Indoor swimming pool, Martinlaakso, Vantaa.





The YIT-KOTI (YIT HOME) is a trademark in which the customer's needs determine the implementation of the dwelling both in terms of carefully studied functional and technical solutions and in respect of individual overall service.



1. *The Asunto Oy Merikannonranta condominium, Helsinki.*

2. *Lintumetsä school and child health centre, Espoo.*

RESIDENTIAL CONSTRUCTION

In 1998 YIT Corporation built a total of 2 669 housing units, of which 728 were built on a developer basis. At the close of the year, a total of 2 215 housing units were under construction, of which 1 104 were developer construction. There were 159 completed and unsold housing units at the close of the year.

In state-subsidized production, 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 pension insurance companies Ilmarinen and Verdandi, the Pohjola Group, the Tapiola Group, the Sato housing owner organiz-

ation, Tarveasunnot, YH-Rakennuttajat Oy, the VAV-Asunnot Oy, the VVO Group, the Helsinki City Housing Production Office, the Youth Foundation, student housing foundations and the Kesko Pension Fund.

There was brisk demand for superior-quality developer-built housing located in and around growth centres. The most important of the projects for which the division bore a marketing responsibility were the Asunto Oy Merikannonranta condominium (54 units), which was completed in Helsinki in the summer, and two similar apartment buildings that are going up next to it. The construction of high-quality developer-built housing continued, notably, in the Tampella area in the centre of Tampere, in Ruoriniemi, Lahti, in the Pikisaari area of Lappeenranta, in the Lutakko area in Jyväskylä and in the centre of Oulu.

The YIT-KOTI trademark that covers all of the YIT Group's developer-built housing was introduced widely in 1998 throughout the country. For the housing that will bear the YIT-KOTI emblem, standardized technical solutions were developed and these will be used systematically to give the customer every assurance that especial attention will be paid to the apartment's durability and functionality. YIT-KOTI training was organized for the entire personnel of YIT Building Construction to enable them to assimilate the new service concept.

In the autumn two new housing finance schemes that lower the ownership threshold were brought out on the housing market. The new schemes are part of the YIT-KOTI concept. In ALFA apartments, the threshold for buying an apartment is lowered by means of a larger than average loan taken by the housing corporation. OPTIO apartments in turn offer a model in which the resident and the investor enter into a joint ownership agreement that reduces the home buyer's initial capital requirement to 20 per cent of the purchase price. The buying threshold is further lowered by a flexible resale facility. The construction of more than 200 ALFA apartments got started before the turn of the year and marketing has got under way for a total of some 600 apartments and terraced houses in different parts of the country. The marketing of OPTIO homes to investors is in full swing, but implementation decisions are

not expected until some time in 1999.

As a result of YIT's development work on financing housing, a new home purchase scheme was introduced in developer housing starts that are made after 1 February 1999. According to this scheme, the buyer pays 15% of the price of the apartment while buying it, and the remainder is not paid until the buyer moves in. YIT will now assume responsibility for the financing during construction, whereas previously buyers were required to make several payment instalments before moving into the new home. Under the new system the customer avoids the need for interim financing and the arranging of extra collateral security during the construction stage, nor is there any longer a need to arrange temporary accommodation due to the sale of the previous home.

A PALETTE OF CONTRACTING ALTERNATIVES

YIT's building and industrial construction projects are realized using forms of implementation that are determined on the basis of the client's needs. These forms of implementation include Design & Build, project management contracting as well as conventional contracting work.

Design & Build offers the owner the possibility of tapping to the widest extent the design, implementation and follow-up information and special know-how which the contractor has acquired in realizing various projects. As a developed form of contracting, it is also gaining currency in Finland and it has proved to be well adapted not only to the construction of office space but also for industrial facilities. The introduction of Design & Build will also be promoted by the work which the Technology Development Centre TEKES has done in testing projects carried out according to the new forms of contracting, and particularly as Design & Build practices – which have been successful in the USA – become better known.

Among the projects which YIT implemented in 1998 according to the Design & Build principle were the Mäkelänrinne Swimming Centre in Helsinki, factory extensions for Oy Sinebrychoff Ab and Tölkki Oy in Kerava and Nummela, the Sinebrychoff

area parking building for Kiinteistöyhtymä Hietalahti, a real-estate group, in Helsinki, the Oy Uddeholm Ab operations centre in Vantaa and an electrical power building for Oy Ekokem Ab in Riihimäki.

Project management contracts belonging to established contract forms occupied only a minor share of YIT's production in 1998 – partly for the reason that as the economic expansion continues, the mounting cost risks which owners must bear directly under project management contracting tend to make its use less attractive. The YIT-developed mode of project management implementation was applied in 1998 to the construction of Compaq Computer Oy's premises in Espoo's Keilaniemi district.

Traditional contracting occupied a lesser share in YIT Building Construction's production in 1998 as developer-building and negotiation-based contracts gained wider acceptance. Among the major contract projects completed in the Greater Helsinki area in 1998 were a contract for interior finishing works for the Vuosaari metro station, an extension of a laboratory building for the National Veterinary and Food Research Institute and an parking building for Biomedicum in Helsinki as well as the Lintumetsä School and a child health centre in Espoo.

Major contract projects completed elsewhere in Finland included the Kupittaa Etujähti hypermarket for Stockmann and the bogie changing installation and transshipment terminal of the train ferry port of Pansio in Turku, an extension to the power plant of Vaskiluodon Voima in Vaasa, the Atria meat processing Distribution Centre 2000 in Nurmo, a courthouse and police building as well as a renovation of the physical education building of the university in Jyväskylä, the Iisalmi Prisma department store for PeeÄssä, the Särkiniemi service building for Pohjois-Suomen YH-Rakennuttaja in Northern Finland and conversion works on the university facilities in Kuopio. Other contract projects completed during the year included the Multihermia office building and Kiinteistö Oy F-Medi 2 property in Tampere as well as new premises for Valmet Automation Oy and premises for the Autotalo Hartikainen car dealership in Kajaani and for Elektrobit and Extrabit in Oulu.



REAL-ESTATE SERVICES

Capabilities for providing integrated real-estate service were energetically developed during the year. The objective is the maintenance and improvement of the yield value and availability performance of customers' real-estate properties through integrated management, maintenance and basic improvement services.

The operations were commercialized in the form of maintenance, expert and support services. Marketing was primarily beamed at commercial and office properties as well as industrial facilities. To aid in making condition appraisals and designing renovation projects, a 3D measurement method was introduced that essentially enhances the design process in the initial phase of projects.

Basic improvement services for real-estate properties involve renovations of commercial, office and industrial premises, repairs to facades and balconies as well as repairs to residential units. Particular attention was paid to developing our service ability. Important renovation projects included the Tapiola Sokos department store in Espoo as well as the Fennia block, the Boulevardi 10 Interbank project and the Radisson SAS Plaza Hotel project in Helsinki.

The renovation market is expected to remain relatively active in the Greater Hel-



1. An extension of a laboratory building for the National Veterinary and Food Research Institute, Helsinki.

2. Radisson SAS Plaza Hotel -project, Helsinki.

sinki area. There are clear growth expectations for maintenance services.

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 investors and to increase the yield on property assets.

INVESTMENT PROPERTIES

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

The occupancy rate of investment properties was 100.0% at the close of the year (97.0% in 1997). Net rental income from the investment properties totalled FIM 32 million (65). Net rental income percentage declined owing to the sale of several investment properties and was 6.2% (7.3%).

During the year under review, a total of about FIM 465 million of investment properties was sold. After the close of the review year, an approximately 20% unbuilt share of the Länsi-Keskus in Espoo, which comprises 5 354 square metres of floor area and had remained in YIT's ownership after the property sale that was made in the spring 1998, was sold at a debt-free price of FIM 45.5 million, inclusive of construction costs.

DEVELOPMENT PROPERTIES

Development properties are mainly plots and sites that have not been fully built up and which can be developed into business premises solutions for customers 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 YIT subsidiary Exofennica Oy. During the year an old people's service building was completed in the area and the construction of two market-financed apartment buildings and a parking building was started. Municipal engineering construction continued in the area and the city launched the process of building the Koskenniska Bridge.

Arrangements were agreed with the City of Tampere concerning the holding of an EU summit meeting in the area in 1999.

At the close of the year YIT owned in the area about 155 000 square metres of zoned and unbuilt building rights as well as a re-

Investment properties as at 31 December 1998

Investment property	Floor area owned by YIT, sq.m	Type of building	YIT's holding	Largest tenants	Net rental income %
Panuntie 11 Helsinki	12 029	Office, store	100 %	YIT Corporation, Kesko Corporation	5.1
Kehä-Koskelo Espoo	8 806	Warehouse, office	51 %	Fujitsu ICL Computers Oy, ICL Data Oy	7.4
Kanta-Sarvis II Tampere	4 952	Office	50 %	Nokia Telecommunications Ltd	9.9
Kanta-Sarvis III Tampere	1 875	Office	50 %	Nokia Telecommunications Ltd	9.0
Total floor area	27 662				

Investment properties sold in 1998

	Floor area owned by YIT, sq.m	Type of building	YIT's holding	Buyer
Maistraatinportti 2 Helsinki	11 605	Office	100 %	Ilmarinen Pension Insurance Company
Länsi-Keskus Espoo	8 535	Shopping centre	40 %	Kesko Corporation
Sinikalliontie 1 Espoo	15 441	Shopping centre, office	100 %	Kesko Corporation
Sinimäentie 10 Espoo	9 628	Office	77 %	Polar Corporation
Total floor area	50 563			

novatable property consisting of about 8 100 square metres of floor area. The zoning objectives for the Ranta-Tampella area are being set in cooperation with the city and a considerable amount of building rights is expected for them.

The Sinimäki area, Espoo

Two investment properties were sold in the area and completely built premises were leased. In respect of the Sinimäentie 8 real-estate management company, which is located in the area and known as the Rank Xerox building, towards the end of the year a memorandum of intent was signed with the Tapiola Insurance Company, according to which the objective is to divide the property in such a way that the built-up part of the property and at the same time a portion of about 31 000 square metres of the plot will be acquired by the Tapiola Group. YIT will retain ownership of an unbuilt portion of the plot, comprising about 21 000 square metres, which can be used for additional construction. The final deal is to be concluded in the early months of 1999.

At the close of the year YIT's holdings in the area comprised the building rights for about 18 900 square metres of built-up floor

area, about 12 000 square metres of unbuilt floor area and about 68 000 square metres that are in the zoning process.

The Ruoholahti properties, Helsinki

The first office and commercial building was completed in the area. The premises, comprising about 10 000 square metres of floor area, were leased mainly to the Telecommunications Administration Centre and are completely owned by the Finnish Broadcasting Company Pension Fund. Construction of parking building for use by the owners was started in the area.

In the early months of the year YIT purchased the remaining construction rights for the Ruoholahti metro station and started extension works on the station building. The premises to be completed were sold mainly to the Union of Technical Employees and the Federation of Helsinki Parishes.

In the autumn YIT and Sitra, the Finnish National Fund for Research and Development, purchased from the City a plot in the area, comprising the building rights for about 18 900 square metres of floor area, and YIT began the construction of the Itämerentori office and commercial building, which will become a western landmark

on Central Helsinki's horizon. In December YIT Corporation sold its holding in the project to the LEL Employment Pension Fund and Pension Fund for Performing Artists and Certain Groups of Employees (TaEL).

The total value of the projects that were in progress in the area during the year under review will reach about FIM 600 million.

At the close of the year YIT owned in the area a plot comprising building rights for about 10 000 square metres of floor area and an ancillary 15% share of the parking building which YIT is presently erecting in the area.

The Huber area in Veromiehenkylä, Vantaa

A partly zoned and built-up area near the Helsinki-Vantaa International Airport. During the review period the first new building project, for LVI-Dahl, was completed in the area. The existing old buildings were renovated and the rental agreements were renewed. Zoning of the area continued.

At the close of the year YIT owned in the area building rights for about 22 000 square metres of built-up floor area and about 50 000 square metres of unbuilt space. Within the framework of the current zoning process, the objective is to obtain building rights for a further approx. 30 000 square metres of floor area in the area.

The Kupittaa area, Turku

Implementation of the fourth phase of the Turku Technology Centre, Kiinteistö Oy Eurocity, was started in the area. The project comprises about 12 000 square metres of floor area and it has been leased for the most part. The project was sold to the Tapiola Group during the period under review.

YIT acquired in the area the building rights for about 33 900 square metres of floor area for which the planning of following up projects was started.

The Hatanpää area, Tampere

An office and residential area jointly owned by YIT and OKOBANK. YIT acquired one hundred per cent ownership of two residential plots in the area. The project plan-



Metrotori, Ruoholahti, Helsinki.

ning for the plots was started during the review period. The project planning for the office plot and the old industrial building, both of which are located in the area, continued in cooperation with OKOBANK.

At the close of the year OKOBANK and YIT jointly owned in the area the building rights for about 20 600 square metres of built-up floor area and about 9 600 square metres of unbuilt floor area. Furthermore, YIT itself owned building rights for about 8 000 square metres of residential floor area.

Net rental income from all of YIT's development properties in 1998 totalled FIM 11.5 million (10.3 million in 1997). 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

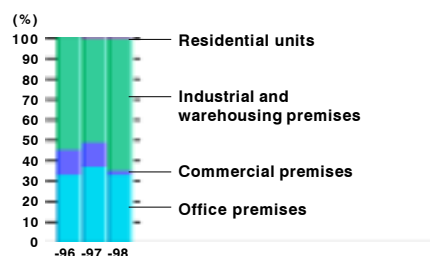
Other properties consist of several different office, commercial and industrial premises, primarily in the country's growth centres. Net rental income from these properties totalled FIM 6.6 million (7.0 million in 1997). The most important sales made during 1998 were the sales of the Oulu and Kerava National Housing Board-financed properties as well as the sales of industrial fabrication premises in Joensuu, Turku and Kajaani. The biggest tenants were Valmet Corporation, Rauta- ja Konetarve Oy and LVI-Dahl Oy.

CAPITAL TIED UP IN THE PROPERTY BUSINESS, 31 DECEMBER 1998

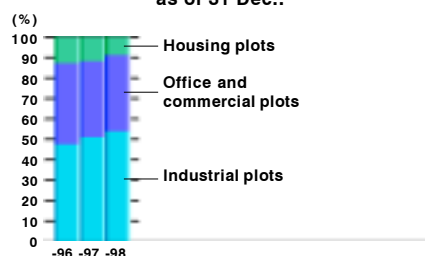
	Tied-up capital FIM million	Net rent FIM million	Floor area sq. m.	Building rights sq. m.	Prelim./ zoning possibility, sq. m.
Housing units - completed and under construction	261				
Housing plots	562			597 919	276 470
Housing production, total	823			597 919	276 470
Investment properties	289	32.0	27 662	5 354	
Development properties	816	11.5	57 820	546 464	384 500
Other properties	184	6.6	50 935		
Property business, total	1 289	50.1	136 417	551 818	384 500
Other properties held in fixed assets	116				
Properties, total	2 228	50.1	136 417	1 149 737	660 970

Of the tied-up capital, FIM 2 038 million (2 152 in 1997) was stated in the Consolidated Balance Sheet as at 31 December 1998, of which FIM 349 million (326) is included in fixed assets, FIM 1 157 million (1 154) in stocks, FIM 902 million (889) in receivables and FIM 370 million (217) in current creditors. Off the balance sheet was FIM 190 million (280) of an external debt for companies which are held in fixed assets but are not consolidated. Property rental operations contributed FIM 37 million (68) to YIT Building Construction's operating profit.

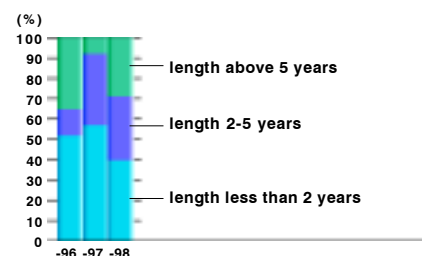
Distribution of real-estate floor area according to usage purpose as of 31 Dec.:



Distribution (sq.m. of floor area) of building rights according to usage purpose as of 31 Dec.:



Distribution of the net rental income according to length of agreements as of 31 Dec.:



YIT HUBER

YIT Huber's field of operations includes servicing and maintenance for industry, mechanical contracting for industry as well as related engineering fabrication, HEPAC new building, renovations and maintenance works, fire safety, alarm and extinguishing systems, surface treatment works as well as testing and inspection services.



1998 was the third full year of operations for the YIT Huber Division. Net sales grew by 14% in step with the growth in HEPAC and electrical as well as maintenance operations. Operating profit was FIM 84 million (95) and return on investment was 33.6% (38.9%).

The backlog of un-invoiced orders improved from the level of a year ago and stood at FIM 652 million at the close of the year (598).

The order backlog improved in both HEPAC and maintenance work. The order book for mechanical contracting remained at the previous year's level, as did investments by industry in the most important market areas.

During the year a number of acquisitions were made that fit in with YIT Huber's strategy. Huber Servitek Oy bought the Kuopio-based ventilation specialist Ilmastointi Kuitinen Oy and Huber Talotekniikka Oy bought Helsingin Talotekniikka Oy, another HEPAC contractor. The most important acquisition was the Länsiteknio Group, whose best known companies are Putkiura Oy, Putkineliö Oy, Kruunuhaan Putki Oy and Länsisähkö Oy. Primarily with a view to rounding out its industrial maintenance network, YIT Huber Industry Ltd bought Auto Oy in Tampere, Asennus Luttinen Oy in Riihimäki and VPT-Putki Oy in Kouvola. In Norway the unit bought Mongstad Industrier AS, which will continue operations under the name of YIT Industrier AS. The acquired companies had aggregate net sales in 1998 of FIM 240 million, of which FIM 149 million is consolidated within net sales for 1998.

International operations and exports grew to FIM 331 million (302). Growth came in operations in Norway, but exports to a number of European countries were also up. In Sweden, however, net sales fell, primarily due to a reshuffling of the organization and restructuring.

With the exception of YIT Projektör AB, the results of the different business units were in line with expectations and were at least at a satisfactory level. Good results were posted by Huber Testing Oy, Huber Sammutin Oy (fire extinguishing services), YIT Service Ltd and YIT Power Ltd. The FIM 12 million operating loss on operations in Sweden was burdened by non-recurring reorganization and restructuring costs.

The volume of HEPAC operations will be

raised significantly through acquisitions in line with the strategy review that was conducted in the summer 1998. Following the acquisitions that have been carried out, net sales are now about FIM 650 million a year. Growth is expected to continue in step with the increase in building construction. The maintenance and service businesses are also anticipated to grow further. Within mechanical contracting for industry, the volume of business in our market area will probably remain on average at the previous year's level. Net sales and operating profit of the YIT Huber Division are expected to rise in 1999 compared with the previous year.

Jouko Ketola

FOREST, METAL AND PROCESS INDUSTRY CONTRACTING

The brisk demand for capital investment services in both the forestry and metal industries peaked and headed downward in Finland in the course of the year, but it was offset in part by demand on the export market. The volume of business of this customer sector declined, but earnings nevertheless remained satisfactory.

Projects completed by YIT Huber Industry Ltd in Finland included piping for a fibre-line and evaporation plant for Joutseno Pulp, several projects for Neste Corporation and Borealis Oy in the oil refining and chemicals industry and, in the overseas market, annual servicing works for the Mongstad refinery of Statoil as well as pulp tower tank and process tank deliveries for UPM's Shotton paper mill and NSI Golbey's mill. A number of deliveries were made to the Vena Brewery in St Petersburg, Russia. Development of production at the Lappeenranta

1) Pulp towers, Golbey paper mill of Norske Skog SA, France.

2) Maintenance work at the Olkiluoto nuclear power plant of Teollisuuden Voima Oy.

3) YIT delivered to Metsä-Botnia's Joutseno Pulp Mill the piping for a fibre-line, evaporation plant and recovery boiler plant as well as a sprinkler system.

4) Equipment installations at Baco Oy's large bakery in Vantaa.

Key indicators

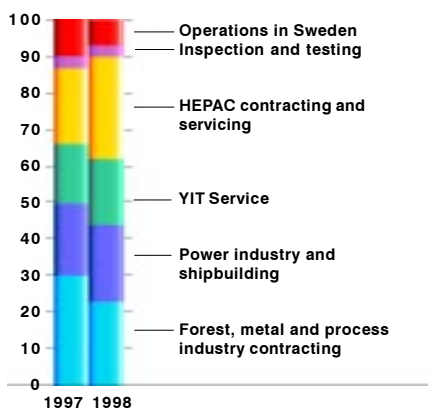
FIM million	1998	1997	1996	1995	1994
Net sales - including international operations	1871	1645	1774	545	545
Operating profit	331	302	281	87	169
% of net sales	84	95	83	21	11
Return on investment, %	4.5	5.8	4.7	3.9	2.0
	33.6	38.9			
Order book at year-end	652	598	532	176	293
Average personnel	3380	3202	3344	1199	1345
Division's share of the Group's net sales, %	27	29	34	14	17

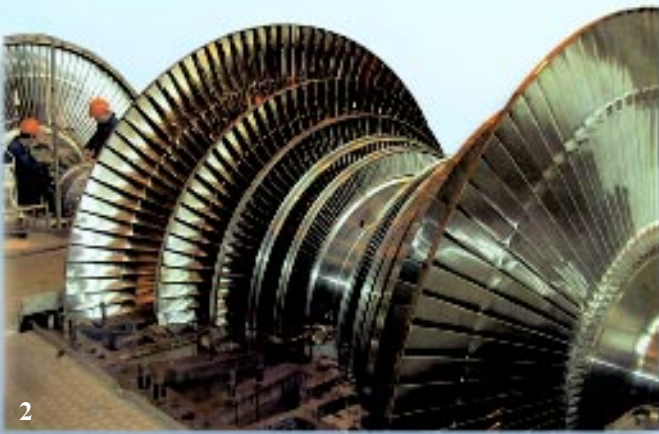
The Huber Group has been included in the accounting figures since 1996. The figures for 1994-1995 are for the industrial services of the then YIT Industry Division.

Division balance sheet summary

1997	627 FIM million
1998	747 FIM million

Breakdown of net sales by business units (%)







Office building of LVI-Dahl Oy, Vantaa.

Engineering Works was successfully carried out during the year in cooperation with the Lappeenranta University of Technology. In 1999 the accent will be on further developing the quality of operations.

Among the main projects completed by YIT Huber Pohjolan Tehdaspalvelu Oy were a 10 000 cu.m. district heating accumulator including pipework, completed for the City of Rovaniemi, and renovation of piping as well as tanks for Paper Machine 2 at the Enso Fine Paper Ltd mill in Kemi.

The quality systems of both YIT Huber Industry and YIT Huber Pohjolan Tehdaspalvelu received the ISO 9002 quality certificate in November 1998.

ENERGY PRODUCTION AND SHIPBUILDING CONTRACTING

The business operations of YIT Power Ltd are continuing on their growth track. The most important deliveries made by the unit were power plant piping deliveries connected with the Vala project, completed for Vaskiluodon Voima Oy, as well as piping

for a turbine plant that was delivered to Alstom Energie GmbH in connection with the same project. Piping for a recovery boiler plant was delivered to the Joutseno Pulp Mill of Oy Metsä-Botnia Ab and piping for a turbine plant was also delivered to the steel manufacturer ABB Stal Ab. Piping for a PFBC power plant was delivered to ABB Carbon AB in Germany in connection with the Cottbus power plant project.

The most important of the nuclear power plant projects were a rebuild of the turbine plant piping – which was delivered to ABB Stal AB – for the TVO nuclear power plant in Olkiluoto and a piping system modernization that was delivered to the Ringhals nuclear power plant in Sweden, in conjunction with ABB Atom AB.

The engineering works in Ylivieska, Rauma and Varkaus made major piping and boiler component deliveries to Kvaerner Pulping Oy and Foster Wheeler Energy Oy as well as ship piping prefabrication and module deliveries to the Turku and Helsinki Shipyards of Kvaerner Masa-Yards Oy and also to Aker Finnyards Oy and Aker Mäntyluoto Oy. Ship fitting assignments were also carried out for these customers.

The most important development investment for engineering operations was the extension to the production facilities of the Varkaus unit and the building of new office premises for it. The development of quality and environmental management systems for the different units continued ahead. The autumn saw the launch of a programme to develop the company's new operations control system.

YIT SERVICE

The volume of YIT Huber's maintenance operations grew from the previous year's level of FIM 600 million to FIM 860 million. The growth was attributable both to an increase in the demand for established services and as a result of the preference among customers for outsourcing their maintenance functions.

With Valio Oyj a three-year agreement was concluded on turnkey maintenance for two milk products plants in Turenki beginning in the first part of 1999. With the meat processing company Osuuskuunta Karjaportti a three-year agreement was signed

concerning the maintenance of the company's production plants in Mikkeli and Jyväskylä. A similar agreement was also signed with Kationi Oy and Lapuan Peruna Oy, which are part of the Raisio Group.

Maintenance works for the service station network of Oy Shell Ab expanded significantly in the first part of 1998. Major inspection and maintenance works were carried out for Finland's nuclear power plants in connection with annual servicing. The service network of the maintenance units was strengthened through acquisitions.

The surface treatment business grew about 20% on the previous year. The most important new agreement concerned the painting of new cruisers at the Helsinki Shipyard of Kvaerner Masa-Yards.

YIT Service responded to trends in the market by concentrating to an increasing extent on identifying the customer's processes and aiming at improving them by means of maintenance. The starting point is to produce added value for the customer both by boosting productivity and through the application of the newest technologies.

HEPAC CONTRACTING AND SERVICING

The HEPAC business grew significantly in the prevailing good business climate for capital expenditure projects. The volume of heating, plumbing and air-conditioning business amounted to FIM 520 million. The acquisitions completed contributed to increasing net sales and market share in both new and renovation building. The volume of fire-fighting operations remained good. Its main emphasis shifted from building construction to commercial construction.

The projects which the HEPAC contractor Huber Talotekniikka Oy completed in the Greater Helsinki area included the business premises of LVI-Dahl, the offices of the Telecommunications Administration Centre in Ruoholahti, the Länsi-Keskus business centre as well as air-conditioning works for the information technology building of the Helsinki University of Technology, an assignment that was completed for the State Real Property Authority.

Huber Servitek Oy, which is specialized in HEPAC renovation and servicing, saw its



1-2) Servicing, inspection and testing works are among YIT Huber's growth areas.

3) Surface treatment works are one of YIT Huber's many special services.

volume of operations rise to FIM 300 million. The company is already operating in 20 localities in Finland. Noteworthy among its most important renovation works were a cooling equipment contract for the office rooms of the Eteläranta 10 business premises, which was completed for Teollisuuskeskus Oy, as well as a renovation of the Asunto Oy Mannerheimintie 91-93 condominium, involving a renewal of the plumbing and sewage lines as well as water fixtures for 280 apartments. The job will continue up to January 2000.

The sprinkler deliveries that were completed by Huber Sammutin Oy, which is specialized in fire safety alarm and extinguishing systems, included the TAKU98 project for Metsä Timber Oy in Lappeenranta, the Joutseno Pulp 98 project for Metsä-Botnia Oy, protection of the main transformers at the Teollisuuden Voima nuclear power plant in Olkiluoto, the Helsinki Cathedral, projects for Nokia Corporation in Salo as well as the Rocca Al Mare shopping and business centre in Tallinn.

AUTRONICA fire detection systems were delivered mainly for hospital and industrial use as well as for a number of large commercial and office buildings. Together with Telenor, an extensive cooperation agreement was reached on marketing shell safety systems in Finland. The agreement will enable the company now to provide its customers with all the main personal and property safety systems.

The main development focus within HEPAC and electrical operations was on quality and operations control systems. In the autumn, development of a new information technology system got under way with the aim of achieving a significant increase in efficiency, notably by creating capabilities for the wide use of electronic data interchange (EDI) within the organizations.

INSPECTION

The strong growth in Huber Testing Oy's operations continued and it had a strong order book throughout the year. Noteworthy among the customer-centred development projects was a mechanization project for NDT tests, in which use is made of advanced ultrasonic and eddy current

technologies. As a result of the project further improvements will be made in the reliability and replicability of tests.

In order to increase the efficiency of delivery reliability, flexibility and nearby service, which are of key importance to customers, during the year three new offices were set up in Finland: in Raahe, Pietarsaari and Ylivieska. As operations become more international in scope, the first overseas office was opened in Tallinn, Estonia.

Tests completed during the year under review included full-scale inspections of a recovery boiler in Svetogorsk, Russia, and NDT tests of a Sea Launch rocket launching vessel in Vyborg, Russia. Assignments that were continuing past the turn of the year included annual servicing works for the power companies Imatran Voima and Teollisuuden Voima as well as NDT tests of offshore works and vessels completed by Aker Mäntyluoto and Aker Finnyards.

OPERATIONS ON SWEDEN

The largest piping projects of the Swedish subsidiary, YIT Projektör AB, were a piping project for Nynäs AB, several piping projects for the Södertälje production plant of ASTRA AB as well as a piping contract for Paper Machine 3 at the Hyltbruk mill of STORA Hylte AB. The sprinkler business expanded substantially.

CUSTOMER-CENTRED ALL-ROUND SERVICE

The business operations of YIT Huber's units are described in accordance with the ISO 9000 standard and have for the most part also been certified. During the year, environmental, occupational health and occupational safety components were added to the quality systems. The objective is to obtain certification for the first environmental systems according to the ISO 14000 standard at part of the units during 1999.

In order to promote customer service and efficiency, information technology development work was continued. An agreement was signed with Intentia Oy on an overhaul of the production systems of the industrial units and with Liinos Oy for the production systems of the HEPAC units. The total costs of the projects, which will

continue up to the year 2000, are more than FIM 20 million. A great deal of attention was also paid to internal training with a view to developing the efficiency of customer service, quality and production. The total number of training days amounted to nearly 7 000, or on average two days for each employee.

YIT CIVIL ENGINEERING

YIT Civil Engineering's field of operations comprises earthwork, tunnelling, foundation construction, municipal engineering, regional construction, the construction of sports facilities as well as bridge, harbour and water treatment plant construction and the maintenance of traffic arteries and other infrastructure.



The total demand for civil engineering services grew by about 2% in Finland. Demand declined slightly in the case of construction services for municipalities and the construction of plants for the government, but demand strengthened in the public sector. The market for civil engineering services in Sweden remained at the previous year's level, with demand being concentrated noticeably in the large cities — Stockholm, Gothenburg and Malmö — and their environs.

The order backlog of the entire division was exceptionally meagre at the beginning of the year, but began to strengthen during the spring. The order backlog of water and environmental services, however, only began to improve in the autumn.

Upgrading infrastructural maintenance was a major development priority in Finland. In June, a unit was set up to market maintenance services, and the development of a production organization was initiated. In October, the first regional 3-year road maintenance project was started up for the Finnish National Road Administration to supplement the ongoing street maintenance activities.

The division's result was burdened by the loss-making projects of the Swedish subsidiary YIT Bygg AB — most of these projects have already been seen to completion — as well as by the exceptionally low order backlog for water and environmental services, which only improved to a reasonable level in the autumn. A new managing director, a Swede, began work at YIT Bygg AB in March, and the company's organization was strengthened by setting up a regional office in Gothenburg at year's end.

YIT Civil Engineering's organization was reshuffled at the beginning of September, when the Water and Environmental Services unit, which is primarily export-oriented, was transferred to YIT International Operations. This unit will, however, be included in the financial report figures for YIT Civil Engineering until the end of 1998. The unit's production operations in 1998 are laid out in the section on YIT International Operations.

Production in Finland was regrouped to form three business units: the Earthwork, Municipal Engineering and Tunnelling unit; the Bridge, Harbour and Water Treatment Plant Construction unit; and the Regional Construction and Maintenance unit.

YIT Bygg AB operates as the fourth unit. When the regrouping was carried out, Juhani Kuusisto was appointed Senior Vice President and head of the division.

The development and service resources of the division were reorganized to form a business development unit. This unit will aid the division in the making of outlays on new business areas, such as maintenance and new-form project operations, and it will support production by providing enhanced internal services.

An important development in 1998 was the supplementing of the quality system — which was certified in the previous year — with an environmental system component. The augmentation of the quality system with a view to turning it into a more comprehensive operations system will continue in 1999, when health and occupational safety components will be added. The improvement of customer service is also one of the central development areas.

The division's result as a whole was slightly in the red, although the Finnish business units achieved positive results. The Bridge, Tunnelling and Harbour Construction unit turned in a good result, the Earthwork, Municipal Engineering and Maintenance unit reached a satisfactory result while the result of the Water and Environmental Services unit was slightly loss-making. YIT Bygg AB recorded a loss of FIM 32 million.

The outlook for the market in Finland in 1999 is much the same as last year. Civil engineering services are expected to grow by a couple of per cents. Growth is foreseen for the private sector. As regards the construction of plants for the government and municipal construction and maintenance services, the development of procurement practices in the direction of open competition has been slower than anticipated, especially in infrastructure maintenance. However, the trend is expected to remain positive.

Growth in the near future is foreseen for the construction market in Sweden, especially in the case of building construction. Civil engineering services are expected to remain in brisk demand in the large cities and their environs.

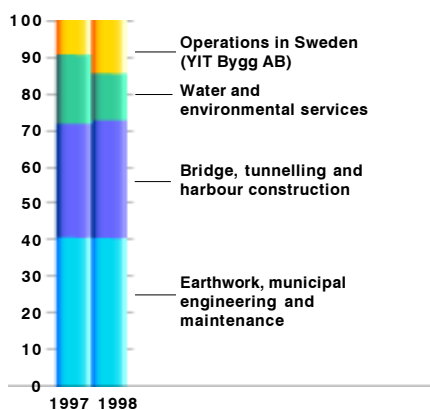
The loss-making financial result on Swedish operations is expected to improve significantly in 1999 following the revitalization measures that have been carried out. The entire division's business volume is expected to grow, and, likewise, the trend in its result on operations should be clearly positive.

Juhani Kuusisto

Key indicators

	1998	1997	1996	1995	1994
Net sales, FIM million	691	735	834	701	477
- of which exports	173	163	192	111	42
Operating profit, FIM million	-4	27	36	54	42
% of net sales	-0.6	3.7	4.3	7.7	8.8
Return on investment, %	0.7	26.0			
Order book at year-end, FIM million	344	265	359	272	270
Average personnel	709	743	886	777	575
Division's share of the Group's net sales, %	10	13	16	18	15

Breakdown of net sales by business unit (%)



EARTHWORK, MUNICIPAL ENGINEERING AND MAINTENANCE

Foundation works for building construction and related municipal engineering construction continued apace. Basic improvements of yards and regional works were carried out for such clients as Helsinki Water and Neste's plants in Kilpilahti. The construction of a gas network for Gasum Oy continued in Helsinki, with the Pirkkola-Ruskeasuo pipe being laid down. Mass stabilizations were carried out in Finland and Sweden. The renovation of sports fields continued in locations such as Lohja, Puotila, Kauhava, Pedersöre, Porvoo and Tervakoski. Basic railway improvements were performed for VR-Track Ltd on the track sections between Ryttylä and Turenki, and between Riihimäki and Tampere.

At the end of the year, the E4 motorway project was under way on the stretch from Kemi and Tornio, as were deep stabilization works for the Finnish National Road Administration, roadworks for the City of Espoo, earthwork on the Leppävaara urban railway for the Finnish Rail Administration, the construction of a waste station for Salon seudun jätehuolto Oy and, for the Helsinki Metropolitan Area Council YTV, and the conversion of the vehicle weighing buildings at the Ämmässuo disposal site.

1998 projects that are still ongoing in 1999 include the Harjavalta regional project for the Finnish National Road Administration, the maintenance and renovation of the urban gas network for Helsinki Gas Oy, and the round-the-year maintenance project in the Ala-Tikkurila and Suutarila region for the City of Helsinki Public Works Department. The units are continuously working on improving their technical expertise and the machinery required for this sort of work.

TUNNELLING

Among the Finnish sites completed during the year were the quarrying of the foundation pit of the Scandic Hotel in Helsinki, the quarrying of the Santa Park and civil defence shelter in Syväsenvaara in the rural district of Rovaniemi, the construction of Kone Oyj's elevator testing shaft in Lohja, and the second stage of the Varissuo civil defence shelter in Turku.

Projects that continued over the turn of the year included the Hiidenkallio traffic tunnelling work for Ring Road II in Espoo, the tunnelling of the Lauttasaari utility tunnel in Helsinki, the quarrying of Biomedicum's

foundation pit in Helsinki, and the deepening of the Pyhäsalmi mine in Pyhäjärvi.

R&D focused on the quarrying techniques, machinery and special techniques, such as injection techniques, used during the works.

BRIDGE, HARBOUR AND PLANT CONSTRUCTION

The bridge construction projects completed included the four bridges of the Pakinkylä intersection in Helsinki, which were constructed for the Finnish National Road Administration, the Villilänsi Bridge in Rautjärvi and the repairs on the Hessundinsalmi Bridge in Parainen. Numerous overpasses and underpasses were completed for VR-Track Ltd. At the end of the year, projects that were still ongoing included the world's largest wooden highway bridge in Vihantasalmi, Mäntyharju, as well as bridges in Paimio, Tornio and Turku.

Harbour construction projects completed included the dredging of the Kaskinen marine passage and inner harbour for the Finnish Maritime Administration and the City of Kaskinen. The construction of the Petäjäs bulk pier for the Port of Rauma continued over the turn of the year.

Plants constructed included a waste water treatment plant for the Enso Group's plants in Anjalankoski, pumping stations in Tallinn, and the second stage of the waste water treatment plant for the Tallinn water and sewage agency in Estonia, the Olarinluoma pumping station for Espoo Water, the renovation of waterworks for the municipality of Äetsä and an oil separation plant for Neste in Hamina.

At the end of the year, projects under construction included the Suomenoja sludge dewatering plant for Espoo Water, the waterworks project for the City of Daugavpils in Latvia, and the construction of a pumping station and pipeline for the Kauras waterworks in Lithuania.

YIT BYGG AB

Numerous major sites were seen to completion in 1998, including the quarrying of the Sundbyberg sewer tunnel and the Stockholm Ring Road subcontract. Stretches of the railway construction contract for SL Bansystem were completed in the Stockholm area, and road and bridge contracts were wrapped up for Vägverket (the National Swedish Road Administration) and Banverket (the National Swedish Rail Administration) in central Sweden.



1) *The Sundbyberg rain and waste water tunnel, Sweden.*

2) *The denitrification project that was completed at the Espoo Water and Sewage Works in 1997 won the "Construction Engineering Project of the Year" award. YIT Civil Engineering won the prestigious award, which is granted at two-year intervals, for the third year running.*

The major industrial project of the year was the pier and dredging contract for Holmens Paper AB in Halstavik, which was carried out in association with the parent company's harbour construction unit. The construction of the Svartviken railway bridge near Stockholm, with Banverket as the client, will go ahead in association with the parent company, as will the renovation of Statens Oljelager's oil storage cavern in Jönköping.

The company's organization has been strengthened by setting up Region Väst, a regional office, in Gothenburg. The priority areas in development efforts were boosting the efficiency of operations systems, amplifying cooperation within the Group and training new personnel.

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. As from 1 September 1998, its field of operations also encompasses water and environmental services projects in Northern and Eastern Europe and some countries in the Middle East and Far East.

Key indicators

	1998	1997	1996	1995	1994
Net sales, FIM million	485	375	324	623	554
Operating profit	26	61	-9	-47	31
% of net sales	5.4	16.2	-2.8	-7.5	5.6
Return on investment, %	16.4	37.4			
Orderbook at year-end, FIM million	235	231	132	182	386
Average personnel	822*	412	948	1 705	510
Division's share of the Group's net sales, %	7	7	6	16	17

* = including 614 foreign employees

Breakdown of net sales by business unit (%)



YIT International Operations' net sales grew by 29% during the report period. Operating profit amounted to FIM 26 million (61). The result of operations was slightly higher than last year in spite of the economic crisis in Russia, taking into account the final credit to income of FIM 37.5 million from the Metropol hotel contract in 1997.

All the business units posted a profit. The St. Petersburg and Northwest Russia unit, Makrotalo Building Components and the Energy and Special Projects unit all had good earnings. The result of the Moscow area and Central Russia unit was satisfactory, and the result of the Baltic unit was fair.

The division downsized operations in response to the weakening in demand caused by the Russian economic crisis. The division broadened its presence in nearby areas by acquiring a controlling interest in AB Kausita, one of the leading construction companies in Lithuania, and by setting up a regional company specializing in water and environmental services in Krakow, Poland.

Makrotalo Building Components' Makroflex sealing foam business was revitalized with the introduction of a new corporate symbol and trademark, and by standardizing and developing the operations and names of its subsidiaries.

The priority area in development and training activities was on developing the export applications, project management systems, customer product applications and service culture of YIT's quality system, and on broadening the local presence of regional companies. The division maintained its alliance with the Coca-Cola Company with a view to taking on to further investment projects.

The order backlog was FIM 235 million at the end of the year (231). There was growth in the order backlog of the Water and Environmental Services unit, which was linked up to YIT International Operations, and likewise in the order backlog of the Baltic units; however, the order backlog weakened in Russian operations.

The reasonable market prospects for water and environmental services and Baltic and Makroflex operations in 1999 afford the opportunity for the steady development of business volume and profitability, as do the

projects in Russia and nearby regions which are either current or in the pipeline. Net sales are expected to strengthen in 1999 and the result of operations to come in at the previous year's level.

Mikko Rekola

THE MOSCOW AND CENTRAL RUSSIA UNIT

The main clients of the unit during the report period were Coca-Cola Moscow, whose warehouse extension was seen to completion, and Transneft's subsidiary Diascan, for which the unit worked on the construction of a parking building in Luhovitsy and a diagnostic centre for oil pipes in Ufa. For Neftegazkomplektservice, the unit renovated an office and erected a new building in Luhovitsy.

The marketing of the YIT Technopark started up in May. This complex is targeted at international investors who are looking for production, office and storage premises in Moscow. This industrial park is located next to the Moscow-St. Petersburg highway.

The objective for 1999 is to maintain and broaden the unit's market position.

ST PETERSBURG AREA AND NORTHWEST RUSSIA

The main project during the entire year was the renovation of the tobacco factory of RJR Petro, a local company of R.J. Reynolds. This project continued past the turn of the year. The main clients included Surgutneftegaz, for which an office building is being renovated in Surgut. The work began in the spring and will continue until the summer 1999.

Service stations were built for Neste, Shell and Kirishiyavtoservice in the St Petersburg area by YIT Corporation and its subsidiary ZAO Lentek, which also carried out numerous smaller office and residential unit renovations for different customers.

The central objective for 1999 is to maintain the current market position in the St Petersburg area and to strengthen it elsewhere in Northwest Russia.

BALTIC UNIT

The main clients in Estonia were Tallinn Water, for which pumping station buildings were completed in 13 districts of Tallinn, and Taopin AO of Tula, Russia, for which a new brewery building was completed in November.

The major new projects were the Kaunas pumping station and piping contract in Lithuania as well as the well field and clean water plant in Daugavpils, Latvia.

Strategic cooperation resulted in the acquisition of a 65.6% majority holding in AB Kausta, one of Lithuania's largest construction companies, at the end of December. The other owners of the company are its local managers and other private individuals. AB Kausta has been active in its present form since 1993, and its net sales in 1998 amounted to about FIM 100 million. It employed about 1000 people.

In 1999, the main objective is to consolidate significantly the market position in the Baltic area through close cooperation with the local subsidiaries and the parent company.

MAKROTALO BUILDING COMPONENTS

The unit comprises the Finnish subsidiary Makroflex Oy, AS Makroflex in Estonia and ZAO Makroflex in Russia. Its products include Makroflex joint insulation and it exports specialized building components.

Makroflex products were given a new image, which was well-received in all market areas. Makroflex is one of the leading sealing PU-foam brands in Europe, and the market leader in its own market area. Its total sales increased by 10% on the previous year. Sales of sealing foam continued to grow buoyantly in the Russian market as well in spite of the deepening economic difficulties experienced by that country in the autumn.

Within building component exports, service and distribution stations were delivered



Products of Makrotalo Building Components.

to Russian clients, along with an office, industrial and warehouse building complex in Moscow and a canteen building for Surgutneftegaz in western Siberia.

The main objective in 1999 is to strengthen the unit's market share.

ENERGY AND SPECIAL PROJECTS

The unit renovated the facade of a diagnostics centre in western Siberia, with Russian oil companies as the clients, as well as took part, in an expert capacity, in the implementation of Neste Corporation's investment project and it acted as a service contractor in AkerRauma Offshore's oil investment project in the Caspian region. The unit maintained close contacts with Russian and Western energy-sector investors who are active in the Russian market.

The unit participated, together with the Finnish construction unit, in the expansion of Oy Sinebrychoff Ab's factory in Kerava. This project was part of the strategic alliance between YIT and Coca-Cola which was initiated by YIT International Operations.

Due to the low price of oil on the international market, only a few Western projects are expected to go ahead in the Russian energy sector in 1999. For these projects, the unit offers different kinds of construction, expert and project management services.

WATER AND ENVIRONMENTAL SERVICES

Operations focused on the Baltic sea, Latvia, Lithuania and Poland, where a subsidiary was set up.

In Finland, the unit continued to enjoy good cooperation with its key clients, among which were Enso, Neste, Espoo Water, Vantaa Energy, Helsinki Energy and Kainuun Voima.

YIT Vatten och Miljöteknik AB, the Swedish subsidiary, carried out numerous machinery deliveries to waste water treatment plants in its tight domestic market, and also delivered machinery to be used for gas treatment at landfills.

The most important project to be completed in the Baltic countries was the delivery of an aeration system for the Riga waste water treatment plant in Latvia. New projects that got under way were deliveries of pumping stations to Riga, Latvia, and to Kaunas, Lithuania, and a waterworks project for Daugavpils in Latvia.



1) Renovation of a health centre, Megion, Russia.

2) Renovation work at the RJR-Petro tobacco factory in St Petersburg, Russia.

3) Delivery of an aeration system to the waste water treatment plant in Riga, Latvia

Three deliveries of waste water treatment machinery were seen to completion in Poland, while four new projects were initiated.

The major projects in overseas exports were a delivery of flotation technology for a large waterworks in Hong Kong, the Tam Ky waterworks in Vietnam, the Dawadmi waste water treatment plant in Saudi Arabia, and a waste water treatment plant for a citric acid factory in Egypt.

The order backlog rose to a satisfactory level at the end of the year, and the outlook for 1999 is reasonable. Growing demand in the Baltic countries, and the construction of biogas plants that will begin in Sweden as well as the Polish operations offer the best growth potential.

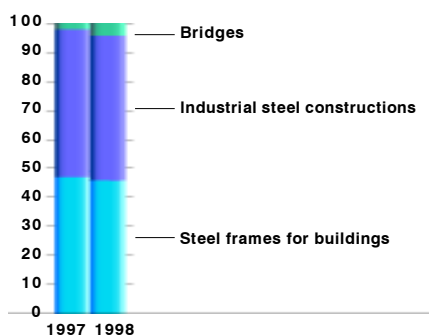
YIT STEEL CONSTRUCTION

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

Key indicators

	1998	1997	1996	1995	1994
Net sales, FIM million	389	313	280	253	196
- of which exports	221	217	160	141	95
Operating profit	29	22	17	13	3
% of net sales	7.5	7.1	6.1	5.1	1.5
Return on investment, %	29.7	21.5			
Orderbook at year-end, FIM million	112	109	90	83	91
Average personnel	377	345	345	315	328
Division's share of the Group's net sales, %	5	5	5	6	6

Breakdown of net sales by business area (%)



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 — to clients in Finland as well as mainly to the Nordic countries and elsewhere in the Nordic environment, and it participates in export deliveries farther afield as a subcontractor.

PPTH Steel Ltd's net sales rose by 24% compared with the previous year, as did both its operating profit and profit before reserves and taxes. The growth in net sales stemmed from the good trend in sales, especially in the company's Nordic home market. The good earnings trend, meanwhile, was based on the well-controlled implementation of projects at the site.

The volume of deliveries grew buoyantly, especially in Finland, when compared with the previous year. They accounted for 44% of all deliveries. 35% of the deliveries went to Sweden and Norway, and 14% to Russia and the Baltic countries, while project deliveries to other countries around the world accounted for 7%.

Deliveries to Scandinavia grew by a third compared with the previous year. In Norway, the company carried out such projects as an aircraft hangar contract for Braathens S.A.F.E. in Gardermoen, a Coca-Cola production plant and warehouse in northern Oslo, and a steel frame contract for the Byporten commercial and hotel centre in downtown Oslo. The projects completed in Sweden included the Tappan commercial building in Norrköping.

PPTH delivered steel frames to numerous sites in Russia and Estonia, of which the major ones were the FM Logistics centre and the Coca-Cola warehouse building in Moscow, a packaging factory in Naro-Fominsk in the vicinity of Moscow, and a border station close to Nuijamaa on the Russian side of the border. In Estonia, an electronics factory was completed, while in Riga, Latvia, a Coca-Cola factory and a DHL office building were seen to completion. A branch office for handling steel structure contracts in Estonia was registered at the end of 1997.

Steel frames for power plants were completed in Suolahti in the Jyväskylä region and near Trondheim in Norway. Steel constructions for a soda recovery boiler plant were delivered to South Africa. The installation of the steel frames of power plants continued past the turn of the year at both Gävle and Umeå in Sweden. Bridge deliveries grew compared with

the previous year. The steel structures of the Kantolansalmi Bridge were completed, and installation works are under way at the Kirveenrauma Bridge site in Rymättylä.

In Finland, the company participated in building a number of industrial, commercial, office and parking buildings, acting as the contractor for steel constructions. Industrial construction projects were implemented in numerous localities. The construction of commercial premises and offices picked up speed throughout the year and the company delivered steel frame constructions for numerous large-scale sites, including the Sanomatalo Building for Finland's largest newspaper publisher, Cultor's office building, the Kämp Hotel project in Helsinki, Eurocity in Turku, Nokia's office building in Tampere as well as Alko's head office and the Vantaanportti Gallery commercial centre in Vantaa. Within the construction of sports facilities, the deliveries of steel frames for the Tapiola multipurpose complex and the Eerikkilä indoor soccer stadium were completed.

The priority areas in R&D were improving customer-oriented service and the quality of operations as well as shortening the throughput times of deliveries by increasing the degree of automation in product processes and developing the contract supplier network.

In 1998, the company acquired a majority holding in the associated company PR-Steel Oy with the aim of being better able to develop engineering design know-how to meet the needs of the PPTH companies.

At the beginning of 1999, PPTH Steel Ltd acquired all the shares outstanding in Kalajoen Konepaja Oy, which is specialized in the manufacture of heavy welded steel structures. The objective is to use the company's specialized expertise — and its prime location near the Port of Rahja — in a variety of ways. Kalajoen Konepaja Oy's net sales are expected to amount to FIM 60 million in 1999, and it employed 180 people at the beginning of the year.

PPTH Steel Ltd's order backlog was strong during the entire review period. 66% of the order backlog at the end of the year consisted of foreign orders. In 1999, net sales are expected to grow by about a quarter, in part due to the acquisition of Kalajoen Konepaja. Growth is being sought in Finland and the other Nordic countries, and also in the Baltic Rim area. Operating profit is expected to come in at the previous year's level.

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