
ANNUAL REPORT 2005

Together we can do it.

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## YIT GROUP

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YIT is the Nordic market leader in building system services and in its product areas, the largest provider of services for industry.

# YIT IN BRIEF

### YIT builds, develops and maintains technical living environment

YIT is a service company focused on building, developing and maintaining technical structures of living environment. It offers services for the property and construction sector as well as industry and data networks.

YIT operates locally in the Nordic countries, Estonia, Latvia, Lithuania and Russia. In 2005, YIT's revenue amounted to EUR 3,023.8 million and operating profit to EUR 227.7 million. The Group has about 21,300 employees.

**Sweden**
Building Systems,
Industrial and Network Services
- Revenue MEUR 541.3
- Personnel 4,143
- Locations 159

**Norway**
Building Systems
- Revenue MEUR 305.4
- Personnel 2,485
- Locations 63

**Denmark**
Building Systems
- Revenue MEUR 123.9
- Personnel 1,103
- Locations 12

**Finland**
All YIT's services
- Revenue MEUR 1,761.6
- Personnel 11,159
- Locations 240

**Lithuania, Latvia, Estonia**
Building Systems,
Construction Services
- Revenue MEUR 188.4
- Personnel 1,492
- Locations 6

**Russia**
Construction Services,
Building Systems,
Industrial and Network Services
- Revenue MEUR 103.2
- Personnel 907
- Locations 6

## Key figures 2005

| | |
|---|---|
| Revenue | MEUR 3,023.8 |
| Operating profit | MEUR 227.7 |
| Profit for the financial year | MEUR 156.9 |
| | |
| Operating profit margin | 7.5% |
| Return on investment | 26.4% |
| Return on equity | 31.1% |
| Equity ratio | 36.3% |
| Gearing ratio | 45.1% |
| | |
| Earnings/share | EUR 2.52 |
| Equity/share | EUR 8.97 |
| Dividend/share | EUR 1.10*) |
| | |
| **At year's end** | |
| Shareholders | 9,368 |
| Share price | EUR 36.13 |
| Market capitalization | MEUR 2,254.4 |
| Balance sheet total | MEUR 1,688.1 |
| Order backlog | MEUR 1,878.8 |
| Personnel | 21,289 |

*) Board of Directors' proposal

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

| | | Average exchange rate in 2005 | Exchange rate Dec 31, 2005 | Exchange rate Dec 31, 2004 |
|---|---|---|---|---|
| 1 EUR = | USD | - | 1.1797 | 1.3621 |
| | GBP | - | 0.68530 | 0.70505 |
| | SEK | 9.2822 | 9.3885 | 9.0206 |
| | NOK | 8.0092 | 7.9850 | 8.2365 |
| | DKK | 7.4519 | 7.4605 | 7.4388 |
| | EEK | 15.6466 | 15.6466 | 15.6466 |
| | LVL | 0.7028 | 0.7028 | 0.6979 |
| | LTL | 3.4528 | 3.4528 | 3.4528 |
| | RUB | 35.216 | 33.920 | 37.757 |

# PROFITABLE GROWTH FROM A SOLID FOUNDATION

YIT broke all its previous records for revenue and operating profit in 2005. Revenue saw organic growth of 9 per cent and exceeded the EUR 3 billion milestone. Profit before taxes increased by 53 per cent and was 7.1 per cent of revenue. Return on investment amounted to 26.4 per cent. In 2005, the share yield was 101 per cent, including the rise in the share price and dividends. The Board of Directors proposes that a dividend of EUR 1.10 per share be paid – the eleventh year running that YIT will have raised its dividends in the period from 1995–2005. We seek to pursue an active dividends policy in the future as well. Our robust financial position and our order backlog, which amounts to EUR 1.9 billion and has a good margin, provide us with a solid foundation for future growth. We estimate that the pre-tax result for 2006 will improve on last year.

## Good earnings trend continues on a broad footing

All three of YIT's business segments – Building Systems, Construction Services and Industrial and Network Services – posted higher revenue and operating profit.

Building Systems is YIT's largest business segment in terms of both revenue and personnel. After its successful integration stage, it has shifted gear to ordinary operations in all countries and been put on a profitable growth track. Its operating profit level is already higher than that of the large Nordic competitors in the business. Profitability will be improved further by means of the development of its operations, cooperation between business segments and countries as well as the transfer of technology. The market situation of the business segment remains favourable.

Construction Services racked up good earnings on a broad front. The population shift between municipalities in Finland rose to record levels last year, forecasts of the rise in interest rates are moderate and the improvement in both household incomes and employment rates bolsters households' confidence in their own finances. This means that the good demand for housing is poised to continue. The construction of business premises and infrastructure swung to moderate growth in Finland. Residential construction in Russia, Estonia, Latvia and Lithuania grew at a rapid clip, and demand will continue to rise in the long run, too. The YIT Home service process, which has been honed to a high degree of efficiency in Finland, has been successfully adapted to local conditions in Russia, Estonia, Latvia and Lithuania.

In Industrial and Network Services, the high capacity utilization ratio and advanced operations control brought good earnings. Growth was generated by capital investments by industry. Industry is planning greater investments in the Nordic countries due to rising exports and industrial output. The installation of broadband connections continues and the need to step up and modernize the capacity of data networks leads to growth in installation and maintenance works. That said, severe competition between operators hinders investment opportunities.

## Business risk is decentralized in eight home countries

Our local operations in eight Northern European countries balance out the effect of cyclical fluctuations on the trend in the Group's revenue and earnings. YIT has systematically expanded its operations in one of the most economically and politically stable areas in the world – the Nordic countries – and stepped up its capacity in all these home markets, especially in the markets for technical servicing, maintenance and modernization for the property and construction sector, industry and data networks. In 2005, 88 per cent of YIT's revenue came from the Nordic countries. The stability of our operations in the Nordic countries has enabled us to rapidly expand housing production in the growing markets of Russia and the Baltic countries. In these countries, domestic consumption is already the most important driver of growth, and the middle class is gaining further strength. In Russia, the trend in the price of oil bolsters purchasing power and the population shift into large cities will establish a firm foundation for housing demand over the decades ahead. In our view, we can tap into the great business opportunities opening up in Russia thanks to our 45 years of experience in the country and our local employees, who are well-versed in the markets and their operating mechanisms.

### Long-term service agreements and household services increase business stability

The maintenance and servicing business enjoys stable development in spite of cyclical fluctuations. The share of the Group's revenue accounted for by this business has risen to 38 per cent, and the company seeks to raise this share systematically. 60 per cent of the revenue of Building Systems and 77 per cent of the revenue of Industrial and Network Services are generated by maintenance and servicing operations that are largely based on service agreements.

Rising income levels, the greater appreciation for leisure-time and the ageing of the population increase households' demand for services, both in terms of opportunities and desire. Households are already a major customer group for YIT in the housing production service process. As the residential goals and values of people change, we systematically increase our services for single-family houses and leisure-time living. To satisfy the rising need for housing repairs, modernization and servicing, we will also begin to package and offer the same construction and building system services we now provide to our property-owning corporate customers to households as well. These services are typically numerous and small in scale, and the demand for them is steadier than for large, one-off projects.

### Profitable growth outpacing the market continues

Annual growth in YIT's revenue in 1994–2005 has averaged 18.4 per cent. Our main strate is to grow profitably in synergistic business segments that develop, build and maintain t technical infrastructure of our living environment. YIT's growth target, an average of 10 p cent annually, exceeds the rate of market growth. The growth strategy hinges on focusing on the chosen business segment structure, and increasing both operations based on long-term service agreements and services offered to households. The growth target is achieved by developing YIT's present business operations and by means of acquisitions. The growth target is realistic, as growth of 9 per cent in 2005, for instance, was achieved without acquisitions and at an excellent level of profitability.

### A robust corporate culture will underpin YIT's success and stable development in the future as well

The financial indicators for the last ten years demonstrate the power of YIT's management by key results culture, which is based on a clear management model and the Group's values. Maintaining steady and profitable growth in the long run hinges on the professional skills of each and every YIT employee and their desire to realize the chosen strategic and personal objectives and hone their approach to the job every day.

A key element of our corporate culture is to value every YIT employee and reward them for their performance. YIT is a labour-intensive, multinational company providing technical services whose success is based on the professional skills and expertise of 21,000 people. Developing one's own know-how in a large, international and broad-based company offers challenging career development and advancement options.

Reino Hanhinen, my predecessor as Group CEO, has handed me his baton – a baton that has been passed down a long line of CEOs going back to 1912. During his 18 years at the head of the company, he ran the race with exceptional results. Under his leadership, YIT has evolved into a major service company. Looking at the company's financial situation, one can see that YIT is better poised than ever before to forge ahead. However, his most important legacy is our corporate culture, which is based on valuing the expertise and initiative of each and every YIT employee – and I will do my best to bolster this culture.

Dear customers, cooperation partners and shareholders, I would like to thank you for the confidence you have shown in our operations. I would also like to extend my thanks to all YIT employees for good performance and your contributions to our mutual success.

Hannu Leinonen
Group CEO

## Over a decade of growth strategy implementation

YIT started up the implementation of the strategy of profitable growth in 1994, when Northern Europe was still in the grip of a recession.

As the growth strategy has progressed, business operations have been expanded by means of internal development and acquisitions. YIT made an acquisition in 1995 to enlarge its business into piping and services for industry, and in 2002 into data networks. A large acquisition was carried out in 2003 that expanded the geographical coverage of building system services and almost doubled the Group's revenue and personnel count. In 2003, YIT bolstered its position in the housing market of Moscow and its environs by setting up a joint venture.

In ten years, YIT has widened its service portfolio to cover the basic technical structures of living environments over the entire life-cycle of projects. The network of local outlets covers eight countries.

Annual revenue growth over the last ten years has averaged close to 20 per cent. In the same period, return on investment has remained at a good level and the company has maintained its solvency. In accordance with the proposal by the Board of Directors, dividends per share will be higher than in the previous year. YIT has raised its dividends each year since 1995 – the best-ever streak for a company listed on the Helsinki Stock Exchange.

# STRATEGY OF PROFITABLE GROWTH CONTINUES

YIT's main strategy is profitable growth. The Group's service offering and geographical coverage are expanded systematically. Growth is targeted at fields whose profitability levels are attractive and in which YIT can leverage its existing expertise. In the implementation of the strategy, the company anticipates market trends and grasps the growth opportunities opened up by social changes and the new needs of customers.

### Extensive geographical coverage and strong market position

The Group is well poised to implement its strategy in 2006. YIT has an extensive network of business locations in eight countries and boasts a robust market position. In the Nordic countries, YIT is the market leader in building system services and, in its product areas, the largest provider of industrial maintenance and capital investment services. YIT is Finland's largest construction company and provider of telecom network installation and construction services. Residential construction has got off to a strong start in Russia and the Baltic countries.

### Growth areas

In the next few years, YIT will focus on tapping into the growth potential afforded by the Group's expertise and current presence in its territories. Services offered directly to consumers and services for the traffic and energy networks of societies are new growth areas.

#### Leveraging the Group's current presence and expertise

The services of Building Systems will be rounded out in the Nordic and Baltic countries such that the portfolio will cover the business segment's full range of services in all countries. Residential construction will be stepped up in Russia, Lithuania, Latvia and Estonia in particular. The range of Industrial and Network Services will be expanded geographically in YIT's operating countries. Growth in business operations will also be achieved by taking on responsibility for services outsourced by industry and network operators.

#### Setting sights on consumer services

Services purchased by consumers are growing due to the stable development of the economy and social changes. YIT Home's services are being expanded into single-family housing and leisure solutions. In addition, YIT will extend its range of services for the building equipment systems and data networks of homes as well as renovation works for households.

#### Expanding the service range into new fields of business

In order to maintain their competitiveness, the societies in YIT's business territories must not only develop their IT infrastructure, but also their technical environment. YIT's objective is to broaden operations to cover traffic and energy networks.

### Profitability

Profitability and the good trend in cash flow are supported by selecting growth areas in fields in which the Group's strengths can be harnessed. Growth is directed at labour-intensive business and more effective use will be made of capital in construction.

The share of YIT's revenue generated by maintenance and servicing has grown for numerous years. During the years ahead, the relative share of business accounted for by services provided to households and by long-term service agreements will be stepped up.

Due to these strategic focuses, the monitoring of business operations is divided into three categories from 2006 onwards: consumer services, long-term service agreements as well as project development and contracting.

### Developing service culture

Increasing consumer services and long-term service agreements entails further honing the service culture. A process enabling the cost-effective and standardized provision of small-scale services will be developed to handle technical services for homes. In order to increase long-term service agreements, we will develop partnership models and support the outsourcing of the service provision of the public sector and companies. In project development and contracting, the focus is on project development services in which YIT is on board right from the start, from the planning of the property's business idea onwards.

Operational efficiency will be increased by upgrading procurements and logistics as well as by streamlining processes. Greater cohesion will be implemented in management and operating methods throughout the Group. The YIT brand will be honed so that it matches the image of a service company. In the development of expertise, considerable efforts will made to ensure the availability of skilled labour.

## Financial targets

YIT's financial targets have been set to match the strategic emphases set for operations. YIT Corporation's Board of Directors revised the Group's financial target levels in September 2005. The targets for growth, return on investment and the dividend payout ratio were raised, while the target level for the equity ratio was kept unchanged.

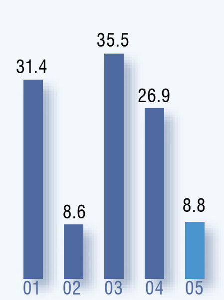
### Target levels for the financial indicators

| | |
|---|---|
| Annual average growth in revenue | 10% |
| Return on investment | 22% |
| Equity ratio | 35% |
| Dividend payout from annual result after taxes and minority interest | 40–60% |

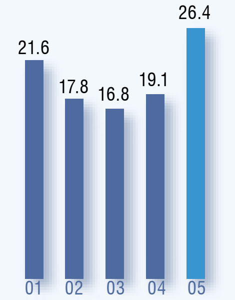
### Supervision of business operations as from 2006

| | Building Systems | Construction Services | Industrial and Network Services | Customers |
|---|---|---|---|---|
| **1) Consumer services** offered directly to the end-users | Servicing, repairs, renovation and modernization works required in homes | Residences: Blocks of flats, single-family houses, leisure solutions | IT helpdesk services, terminal device installation, household data network installation, updates and servicing | Households |
| **2) Long-term service agreements** recurring works under the agreed terms | Servicing and maintenance of the building equipment systems of properties as well as property management | Maintenance of roads, streets and properties, small-scale construction carried out under service agreements | Maintenance, installation and small-scale construction services for industrial plants and processes as well as data networks | Companies and institutions |
| **3) Project development and contracting** individual services and service packages implemented under the terms agreed for the site in question | Refurbishing, modernization and new HEPAC, electrical and automation systems and individual contracted maintenance and servicing works | Project development, construction investments, renovation and property development projects, infrastructure construction and development projects | Industrial investments in electrical, automation and ventilation systems, piping and tanks, data network construction and installation projects | |

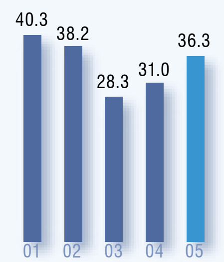
**Revenue growth, %**



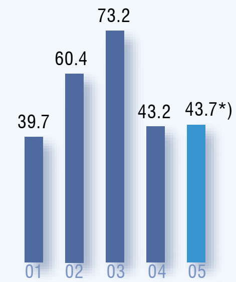

**Return on investment, %**




**Equity ratio,**




**Dividend payout, %**




*) Board of Directors' proposal

The figures for 2001–2003 have been drafted in accordance with FAS and the figures for 2004–2005 in accordance with IFRS.

### Additional information

Changes in the financial target levels are presented on YIT's Internet site. The Group's key indicators since 1996 are presented on pages 72–74. For more information on the strategic focuses and development measures of the business segments, see pages 24–47.

### GDP growth in YIT's market area

| | 2005 | 2006 | 2007 |
|---|---|---|---|
| Nordic countries | 3.0 | 3.3 | 2.5 |
| Finland | 1.9 | 3.9 | 2.8 |
| Sweden | 2.8 | 3.6 | 2.8 |
| Norway | 3.5 | 2.6 | 2.0 |
| Denmark | 3.6 | 3.2 | 2.3 |
| Baltic countries | 8.5 | 7.3 | 6.6 |
| Lithuania | 7.1 | 6.9 | 6.3 |
| Latvia | 11.1 | 8.0 | 7.2 |
| Estonia | 8.1 | 7.1 | 6.6 |
| Russia | 6.4 | 5.6 | 5.3 |

Source: Nordea, February 2006

### Growth in investments in YIT's market area

| | 2005 | 2006 | 2007 |
|---|---|---|---|
| Finland | 0.5 | 3.8 | 3.0 |
| Sweden | 9.6 | 6.9 | 4.5 |
| Norway | 10.1 | 3.6 | 0.3 |
| Denmark | 4.7 | 5.7 | 2.9 |
| Lithuania * | 11.7 | 13.0 | 11.0 |
| Latvia * | 18.4 | 16.0 | 13.0 |
| Estonia | 8.4 | 10.0 | 9.0 |
| Russia | 17 | 15 | 12 |

* Private investments

Source: Nordea, February 2006

# MARKETS EVOLVE STEADILY

YIT offers services for the property and construction sector as well as the industrial and telecom network markets. The company operates locally in all the Nordic and Baltic countries and Russia. Services are offered to private households, companies and institutions. The challenges and opportunities stemming from the markets hinge on the economic situation in the business territory, trends in the business segments and changes in customers' needs.

## Economic situation good in northern Europe

The Nordic countries, which form one of the most politically and economically stable areas in the world, account for about 88 per cent of YIT's revenue. Operations in the Baltic countries generate about seven per cent. Russia's share in 2005 was four per cent.

The general economic situation is expected to remain good in YIT's market area. Economic growth in northern Europe outpaces the EU average. Euroconstruct and VTT Technical Research Centre of Finland estimate that between 2006 and 2008, GDP will increase by 2.5–3 per cent in the Nordic countries, by 6.3–7 per cent in the Baltic countries and by 4.5–5.5 per cent in Russia.

Good trends in incomes and improved rates of employment raise the amount of services bought by households. Low interest rate levels increase investments and demand for housing.

## Construction holds steady

Building Systems accounts for 45 per cent and Construction Services for 42 per cent of YIT's revenue. Demand for construction and building system services depends largely on cyclical variations in construction investments and in the property repair and maintenance market.

Euroconstruct estimates that between 2006 and 2008, growth in construction in the Nordic countries will slacken from 2.6 per cent to just under one per cent. According to VTT, annual construction growth during the same period will be 7 per cent in Russia and over 10 per cent in the Baltic countries.

Construction in the Nordic countries is at a mature stage. New construction will only increase the stock of buildings and capital stock of infrastructure by 1–2 per cent annually. The market for the repair and modernization of properties and technical infrastructure is growing. Modern solutions make greater use of increasingly complex technical systems.

The market for property maintenance is evolving steadily in the Nordic countries. Growth in income levels and increasing quality standards are also raising the need for technical maintenance in the Baltic countries and Russia. The share of YIT's revenue accounted for by the maintenance and servicing business is about 38 per cent.

## Industry and network operators outsource services

Industrial and Network Services generates 13 per cent of YIT's revenue. The market situation for this business segment depends on cycles in investments by industry and data network operators, as well as the rate of outsourcing in maintenance and installation works.

Growth in exports and industrial output increases the need for industrial investments and maintenance in the Nordic countries. Investments in network services are slight, but demand for broadband connections has been robust. Severe competition forces network operators to increase operational efficiency, streamline operational structures through outsourcing, and purchase installation works from external service providers.

## Demand for services on the rise

Stable financial development and changing attitudes increase demand for services. Companies and institutions are focusing on their core competencies, and private individuals are also purchasing more and more services from specialist providers.

Growing consumer demand for services opens up new possibilities for developing technical local services, such as small-scale building system servicing and refurbishing works. In Finland, demand for housing is supported by the population shift, consumer confidence and restrained trends in interest rates. Economic development and the greater affluence of the middle class in Russia, Lithuania, Latvia and Estonia have led to very rapid growth in housing construction. In Finland, the mounting requirements of consumers increase demand for low-rise and single-family houses and recreational sites.


In several of YIT's business countries, public administration is facing funding difficulties. There is less labour available. Municipalities and cities do not provide all services themselves, but open up service provision to competition. In addition to maintenance and servicing, there is demand for various life-cycle responsibility models, energy saving solutions, regional development projects and community construction.

Companies seek cost-effectiveness and increased productivity through networking. Tasks that support business operations are being transferred to partner companies. Services are being outsourced, such as in industrial maintenance and network installation.

### Market monitoring and forecasting

The development of the business environment opens up growth potential for YIT in services offered to consumers and public administration, industrial outsourcing, property maintenance and repairs, and in both the Russian and Baltic housing markets.

YIT monitors and anticipates trends in the market structure and the ups and downs in economic cycles, so that the company can influence and react to both positive and negative changes in good time. Risk management is an integral element of the Group's management, monitoring and reporting systems.

Primary responsibility for the identification of risks and preparations for them is held by the units, divisions and business segments in which changes can be most quickly identified. The Group CEO holds responsibility for strategic risks as well as risks related to the corporate culture, organization and key employees.

### Competition for skilled labour

YIT's operations are by nature labour-intensive. The Group has over 21,000 employees. Future success depends a great deal on the availability of skilled labour at all levels of the organization.

As YIT grows, new employees are needed, especially for servicing and installation work requiring technical expertise. Personnel are also needed to replace retirees. Development of operations requires the continual assessment and rounding out of expertise.

HR planning is an integral part of the business planning carried out by the Group and its business segments. The number of personnel and the expertise required are evaluated with strategic objectives in mind and systematic efforts are made towards their development.

### More M&As in YIT's fields of business

In order for YIT to meet its target for revenue growth – an average of 10 per cent annually – various mergers and acquisitions are required over and above organic growth.

Most of the players in building system services are small companies. Even the market shares of the larger companies in YIT's business countries are only a little over 10 per cent. The retirement of entrepreneurs and the pursuit of increased productivity lead companies to networking, mergers and acquisitions.

In network services, tough price competition between operators causes structural reorganization. Installation services are outsourced by making long-term cooperation agreements and divesting business operations.

### Additional information

The market outlook by country is presented in the Report of the Board of Directors on pages 81-82.
More information on the markets of the business segments is presented on pages 24–47.
Risk management is presented on pages 62–63.

**Mission**
We build, develop and maintain
a good living environment for people.

## Operational concept

We help our customers to use the technical living environment, invest productively and maintain the value of their investments.

## YIT's values

**Excellence in service**
- You can rely on our quality
- We find the right solutions for our customers
- We seek to forge durable customer relationships

**Continuous learning**
- Top-notch professional skills and project management
- Competitiveness over borders
- We build a good living environment

**Well-run cooperation**
- Working as a team, respecting our partners
- Trust is built on openness and honesty
- At YIT, every person is important

**High performance**
- Entrepreneurship is our strength
- Healthy profitability generates dividends
- We shoulder our corporate responsibility

YIT's values guide management practices, day-to-day operations and development efforts. The values underpin the key results that are agreed annually for each YIT employee.

# CORPORATE CULTURE

### Developing a consistent international corporate culture

YIT's operations are based on the company's mission, business concept, strategy and values. The changing needs of society and our interest groups also guide our operations.

As the Group grows and steps up its international presence, the consistency of our corporate culture becomes increasingly important. The development of business operations, processes, products and services is carried out in the business segments, divisions and units. If we are to succeed, it's vital for us to pull together as a team and develop our corporate culture at the Group level.

### Key points of the development of the corporate culture:

- Mobilizing the management and reporting system in all business functions.
- Strengthening Group cooperation in the management of the supplier chain, service development and practical implementation.
- Transferring expertise, concepts and the best practices between countries and business segments.
- Continuously developing the YIT brand so that it matches the desired perception of a service company that is successful over the long term.
- Bolstering our service culture, attitude and expertise.
- Mobilizing and strengthening the practices of corporate responsibility.

## Principles of YIT's corporate responsibility

1. Our operations are socially, financially and environmentally sustainable.
2. Responsibility is part and parcel of our day-to-day business operations at all levels of the Group.
3. By operating responsibly, we generate benefits and well-being.


# CORPORATE RESPONSIBILITY

### Good performance through fair play

In 2005, the Group's business segments jointly defined YIT's principles of corporate responsibility, encompassing the whole Group. Our goal is for all employees to adopt the principles of corporate responsibility in their activities. To mobilize the principles in day-to-day operations, YIT will establish shared operating models for responsible business operations, specify development objectives and set the target levels and benchmarks that are to be tracked.

Corporate responsibility is the sum of three areas that support each other: financial, social and environmental responsibility. A company that operates responsibly fosters the well-being of its customers, employees, shareholders and other interest groups, and shoulders its responsibility for the environment. YIT's operations are based on the company's mission, operational concept, strategy and values. In addition, the changing needs of society and our interest groups are taken into consideration in our operations. We comply with international, national and local laws and agreements. Our Corporate Governance is based on guidelines that are presented in greater detail on pages 56–61.

### Motives underlying corporate responsibility at YIT

- YIT's mission is to build, develop and maintain a good living environment for people.
- YIT seeks to be a responsible trailblazer in all its fields and business countries.
- Investors take an interest in how responsibly YIT operates.
- Customers require YIT to comply with the principles of corporate responsibility.
- The authorities monitor responsibility in business operations.
- A growing and evolving company needs to have shared rules for its employees in different business segments and countries.
- The management of financial, social and environmental risks means the management of costs.
- Responsibility is part of the Group's strategy and brand management.
- YIT views responsible operations as a competitive factor.


**Our goal is that our responsibility generates benefits and well-being for all our interest groups.**

### Additional information

The complete principles of YIT's corporate responsibility are available on YIT's Internet site.



## Principles of YIT's corporate responsibility

### First principle:
### Our operations are socially, financially and environmentally sustainable

#### Financial responsibility

- Responsibility for the financial result is the bottom line of YIT's operations. The company's objective is to grow profitably and develop its operations with an eye on the long term.
- Financial, social and environmental responsibility dovetail at YIT.
- We intend to rack up good earnings by playing fair.

#### Environmental responsibility

- Respecting nature, culture and living environments is an integral element of our core mission.
- We develop the energy efficiency of our solutions and services and of our customers' processes.
- We make eco-efficient use of natural resources in our own operations.
- We pay heed to the life-cycle management of our products. We process the resulting wastes appropriately.
- We seek to prevent environmental damage through risk management.

#### Social responsibility

- YIT aims to be the most desirable employer in its fields of business.
- Our goal is to ensure the physical and mental well-being of our employees.
- We do not permit illegal action such as the use of black market, child or forced labour, cartels, the restriction of competition and bribery.
- We engage in social dialogues and participate in development projects both at the national level and in our field of business.
- The entertainment provided by YIT is not unduly lavish. The principles of responsibility are complied with in sponsorships.
- We bear our responsibility for our products and services.

### Second principle:
### Responsibility is part and parcel of our day-to-day business operations at all levels of the Group

- Our long-term operations hinge on shouldering our responsibilities for the financial, social and environmental effects of our operations.
- Our aim is for all our employees to be committed to responsible business operations.
- We provide also our suppliers with guidelines on how to operate in accordance with the principles of corporate responsibility. We help our customers to choose sustainable solutions.
- Our operations are transparent.

### Third principle:
### By operating responsibly, we generate benefits and well-being

- Our goal is that our responsible operations will generate benefits and well-being for all our interest groups; personnel, customers, shareholders, material suppliers and service providers, society, local communities and media.



## Financial responsibility

### The financial result for 2005 breaks all previous records

Profitable business operations affect all our cooperation partners: employees, customers, suppliers, and investors. Our financial result also has a wider social impact through taxation. Financial profitability and long-term development have served as YIT's core principles for 94 years.

YIT's revenue was EUR 3,023.8 million and operating profit EUR 227.7 million in 2005. Annual revenue growth averaged 18.4 per cent in 1994–2005.

YIT will continue to pursue its strategy of profitable growth. The company revised its financial target levels in 2005. The target levels for revenue growth, return on investment and the dividend payout ratio were raised. The target level for the equity ratio was not changed.

### Direct financial effects

**Customers:**
Revenue
EUR 3,023.8 million
(EUR 2,780.1 million)

**YIT**

**Suppliers**
Raw materials, consumables and goods MEUR 822.5 (MEUR 814.2)
External services MEUR 682.0 (MEUR 643.7)

**Personnel**
On average 21,194 persons (21,884)
Wages, salaries and fees MEUR 720.3 (MEUR 698.8)

**Investors**
Dividends MEUR 42.9 (MEUR 36.6)
Interest expenses and financial expenses MEUR 16.8 (MEUR 19.2)

**Public sector**
Income taxes MEUR 38.9 (MEUR 32.4)

### Additional information

YIT's key financial figures are presented on pages 72–74.
The financial target levels are presented on page 9.

## St Petersburg's Southwest Wastewater Treatment Plant improves the state of the Baltic Sea

St Petersburg's Southwest Wastewater Treatment Plant was completed in September 2005. The plant is the decade's most important environmental investment to improve the state of the Baltic Sea. It treats the wastewater of over 700,000 inhabitants. This means that about 85 percent of the wastewater of St Petersburg's five million residents is now treated. The operations of the plant fulfil the recommendations of HELCOM, the Baltic Marine Environment Protection Commission.

The decrease in wastewater loading improves the condition of bodies of water in the vicinity of the city of St Petersburg, the utility value of beaches and, over the longer term, the state of the Gulf of Finland and the Baltic Sea as a whole.

Implementation and financing of the plant was a large-scale international cooperation project. YIT, NCC, Skanska, the Nordic Environment Finance Corporation (NEFCO), and Vodokanal, the water utility of St Petersburg, set up a project company to handle it. The total pricetag of the project is in excess of EUR 190 million.

The plant was the first major PPP project to be carried out in Russia. The PPP model effectively drew on public and private resources and expertise. Moreover, the model made it possible to bring together private investments (construction companies, NEFCO and Vodokanal), loans (NIB, EBRD, EIB, Finnfund, Swedfund) and grants (the Finnish and Swedish governments and NDEP) to finance the total project.

The project was completed on budget and schedule 4.5 years after the start-up of project planning.

# ENVIRONMENTAL RESPONSIBILITY

## Environmental responsibility is part of building a good living environment

Respecting the environment is an integral part of our core mission of building, developing and maintaining a good living environment. Our environmental business seeks to have positive environmental effects. Through the management of the environmental footprint of our own operations we aim to minimize adverse impacts.

The major environmental impacts of construction comprise the energy consumption of the finished structures. The Directive on the Energy Performance of Buildings will come into force in EU member countries by the end of 2006. The directive aims to reduce carbon dioxide emissions by improving the energy efficiency of buildings. Currently under assessment are means of calculating overall energy performance, energy performance indicators, the use of energy certificates and performing periodic inspections of heating boilers and air-conditioning equipment. YIT has been on board of the working group preparing Finland's energy performance calculation method.

## Positive effects of the environmental business

### Energy efficiency with building systems

Upgrading the energy efficiency of a property or industrial facility makes it possible to cut maintenance costs, to reduce carbon dioxide emissions that load the environment, and to extend the service life of building equipment and production technology systems.

The end-to-end energy services offered by YIT comprise energy analysis, energy efficiency, energy management and energy procurement services. Energy analysis services assess the present state of energy consumption and the potential savings. When the Directive on the Energy Performance of Buildings comes into force, energy certificates in line with the directive will be included in YIT's service range.

Energy-efficiency services aim to reduce the specific consumption of energy as well as to continuously monitor and account for energy efficiency in procurements. Investments required to achieve energy savings can be financed and implemented using models such as ESCO and EPC. With these models, the investment is financed with the resulting savings on energy costs.

ESCO agreements have been made with numerous municipalities, cities, hospital districts and industrial plants. ESCO activities are part of Finland's national energy conservation programme.

### Energy efficiency goes easy on the environment and saves on costs

For instance, an energy audit was carried out at the OP Bank Group's property in Helsinki. The operation of the building equipment systems was rationalized on the basis of the audit. Annual energy costs and water consumption on the property declined significantly. Its indoor air was also improved.

The Kanta-Häme Central Hospital in Finland is implementing an energy-savings project by setting up a heat recovery system using the ESCO model, in which YIT is responsible for project implementation and arranging financing. The investment will be repaid with the achieved energy savings.

The operation of electrical, heating and air-conditioning systems was optimized at the Peder Lykke school in Copenhagen. Energy costs at the school were reduced by changing the power source and using features such as motion sensors to control heating systems. Nevertheless, there was no need to compromise on the quality of the indoor air or the temperature.

Skallerup Klit is one of Denmark's largest holiday resorts, boasting spas and gyms. While the number of visitors increased, total energy consumption declined thanks to its new monitoring and energy supply systems.

## Long-term savings with life-cycle models

In a life-cycle model, YIT is prepared to take on the responsibility for a project's life-cycle costs and environmental impacts for a certain period of time, such as 5–25 years. YIT handles the design, implementation and maintenance of the investment as well as organizes project financing and user services, if necessary. The advantage of a life-cycle model is that the project's profitability, benefits and risks over its entire life cycle are assessed at an early stage. Life-cycle costs take investment, usage, maintenance and disposal costs into account.

The Dynamicum property of the Finnish Meteorological Institute and the Finnish Institute of Marine Research in Helsinki is covered by a maintenance and servicing agreement extending until 2010.

YIT has taken on 25-year life-cycle responsibility for property technology and the consumption of heat, electricity and water at the upper secondary school of Kuninkaantie in Espoo and the sports and swimming hall of Central Espoo.

YIT's own office building in Vapaala, Vantaa, will be implemented under a life-cycle model. The aim is to upgrade the efficiency of the life-cycle responsibility process in order to generate more value for customers.

# The adverse environmental impacts of the company's own operations are minimized

## Environmental certificates guide operations

The environmental impacts of the company's own operations are managed with environmental and operating systems. ISO 14001 environmental certificates cover YIT Building Systems' and YIT Industria's business functions in all our countries.

During the report year, Construction Services developed an environmental benchmark for sites. The benchmark will go into pilot use in 2006 and measurements will be made at the same time as site safety measurements.

The company seeks to minimize transport of earth from construction sites, such as by using it for landscaping at either the site itself or close-by locations. YIT is Finland's largest provider of road maintenance services. The amount of salt used in road maintenance is optimally matched to weather conditions, seeking to prevent unnecessary soil salination.

## Risk management is a key factor in environmental efforts

The Group complies with EU Directive provisions on the sorting and treatment of scrapped electrical and electronic equipment. Hazardous wastes such as batteries, oil, cooling fluids and cables containing harmful substances are delivered for appropriate treatment.

By the end of 2006, an environmental target will be set for all the business locations of the divisions offering services for industry. Particular attention will be paid to the management of environmental and safety risks. A risk assessment will be performed in all industrial projects by evaluating risks related to personal safety, the use of chemical substances and well-being at work.

In Finland, the employees of all units offering industrial and building system services can consult an EHS Guide. The EHS Guide presents detailed practical instructions on environmental, health and safety matters. EHS guidebooks have also been distributed to all the partners of these units.

From the beginning of 2006 all the Finnish employees of the Group have a valid occupational safety card, which includes an environmental and quality training.

**Energy costs at the Peder Lykke school in Copenhagen have been reduced significantly without compromising on the quality of the indoor air or the temperature.**

## Best-ever personnel study results

The Group carries out a personnel study covering all employees each year. The study evaluates the workplace atmosphere and job satisfaction. The units examine the results of the study, which then form the basis for decisions about development measures.

There were 11,651 respondents to the 2005 personnel study, representing 54 per cent (2004: 47%) of the entire Group's personnel. The average result in the study was at an all-time high: 3.61 (3.49) on a scale of 1 to 5.

Salaried employees gave slightly higher scores than non-salaried employees. A significant improvement was also seen in the scores of non-salaried employees, with an average of 3.47 (2004: 3.33). Of the areas studied, the most improvement took place in the atmosphere. However, the study shows that there are differences between the units. The planning of development measures pays particular attention to equalizing the differences between personnel groups and units.

## YIT employs 21,300 people

YIT's business operations are labour intensive. At the end of 2005, YIT had 21,289 employees, of whom 11,159 worked in Finland, 4,143 in Sweden, 2,485 in Norway, 1,103 in Denmark, 1,492 in Estonia, Latvia and Lithuania, and 907 in Russia.

## Management by key results as a systematic tool

Management by key results is YIT's chosen management system. The key results are specified annually on the basis of the company's values. During performance evaluation and development discussions, personal objectives are agreed for each employee, after which these objectives are monitored. The goal is for each YIT employee to have a performance evaluation and development discussion with his or her supervisor twice a year.

Performance bonuses spur activities towards achieving the Group's key results, reward good performance and improve personnel motivation and commitment. The amount of the bonuses that are paid depends not only on the financial results of the Group and the unit of the employee in question, but also on the realization of personal key results and the results of joint efforts.

Other monetary rewards in use at YIT include suggestion bonuses and years-of-service bonuses. About 180 executives and key employees have been granted YIT share options.

## Employees have a great say in how things are done

Giving employees the opportunity to have an influence on the company's operations and operating methods is one channel for spurring motivation and eliciting commitment. Formal opportunities to exercise an influence are provided in the form of performance evaluation and development discussions, cooperation groups and other feedback methods. YIT encourages employees to display initiative by holding suggestion campaigns. Moreover, cash bonuses are paid for suggestions that lead to measures for developing operations.

To develop operations and enhance interaction, personnel are represented in the management boards of the divisions.

More men than women typically seek employment in YIT's fields of business. In 2005, 91 per cent of YIT's employees in Finland were men and 9 per cent women. As set forth in the Group's equality plan, YIT promotes the equal treatment of different groups in matters of promotion, pay and training opportunities. The Group intends to prevent workplace bullying as well as discrimination and harassment on the basis of gender, age or origin.

## Continuous learning is one of YIT's values

The development of professional skills is the right of each and every YIT employee – and also their obligation. YIT offers employees self-improvement opportunities by means such as internal and external coaching, vocational degree training, and encouraging employees to undertake further studies.

YIT Construction Services has set itself the goal that all the business segment's employees in Finland will have completed a vocational degree by 2010. The requirements of the diploma are three years of work experience and the completion of a theory component, working demonstrations and an occupational safety card. In 2005, 25 per cent of the employees of Construction Services had completed a vocational degree.

Professional development and career advancement opportunities are also offered by means of active job rotation. The major realignments in unit management and the organizational structure in recent years have primarily been carried out by means of internal transfers.

### Health and safety: the basics of well-being

It is vital to pay heed to physical safety factors in the work carried out in our business segments. At YIT, the concept underlying occupational safety is that each and every accident and factor that endangers health can be prevented. We seek to reduce workplace accidents by ensuring that work environments are safe and by making outlays on safety training.

All the Group's employees in Finland hold an occupational safety card. As from the beginning of 2007, YIT Construction's subcontractors also are required to have a valid occupational safety card in Finland. An occupational safety card is a requirement for the granting of an access permit.

All Group employees performing hot work in Finland have a hot work card. In addition, site-specific safety training is organized in all the business segments.

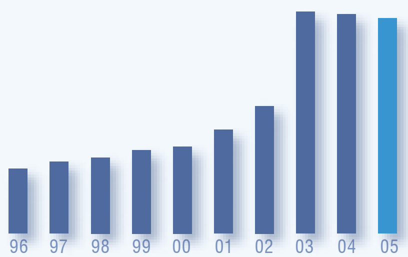
Safety levels have been set for construction sites and their achievement is monitored systematically. Industry-standard TR measurements are used to gauge the safety of building construction, and MVR measurements are used for civil engineering works. The average safety level of sites in 2005 was 94 per cent (2004: 93%). The results


### Key figures of personnel

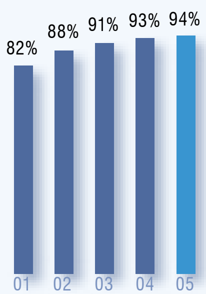
| | **2005** | 2004 |
|---|---|---|
| Average number of personnel | **21,327** | 21,884 |
| Personnel at year's end | **21,289** | 21,680 |
| Finland | **11,159** | 11,540 |
| Sweden | **4,143** | 4,236 |
| Norway | **2,485** | 2,507 |
| Denmark | **1,103** | 1,136 |
| Estonia, Latvia and Lithuania | **1,492** | 1,151 |
| Russia | **907** | 1,110 |
| Wages, salaries and fees, MEUR | **720** | 699 |
| Pension expenses, MEUR | **86** | 90 |

**Personnel at year's end, 1996–2005**

| | |
|---|---|
| 2005 | 21,289 |
| 2004 | 21,680 |
| 2003 | 21,939 |
| 2002 | 12,633 |
| 2001 | 10,264 |
| 2000 | 8,605 |
| 1999 | 8,282 |
| 1998 | 7,536 |
| 1997 | 7,116 |
| 1996 | 6,421 |




**Safety level of construction sites in Finland 2001–2005**




of safety level measurements of building system works improved significantly on the previous year, amounting to 88 percent (78%).

Occupational health care services contribute to the occupational fitness and well-being of personnel. In addition, these activities focus on preventing workplace accidents and musculo-skeletal ailments in particular. At YIT, occupational health care is organized on a country-by-country basis and the health of employees is followed locally.

## Well-being improves personnel permanence

YIT values long employment relationships – they make it possible to operate with an eye on the long term and realize the individual development objectives of the employees. In Finland, the average length of an employment relationship in 2005 was 14 years. In 2005, the average age of the Group's employees was 44 years. In the next few years, the retirement of the baby boomers will pose a challenge to companies, and YIT is no exception. The age structure varies by unit. The average age of experts in certain fields is notably high.

YIT reduces premature retirement by improving the occupational fitness of employees through occupational health care, developing occupational safety, different kinds of courses promoting occupational fitness, rehabilitation and leisure-time activities. Mental well-being is improved by ensuring that work tasks are satisfying as a whole and by means of supervisory work and events that enhance team spirit. The means used to prolong stints of employment include flexible working time/job task arrangements and part-time retirement alternatives.


**More and more young people are interested in vocational training and a job at an international company.**

YIT's strategy includes the continuous improvement of the quality of products and services.

### Focusing on the hiring of skilled young people

Competition for skilled employees will heat up in the future. As the number of retirees grows, the company makes particularly great efforts to hire young experts. YIT's image as an employer is developed, steps are taken to ensure that employees are happy with the company, and wages, salaries and other terms of employment are kept competitive so that these experts will remain interested in YIT in the future. The development of the company's image as an employer is monitored by means such as surveys of students' impressions.

Cooperation with educational institutions includes sponsoring classes, diploma projects and on-the-job training periods. YIT seeks to engage in even closer cooperation. Objectives for increasing the number of trainees and summer employees have been set for each business segment.

### Quality development is part of our responsibility to our customers

By vouching for the quality of our products, we aim to create a better living environment and generate added value for our customers. Increasing the share of operations accounted for by consumer services and long-term service agreements, as set forth in the Group's strategy, entails the continuous development of product and service quality.

The operational processes of YIT Building Systems, YIT Construction's operations in Finland, YIT Environment, YIT Vatten & Miljöteknik, YIT Ehitus, YIT Kausta, YIT Industria and Botnia Mill Service have been certified in line with the ISO 9001 quality standard.

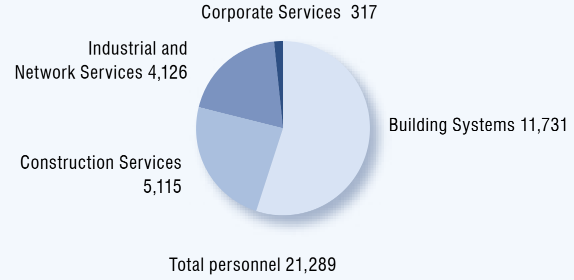
The lack of workmanship defects at the time of handover has been prioritized for development in Construction Services. According to the business segment's overhauled system for collecting feedback from residents and pro customers, the quality of work at the time of handover has improved.

In regional construction, YIT is listening even more closely to the opinions of residents. In 2005, YIT participated in the OPUS project, which focuses on urban planning and everyday life as a learning process. The project aims to span theory and practice, enabling the parties involved in the residential environment and urban planning to interface more successfully. The project is coordinated by the Helsinki University of Technology and the Family Federation of Finland.

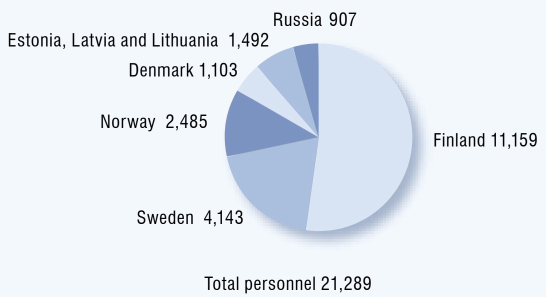
The aim of quality development in Industrial and Network Services is to improve the operational reliability, usability and total efficiency of processes and equipment. Self-assessment is carried out at all levels of the organization using the quality supervision criteria of the European Foundation for Quality Management (EFQM). Over 250 suggestions concerning the development of industrial services were made, most of which concerned customer processes. For instance, production wastage has been successfully reduced in the foodstuffs industry.

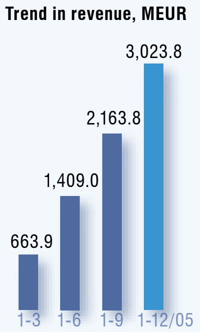
All vocational training in the Group emphasizes continuous quality improvement as a key factor underlying customer satisfaction.

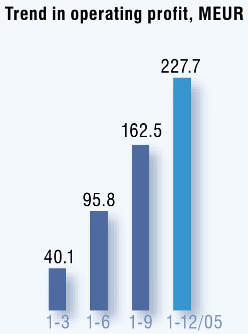
**Personnel by business segment, Dec 31, 2005**

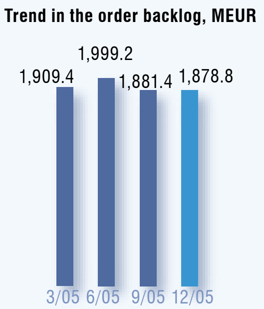



**Personnel by country, Dec 31, 2005**






| Balance sheet summary, MEUR | 2005 | 2004 |
|---|---|---|
| Non-current assets | **344.2** | 347.0 |
| Inventories | **685.2** | 629.4 |
| Financial assets | **658.7** | 539.8 |
| Shareholders' equity | **563.5** | 445.4 |
| Obligatory provisions | **57.5** | 59.9 |
| Interest-bearing liabilities | **335.0** | 395.5 |
| Interest-free liabilities | **732.1** | 615.4 |
| Balance sheet total | **1,688.1** | 1,516.2 |

# YEAR 2005 IN BRIEF

### Strong earnings growth still on track

In 2005, YIT's revenue and profit before taxes rose to record levels. The YIT Group's revenue saw organic growth of 9 per cent and was EUR 3,023.8 million. The Group's operating profit amounted to EUR 227.7 million and the operating profit margin was 7.5 per cent. Profit before taxes was 53 per cent better than in the previous year, having risen to EUR 214.8 million. The Group's uninvoiced backlog of orders was 3 per cent higher at the end of 2005 than a year earlier, amounting to EUR 1,878.8 million.

### Outlook for 2006

Market situation remains stable. Financial research institutions estimate that the national economies of the Nordic countries will develop at a stable rate of 2–3 per cent in 2006 and 2007, outpacing growth in the EU by about one percentage point. Russia and Norway benefit from the high price of oil. The rate of growth in the economies of Russia, Estonia, Latvia and Lithuania is about twice as fast as in the Nordic countries. Euro interest rates are seeing moderate growth. The positive trend in incomes and the improving employment situation bolster the confidence of households. The record-high population shift within Finland increases the need for residences, and housing sales remain brisk. Strong demand for housing in Russia makes it possible to expand residential construction over the long term, too. Growth in exports and industrial output increases the need for industrial investments and maintenance in the Nordic countries.

We estimate that the pre-tax result for 2006 will be better than in the previous year.

### Key figures

| | 2005 | 2004 |
|---|---|---|
| Revenue, MEUR | **3,023.8** | 2,780.1 |
| Operating profit, MEUR | **227.7** | 157.4 |
| Profit for the financial year, MEUR | **156.9** | 100.5 |
| | | |
| Opearating profit margin, % | **7.5%** | 5.7% |
| Return on investment, % | **26.4%** | 19.1% |
| Return on equity, % | **31.1%** | 24.3% |
| Equity ratio, % | **36.3%** | 31.0% |
| Gearing ratio, % | **45.1%** | 80.7% |
| | | |
| Earnings/share, EUR | **2.52** | 1.62 |
| Equity/share, EUR | **8.97** | 7.20 |
| Dividend/share, EUR | **1.10*)** | 0.70 |
| | | |
| Shareholders, Dec 31 | **9,368** | 7,456 |
| Share price, Dec 31, EUR | **36.13** | 18.36 |
| Market capitalization, Dec 31, MEUR | **2,254.4** | 1,125.3 |
| | | |
| Balance sheet total, Dec 31, MEUR | **1,688.1** | 1,516.2 |
| Order backlog, Dec 31, MEUR | **1,878.8** | 1,823.4 |
| Personnel, Dec 31 | **21,289** | 21,680 |

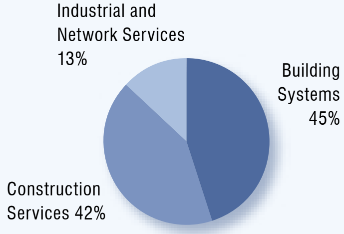
*) Board of Directors' proposal

**All the business segments saw profitable growth**

All the business segments improved their operating profit and profitability. Building Systems focused on improving profitability. The business segment's operating profit rose to a satisfactory 4.1 per cent of revenue. Construction Services racked up excellent earnings in all business areas, with operating profit representing 11.0 per cent of revenue. Demand for residences in Finland remained solid and other construction activity was also brisk. Residential construction in Russia, Estonia, Latvia and Lithuania was stepped up rapidly. Thanks to its high capacity utilization ratio and developed operations control, Industrial and Network Services posted a good result. The operating profit margin was 9.8.

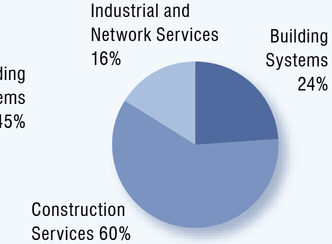
| | |
|---|---|
| **Building Systems** offers design, installation and maintenance services for HEPAC, electrical, illumination, automation and security technology systems and property networks, the upkeep of the technical systems of buildings, and property management services. The business segment operates in the Nordic countries, Lithuania, Latvia, Estonia and Russia. | Revenue: MEUR 1,398.4<br>Operating profit: MEUR 56.8<br>Employees: 11,731 |
| **Construction Services** portfolio comprises the new construction and renovation of housing, business premises and industrial facilities as well as construction and maintenance services for infrastructure. YIT provides construction services in Finland, Lithuania, Latvia, Estonia and Russia. | Revenue: MEUR 1,298.3<br>Operating profit: MEUR 143.1<br>Employees: 5,115 |
| **Industrial and Network Services** provides production plant maintenance services to industry, along with capital investment services for piping and tanks and for electrical, automation and ventilation systems. The design, installation and maintenance of telecom networks are offered nationwide in Finland. | Revenue: MEUR 398.8<br>Operating profit: MEUR 39.1<br>Employees: 4,126 |

**Revenue by business segment, %**



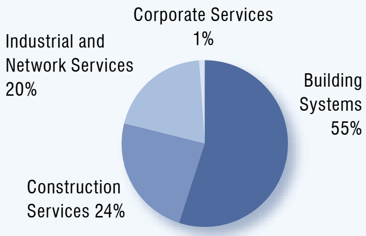

Total revenue MEUR 3,023.8

**Operating profit by business segment, %**




Total operating profit MEUR 227.7

**Personnel by business segment, %**

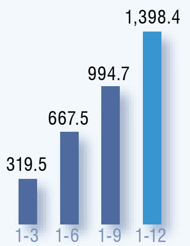



Total personnel 21,289

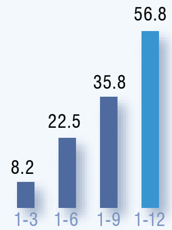
## Additional information

The Group's key figures 1996–2005 are presented on pages 72–74.
Main stock exchange releases in 2005 are on page 50.
Figures by business segment are on pages 77 and 95–96.

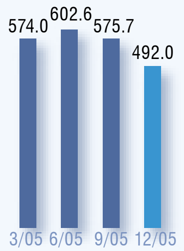
Trend in revenue, MEUR




Trend in operating profit, MEUR




Trend in the order backlog, MEUR




| BALANCE SHEET SUMMARY, MEUR | 2005 | 2004 |
|---|---|---|
| Non-current assets | **229.3** | 230.8 |
| Inventories | **49.8** | 55.3 |
| Financial assets | **402.4** | 382.5 |
| Shareholders' equity | **129.9** | 97.8 |
| Obligatory provisions | **20.5** | 19.1 |
| Interest-bearing liabilities | **152.6** | 160.0 |
| Interest-free liabilities | **378.5** | 391.7 |
| Balance sheet total | **681.5** | 668.6 |

# PROFITABILITY OF BUILDING SYSTEMS IMPROVES

In 2005, the revenue of Building Systems was up 6 per cent on the previous year, amounting to EUR 1,398.4 million. The business segment zeroed in on bolstering profitability. Operating profit rose by 67 per cent to EUR 56.8 million. The operating profit margin rose to a satisfactory 4.1 per cent. As is typical in this business segment, service demand was at its most brisk in the fourth quarter. The trend in profitability remained robust and the fourth-quarter operating profit margin came in at 5.2 per cent.

As part of its drive to improve profitability, the business segment focused on increasing the share of operations accounted for by the maintenance and servicing business. This business rose to 60 per cent of revenue.

The more precise selection of projects in order to improve profitability and the focusing of operations on the maintenance and servicing business led to a decline in the order backlog compared with the previous year. At year's end, the order backlog amounted to EUR 492.0 million.

## Outlook for 2006

The outlook for Building Systems in 2006 is favourable. It is forecast that the markets for both construction and maintenance will grow in the years ahead. New construction remains stable and the demand for technical systems, the importance of energy management and the need for maintenance services are on the rise.

YIT's strategic focus area in Building Systems is to keep improving profitability in 2006. Growth in business operations will be achieved by rounding out service ranges in each country and stepping up maintenance and servicing activities.

## Key figures

| | 2005 | 2004 |
|---|---|---|
| Revenue, MEUR | **1,398.4** | 1,321.2 |
| - Share of maintenance and servicing, % | **60%** | 56% |
| Operating profit, MEUR | **56.8** | 34.1 |
| - % of revenue | **4.1%** | 2.6% |
| Return on investment, % | **22.0%** | - |
| Order backlog, Dec 31, MEUR | **492.0** | 557.8 |
| Employees, Dec 31 | **11,731** | 12,194 |

## Stable trend in operations in all countries

The market situation for Building Systems was good in 2005 and operations developed steadily in all of YIT's territories. The breakdown of revenue by country was as follows: Sweden, 38 per cent, Norway, 22 per cent, Denmark, 9 per cent, Finland, 28 per cent, and the Baltic countries and Russia, 3 per cent.

After a long muted period, the construction market rebounded in Sweden and Denmark. Construction remained brisk in Finland, Russia and the Baltic countries, and the market situation for new investments in building equipment systems improved. In Norway activity in public construction was at a good level in the whole country. Industrial demand held steady. Demand remained good in the ship industry, especially in Denmark.

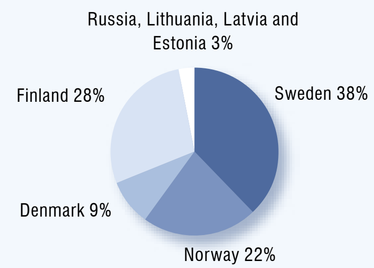
| | Sweden | Norway | Denmark | Finland | Russia, Lithuania, Latvia and Estonia |
|---|---|---|---|---|---|
| Revenue, MEUR | 538.3 | 305.6 | 124.3 | 396.4 | 38.7 |
| 2004 | 506.5 | 281.2 | 116.6 | 429.3 | *) |
| Order backlog, MEUR | 143.3 | 95.1 | 85.9 | 167.7 | *) |
| 2004 | 163.2 | 61.7 | 119.1 | 213.8 | *) |
| Employees | 4,130 | 2,485 | 1,103 | 3,424 | 589 |
| 2004 | 4,225 | 2,507 | 1,136 | 3,864 | 462 |

*) Business functions in Russia, Lithuania, Latvia and Estonia were included in the same corporate entity as Finnish operations.

Property refurbishing and modernization works increased in all our business countries. The market for maintenance and servicing saw growth, especially due to the greater amount and diversity of technical systems as well as the outsourcing of services.

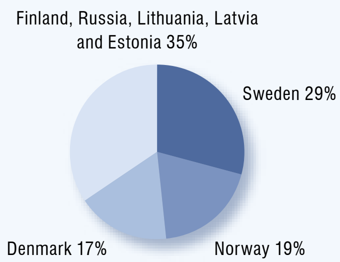
The share of operations accounted for by the maintenance and servicing business rose in Sweden, Norway and Denmark. This share was 52 per cent in Sweden, 75 per cent in Norway, 58 per cent in Denmark and 60 per cent in Finland, Russia and the Baltic countries.

**Revenue by country, %**



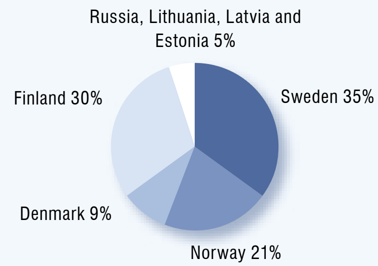

Revenue, total 1,398.4 M€

**Order backlog by country, %**




Order backlog, total 492.0 M€

**Employees by country, %**




Employees, total 11,731

**The whole Group's expertise is harnessed in the construction of YIT's own office buildings.**

### Business segments team up to carry out large-scale projects

Combining the expertise of YIT's business segments enables effective service provision in the implementation of multi-party projects.

The Building Systems business segment works in cooperation with Construction Services in residential construction in both Finland and Russia. Joint deliveries in Finland are also carried out in renovation projects and the outsourcing of the service provision of municipalities and cities.

In 2005, the projects that drew on the expertise of several business segments included e.g. YIT's own business premises, which were built in different parts of Finland, shopping centre projects in Kaunas in Lithuania and piping deliveries and installation for the Ryaverket power plant in Gothenburg.

### Acquisitions in 2005

In Estonia, YIT acquired a majority holding in the electrical contracting and servicing company A/S Emico.

In Norway, YIT acquired Nortelco System-Teknikk. Thanks to this deal, YIT is assured of market leadership in audiovisual systems and video conference services in Norway.

### Changes in the structure of the business segment in 2006

At the beginning of 2006, industrial electricity, automation and HEPAC operations in Finland were transferred to the Industrial and Network Services business segment from YIT Kiinteistötekniikka Oy. The transferred business operations racked up revenue of EUR 58.9 million in 2005.

An independent country group was set up from Building Systems' business functions in the Baltic countries and Russia as from the beginning of 2006. These business functions were previously part of the same corporate entity as Finnish functions. The revenue of the Lithuanian, Latvian, Estonian and Russian business functions was EUR 38.7 million in 2005.



# THE NORDIC MARKET LEADER IN BUILDING SYSTEM SERVICES

**YIT is the Nordic market leader in building system services. The core business of Building Systems encompasses the design, implementation and maintenance of HEPAC, electrical, refrigeration, security and automation systems as well as audiovisual, fire safety and access control solutions on a broad front. In addition, the segment provides energy efficiency services, maintenance of building technology and property management services.**

The business segment operates in the Nordic countries, Estonia, Latvia, Lithuania and Russia. Its service portfolio and scale of operations vary by country. In Sweden and Norway, its offering includes not only building system services but also piping for the process industry. In addition, services for data networks are offered in Norway, Denmark, the Baltic countries and Russia. In Finland, services for industry and data networks are provided by the Industrial and Network Services business segment. YIT's particular strength in Denmark and Latvia is expertise in ship electrification.

The strengths YIT draws on in building system services are its extensive network of outlets and the management of solutions over the entire life cycle of properties from design to installation and maintenance.

### Steady improvement in the business segment's profitability

Over the next few years, Building Systems will remain focused on improving profitability. To enhance the profitability of its business, the segment will increase the relative share of operations accounted for by long-term service agreements as well as other maintenance and servicing business.

Building equipment system projects put the emphasis on Design & Build deliveries encompassing the entire value chain. In these projects, the customer specifies the requirements and YIT takes on responsibility for the design and implementation of building system solutions – bundled with maintenance services, if required. Another objective is to tap deeper into expertise in specialized technologies, such as energy conservation, security and access control, and audiovisual systems.

### Seeking growth by rounding out service ranges

YIT's strategy is to round out its building system service portfolios in all its business countries, with a view to comprehensive coverage. In Norway and Denmark, there is growth potential in heating, plumbing and sewerage piping in particular. Market share growth is sought in all building systems in Estonia and Latvia. Business growth is achieved through the expansion of the company's own operations and through acquisitions.

Growth opportunities are also offered by property management, as municipalities and cities are outsourcing their service provision.

Operations in Finland are stepped up by developing new technical services for consumers. Services are offered for improving standard of living. New solutions are developed for the renovation of residential buildings. The company intends to grow into a major provider of consumer services.

## Market for building systems on the rise

Economic development is stable in the Nordic countries. Growth in Lithuania, Latvia, Estonia and Russia significantly outpaces that of the Nordic countries. Renovation and modernization works are growing at a steady rate. The market for building systems is forecast to grow during the years ahead in both construction and maintenance.

## Greater use of technology increases demand

The use of technology in properties is growing in all Northern European countries. The technical systems of old buildings are being replaced in the Nordic countries. Demand for high-quality technical systems is on the rise in Estonia, Latvia, Lithuania and Russia thanks to the good economic trends in these countries. In addition to traditional building equipment systems, demand for security and communications solutions is growing. The higher complexity of the necessary technology leads to growth in the share of the costs of construction accounted for by building equipment systems.

The wider use of building equipment systems increases the need for technical maintenance services. The market for maintenance and servicing is also bolstered by a general rise in the demand for services. Public administration and industry are outsourcing property maintenance and upkeep to external service providers. Quality requirements are mounting in maintenance services. There is interest in life-cycle implementations that can save on energy costs, for instance, especially in public administration.

## Development efforts aim at upgrading operational efficiency

Business development is geared towards improving profitability. The efficiency of operations is enhanced by achieving consistent business processes, pruning fixed costs and seeking synergy benefits in procurements. The expertise of personnel is honed continuously. A particular focus is to improve the safety of the working environment.

Business processes are harmonized in all the operating countries. The aim is to harness a joint enterprise resource planning system to standardize operating procedures.

A mobile system is used in servicing operations to assign, monitor and report on jobs. The system enables the real-time monitoring of the status of works, working hours spent, materials, and the locations of service vehicles. The system boosts operating efficiency in all stages of the process, imparting savings and a systematic approach to the whole production chain.

Expertise in building system deliveries is stepped up in end-to-end Design & Build projects that cover system design and installation.

## Investments can provide energy savings

The EU Directive on the Energy Performance of Buildings – which is in line with the Kyoto Climate Treaty – will come into force in 2006, requiring new buildings to have energy efficiency certification. The new regulation and increases in the price of energy have provided momentum to the development of life-cycle responsibility models and increased interest in systems that improve the energy-efficiency of properties.

In life-cycle responsibility projects, YIT takes on responsibility for project design, implementation, maintenance and the life-cycle costs for a certain period of time, such as 15–30 years. A life-cycle responsibility project may also include an energy conservation agreement, thanks to which the investments and servicing costs are recouped through the energy savings achieved.

Other energy services offered by YIT include protecting energy procurements against price variations, the comprehensive analysis of the energy consumption of sites, and services for consumption management and achieving greater efficiency in energy consumption.

Upkeep costs and carbon dioxide emissions that burden the environment can both be cut and the useful lives of building equipment and technical production systems can be lengthened by upgrading the energy efficiency of properties and industrial facilities.

The Laurea Polytechnic is used by a large number of people and this places great demands on its ventilation.

The customers of Building Systems are property owners and users, property service companies and building managers, developers and construction companies, the public sector, trade and industry.

# BUILDING SYSTEMS' DELIVERIES IN 2005

**Total technical solutions**

Technical building systems include heating, plumbing, air-conditioning and electrical systems, refrigeration technology implementation, access control, fire safety, crime alarm, telecom and antenna systems as well as the automation systems that control them, which make it possible to fully integrate these systems with a view to cost-effectiveness and optimal functionality.

Security technology services include sprinkler and fire alarm systems, electronic security services, such as access control, video surveillance and crime alarm systems, plus rescue plans.

A total technical solution comprises the design and implementation of numerous systems. The services are offered as installation services and as Design & Build implementations that include design and installation.

In Sweden, YIT received a demanding order from Akademiska Hus for the construction of cleanrooms for nano-research at the Lund Institute of Technology. The delivery comprises system construction, installation and start-up. In the field of security technology services, in Sweden one of YIT's projects involves responsibility for the design and installation of access control systems at the Forsmark nuclear power plant.

YIT is well-versed in the specialist expertise required in the construction of halls and arenas. An extensive order for the design and installation of building equipment systems for the Tsherepovets ice hockey rink was received in Russia. The delivery includes piping, ventilation, cooling, electrification and automation systems as well as refrigeration technology. YIT has previously implemented building equipment systems for Russian arenas at Sports Palace in St Petersburg and Lokomotiv in Yaroslav.

In Norway, YIT supplied building equipment systems for Seabrokers in Vecto Aibel's office building in Stavanger and for Vital Forsikring's office building in Trondheim, using the ClimaCeil solution, which integrates electrical and ventilation systems. In Denmark, YIT serves as the developer of Riemann & Co's plant project and is responsible for coordinating the cooperation of different parties. A total technical solution is being supplied for the plant, including ventilation, heating, plumbing, sewerage, electrical, automation and data network systems.

In Finland, building equipment systems will be supplied for the DHL Business Park logistics centre, built by YIT in Vantaa. The special requirements of the delivery are demanding temperature control and around-the-clock functionality, which is managed with automation.


A total of about 3,500 YIT service vehicles do their rounds in the Nordic and Baltic countries and Russia. The photo shows servicing technician Yngvar Markali from Norway.

### Technical property maintenance and servicing

The maintenance of building systems is based on a preventative maintenance plan that is prepared for the equipment. The aim is to reduce malfunctions and prevent defects, thereby lengthening the useful life of the equipment and maintaining property conditions at the desired level. Maintaining the condition and value of properties serves both their users and owners.

In Sweden, technical property maintenance agreements have been made with hospitals in particular. Six-year maintenance agreements were signed with Locum AB for the maintenance, servicing and upkeep of the technical systems of three hospitals in Stockholm. YIT also currently has servicing agreements with the Karolinska University Hospital and Östra Sjukhuset in Gothenburg.

A cooperation and service agreement for property maintenance was made with Kesko in Finland, covering about 1.5 million square metres at 400 locations. The services include property upkeep, technical servicing, maintenance, energy management and the management of property services. This agreement, which was first made in 2001, now extends until 2008. Cooperation with Veritas continued with an agreement to take on the service administration and property maintenance and servicing of two office premises. The services also include an energy consumption guarantee.

An agreement with Vanderlande Industries International was continued in Norway for the maintenance and operation of the Baggage Handling Systems at Oslo Airport Gardermoen.

In Russia, YIT has engaged in long-term cooperation with Ikea and the Rolf car dealership. YIT is responsible for providing maintenance services for Ikea's three stores in Chimki and Moscow. In 2005, an agreement was signed with Ikea concerning the maintenance of the building equipment systems of a shopping centre in Chimki. An agreement was made with Rolf for system servicing and the cleaning of the outdoor premises of a second outlet in Chimki.

System functionality is monitored around the clock at the operations centre of the Karolinska University Hospital in Solna, Sweden.

### Property management

Property management includes the administration of on-premise services and handling property maintenance and upkeep. Building superintendent and development services are also offered. YIT also serves investors in the management of property investments.

YIT has a framework agreement for property management with Nordisk Renting in Sweden. In 2005, the companies made a property management agreement covering properties in Stockholm. In Norway, YIT has a long-term property management agreement with Pareto AS. YIT is responsible for the maintenance of the technical systems of properties measuring 40,000 m2 and thereby also for maintaining the value of this property investment.


9,000 pieces of goods pass every hour through the luggage handling system of Gardemoen Airport. YIT handles the operation and maintenance of the system.

YIT carried out the electrical installations and building monitoring system of the Centre of Business and Training in Kolding, Denmark.

Long-term service agreements were extended with TeliaSonera in Finland and with Glud & Marstrand in Denmark. Cooperation with TeliaSonera Finland has continued for six years. Under the new agreement, YIT is responsible for building management, user services and property maintenance of properties measuring 500,000 m2. In Denmark, Glud & Marstrand extended its agreement, which has been in force since 1996, by five years. The service includes property management and the supervision and maintenance of building equipment systems at a factory that manufactures foodstuff packaging in Odense.

## Data network services

**Data network services for properties include the installation and maintenance of property networks. In addition to property networks, YIT offers services for other types of data networks in Norway, Denmark, Estonia, Latvia, Lithuania and Russia.**

Agreements were made with TeliaSonera in Sweden and Latvia. A two-year agreement was made for the servicing and maintenance of the Nordic Ring, a 4,500-km optical fibre network. In Latvia, TeliaSonera handed the maintenance of fibre cables and base stations to YIT.

Also in Latvia, YIT was selected as the cooperation partner of the Lithuanian teleoperator BITE in the installation of base stations and telecom networks. YIT is also responsible for BITE's network installation works in Lithuania.

In Norway, YIT has been engaged in development cooperation with the Carnegie Mellon University of Pittsburgh since 2001 with a view to use ventilation ducts in wireless property network solutions. An agreement was signed in 2005 whereby YIT has the sole rights in the northern part of Europe to apply the developed patents in building equipment system solutions.

**Services for industrial processes**

Electrical, automation and ventilation installation works in particular are carried out for industrial facilities and ships. In Sweden and Norway, YIT's range also includes piping for the process industry.

In Sweden, YIT landed an order from Götaverken Miljö AB for an end-to-end delivery of electrical and monitoring systems for the new flue gas treatment equipment at Sysav's waste power heating plant in Malmö.

Cooperation with Arla Foods AMBA continued in Denmark e.g. with an agreement concerning electrotechnical deliveries for a project in which a dairy and packaging facilities are to be extended and an administration building modernized.

Control equipment and data collection systems supplied by YIT are used to test valves at the Danfoss valve plant in Kolding, Denmark.

**Energy services**

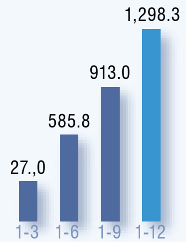
The energy services offered by YIT include the comprehensive analysis of the energy consumption of properties, services for achieving greater efficiency in energy consumption, services for the management of energy consumption and protecting energy procurements against price variations.

Energy services were carried out in Denmark for sites such as the Skallerup Klit resort and the Peder Lykke school in Copenhagen. The solution provided for the school sought to optimize energy consumption by installing motion and air quality sensors that activate the electrical, heating and ventilation systems only when there are people on the premises.

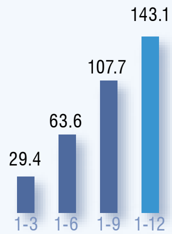
In Finland, Motiva energy audits were carried out at sites such as an office and commercial property owned by the OP Bank Group. On the basis of the audit, the use of building equipment systems can be improved to reduce energy costs and water consumption.

The first office building of Intelligate in Turku was sold to Tapiola Mutual Pension Insurance Company. The premises of this seven-storey building will be leased to users.

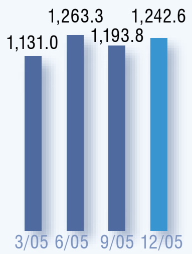
Trend in revenue, MEUR



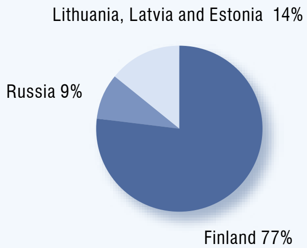

Trend in operating profit, MEUR




Trend in the order backlog, MEUR




Revenue by country, %




| BALANCE SHEET SUMMARY, MEUR | 2005 | 2004 |
|---|---|---|
| Non-current assets | 25.6 | 27.6 |
| Inventories | 618.5 | 563.4 |
| Financial assets | 324.9 | 213.5 |
| Shareholders' equity | 307.9 | 257.3 |
| Obligatory provisions | 31.2 | 35.0 |
| Interest-bearing liabilities | 298.3 | 254.6 |
| Interest-free liabilities | 331.6 | 257.6 |
| Balance sheet total | 969.0 | 804.5 |

# CONSTRUCTION SERVICES RACKS UP EXCELLENT EARNINGS IN ALL BUSINESS AREAS

In 2005, Construction Services' revenue rose by 13 per cent compared with the previous year and amounted to EUR 1,298.3 million. The maintenance business accounted for 3 per cent of revenue. Of the revenue, 77 per cent was generated in Finland, 9 per cent in Russia, and 14 per cent in Lithuania, Latvia and Estonia.

Operating profit was up 40 per cent to EUR 143.1 million. The operating profit margin improved to 11.0 per cent.

The uninvoiced backlog of orders was 17 per cent higher than in the previous year, having risen to EUR 1,242.6 million.

Both the demand for construction services and earnings were excellent in all business areas. Housing demand also remained solid in all countries, and other construction activity was brisk. In spite of abundant vacancies, new business premise projects were started up in Finland. Good demand held sway in retail and logistics premises. The market situation in civil engineering, water supply and environmental construction remained good.

## Key figures

| | 2005 | 2004 |
|---|---|---|
| Revenue, MEUR | 1,298.3 | 1,147.2 |
| - Share of maintenance and servicing, % | 3% | 6% |
| Operating profit, MEUR | 143.1 | 102.2 |
| - % of revenue | 11.0% | 8.9% |
| Return on investment, % | 25.8% | - |
| Order backlog, Dec 31, MEUR | 1,242.6 | 1,066.4 |
| Employees, Dec 31 | 5,115 | 5,102 |

## Outlook for 2006

The market situation for Construction Services is expected to remain favourable in all areas of operations in 2006

It is anticipated that good demand for housing will continue in YIT's whole market area. The record-high population shift within Finland increases the need for residences. Strong demand for housing in Russia makes it possible to expand residential construction over the long term, too.

In the construction of working environments, demand for retail and logistics premises stayed high. Demand for business premises is seeing slight growth in Finland. Renovation is rising steadily, with particular growth in the overhaul of plumbing and sewerage, facade repairs and other partial repairs for housing corporations.

The market situation in civil engineering varies by the type of works in question. It is uncertain whether large route projects will be started up, but demand will remain good in tunnelling and underground construction, for instance.

### Residential construction in 2005 (2004), number of residences

| | Finland | | | Russia | Estonia, Latvia, Lithuania |
|---|---|---|---|---|---|
| | Market-financed | State-financed, rental housing and tender-based | Total | | |
| Sold | 3,094 (2,311) | - (-) | 3,094 (2,311) | 1,535 (722) | 848 (414) |
| Start-ups | 2,993 (2,515) | 328 (202) | 3,321 (2,717) | 2,263 (3,173) | 1,111 (700) |
| Under construction at year's end | 3,417 (2,826) | 153 (158) | 3,570 (2,984) | 5,350 (3,539) | 1,530 (615) |
| Completed | 2,577 (2,908) | 158 (266) | 2,735 (3,174) | 466 (225) | 237 (341) |
| Completed and unsold at year's end | 110 (189) | - (-) | 110 (189) | 1 (13) | 0 (1) |

During 2005, the selling prices of the residences built by YIT in Russia and the Baltic countries have averaged slightly less than one-third of the prices of market-financed residences sold in Finland.

### Housing construction is still brisk

Demand for market-financed housing in Finland stayed brisk in both the Greater Helsinki Area and the other growth centres. In 2005, residences were both started up and sold in significantly greater quantities than in the previous year. YIT initiated the construction of 2,993 market-financed residences in Finland and sold 3,094 residential units.

In the Russian and Baltic markets, demand for housing remained strong, and residential construction was stepped up in line with the strategy. The construction of 3,374 residential units began during the report year. The number of residences sold in 2005 was more than twice as high than in the previous year. In April 2005, YIT Construction Ltd bolstered its position in the housing market of Moscow by founding the joint venture ZAO YIT CityStroi with local private shareholders. In Russia, YIT has previously built housing in St Petersburg and the Moscow Oblast.

### Bolstering plot reserves

Developer-contracted housing construction requires good plot reserves. In land management, YIT has made outlays on ensuring good plot reserves in growth areas and their rapid turnover. Higher efficiency has been achieved in the use of capital by, for instance, making long-term regional development agreements with landowners, the public sector and private companies. Plot acquisitions in Russia can also be carried out such that the city is paid for part of the building rights by handing over completed residences.

In Finland, YIT made major regional development agreements concerning Lielahti in Tampere and Raunistula in Turku. The first zoning plan – for an area measuring some 50,000 m2 of floor area – was approved for the Konepaja area in Helsinki. A total of about 1,400 residential units will be built in the area in 6–7 years. A zoning plan was approved for the plot of the former Maritime College in Lauttasaari, Helsinki, as was a low-rise house zoning plan for the Tillinmäki area of Espoo. Important plot acquisitions in the Greater Helsinki Area included the Aurinkolahti and Kannelmäki areas in Helsinki and the Tyrskyvuori and Leppävaara areas in Espoo. Building rights were acquired in the Sairionranta area in Hämeenlinna and in the centre of Klaukkala in Nurmijärvi. Construction works on all these areas will begin in 2006.

The major plot acquisitions made in Russia were a plot on the banks of the Karpovka River, bought in an auction held by the City of St Petersburg, and plots in the towns of Korolev, Noginsky and Pushkino in the Moscow area.

YIT strengthened its Estonian plot reserves further in Tallinn and Pärnu, and acquired its first plots in Tarto. In Vilnius, Lithuania, YIT bought an area on which a total of 350 residential units can be built up gradually. In addition, the company bought its first plot in Klaipeda.

### Plot turnover and reserves, 2005 (2004)

| **Plot acquisitions, 1,000 m2 of floor area** | Finland | Russia | Estonia, Latvia, Lithuania |
|---|---|---|---|
| Residential plots | 200 (195) | 465 (257) | 74 (162) |
| Business premise plots | 25 (27) | 26 (-) | 33 (-) |
| Total | 225 (222) | 491 (257) | 107 (162) |
| Value of acquired plots, MEUR | 71.3 (76.0) | 29.0 (9.6) | 17.7 (11.5) |
| **Use of plots, 1,000 m2 of floor area** | | | |
| Residential plots | 268 (223) | 176 (265) | 94 (51) |
| Business premise plots | 56 (67) | - (-) | - (-) |
| Total | 324 (290) | 176 (265) | 94 (51) |
| **Plot reserves at year's end, Building rights and zoning potential, 1,000 m2 of floor area** | | | |
| Residential plots | 1,733 (1,367) | 587 (286) | 215 (254) |
| Business premise plots | 676 (852) | 26 (-) | 33 (-) |
| Total | 2,409 (2,219) | 613 (286) | 248 (254) |
| Capital tied into plot reserves, MEUR | 268.9 (278.1) | 32.5 (11.6) | 24.7 (11.4) |

Plot reserves include plots that have been zoned and an estimate of the potential building rights on areas that are under zoning. Building rights provided by regional development agreements made with landowners are not included in YIT's balance sheet until the zoned sections are each in turn slated for construction.

# FINLAND'S LARGEST CONSTRUCTION COMPANY

## In developer contracting, the contractor handles the whole chain

YIT focuses on services with a high degree of added value. The company aims to be on board all the stages of project implementation.

**In developer contracting,** YIT acquires a plot, designs the site to meet the customer's needs, and then implements the building. In addition, YIT handles the sale of residences to consumers or the sale of business premises to property investors and the leasing of premises to users. If required, YIT also attends to facility and maintenance services.

**In a life-cycle model,** YIT is responsible not only for the design and implementation of the site, but also for its life-cycle costs, such as energy and upkeep costs, and periodic repairs over an agreed period of time.

**In Design & Build projects,** the basics of the project are set in the customer's commission, and then YIT takes on responsibility for its end-to-end design and implementation.

**In tender-based construction,** the developer designs the project, requests offers and selects contractors to carry out either the whole project or parts thereof at a fixed price.

## New concepts for leisure sites

Products and services are developed with an eye on the changing needs of people. Leisure quality is improved with activities and services. YIT aims to bolster its position in the development and construction of leisure sites.

In 2005, construction already got under way in Ylläs. In 2006 and 2007 construction works will be started up in Tahko, Himos and Saariselkä.

**Construction Services' portfolio comprises the new construction and renovation of housing, business premises and industrial facilities as well as construction and maintenance services for infrastructure in Finland, Russia, Lithuania, Latvia and Estonia. Water and environmental services are offered in Northern Europe and in certain countries in the Middle and Far East. YIT is Finland's largest construction company.**

One of YIT's strengths as a construction company is its management of the service chain from land acquisition to implementation, customer service, sales, after-sales marketing and maintenance. Construction Services has developed robustly in recent years. Housing construction has been stepped up vigorously in Russia and the Baltic countries. YIT is the market leader in housing construction in Finland. Other types of construction have also remained brisk. There has been steady growth in renovation and infrastructure maintenance.

## Growth from housing construction in Russia and the Baltic countries as well as new business areas

YIT's strategy is to step up residential construction in Russia, Lithuania, Latvia and Estonia in particular. The growth cities in Russia are St Petersburg and Moscow with its surrounding cities. Housing construction in Estonia is increased in Tallinn, Tarto and Pärnu; in Latvia in Riga; and in Lithuania in Vilnius, Kaunas and Klaipeda. In Finland, YIT focuses especially on market-financed housing projects.

YIT is expanding its portfolio of services offered directly to consumers with a view to creating a customer-focused service concept for the construction of single-family houses. This concept combines individuality, modifiability and the ease of producer-driven construction. In addition, refurbishing services are developed for consumers, harnessing the entire Group's expertise. In renovation operations, outlays are also made on the developer-contracting of housing through the refurbishing of old premium properties.

The portfolio of consumer services is also expanded by developing leisure-time residences and services. In Finland, major agreements were made in 2005 with landowners and service providers in Tahko, Himos, Ylläs and Saariselkä.

## Bolstering profitability by increasing added value

To maintain profitability, Construction Services focuses on providing services with a high degree of added value. The business segment seeks to serve as the customer's partner all the way from project planning and implementation to the provision of user services.

In line with the strategy, the focus of operations has been shifted from tender-based to developer-contracted construction. In the new construction and renovation of office, retail and commercial premises, the emphasis is also on projects arising from project development efforts. In renovation and infrastructure construction, various partnership and life-cycle models and joint ventures are utilized alongside traditional tender-based contracting.

## Growth in residential services

The market situation for construction remains favourable. The Finnish economy is on a stable upward trend. Consumers are confident about the development of their own finances. It is expected that the interest trend will remain moderate. The population shift into the growth centres is still ongoing, but it will in all likelihood stream to a greater extent into the municipalities surrounding growth cities. The market situation provides good potential for profitable housing construction.

Consumer demand for services is growing. Service demand opens up opportunities for the development of new technical helpdesk services and solutions for leisure-time residences. The mounting requirements are also evident in traditional housing construction, such as in the greater demand for low-rise houses.

Renovation works are increasing steadily. The greatest growth is seen in small-scale property repairs and partial repairs. There is moderate growth in large-scale refurbishing and major renovations.

The rise in income levels and household consumption accelerate investments by the retail sector. Construction investments by industry are rising slightly. The market for office construction is recovering slowly.

Economic growth in Russia, Estonia, Latvia and Lithuania will remain markedly rapid in the next few years, generating affluence among the middle class and bolstering demand for new housing. As incomes rise, residential density and quality are improved. A new act that improves the consumer protection of homebuyers came into force in Russia in 2005. In addition, the development of the home mortgage market increases consumer opportunities for buying a home of their own.

## Business development yields new services and higher competitiveness

The main thrust of the development of new business functions is on leisure-time residences, single-family housing and developing packaged refurbishing services for housing corporations. In addition, solutions for senior citizens' residences were developed in 2005.

In order to maintain cost-effectiveness and competitiveness, YIT hones procurements and service packaging in particular. International cooperation is stepped up in both procurements and the provision of goods and services. Internal efficiency is upgraded by standardizing business processes and expanding the use of product models and the operations control tools that have been developed. In addition, steps are taken to develop project and land management.

The focus areas in training are to continuously improve the forecasting of customer needs and develop customer service in line with the YIT brand.

## Providing public administration with end-to-end solutions

The service provision of public administration is being increasingly handed into the care of private companies. The expertise of YIT's business segments allows municipalities to outsource their technical services to a single partner.

**The outsourced total services include:**

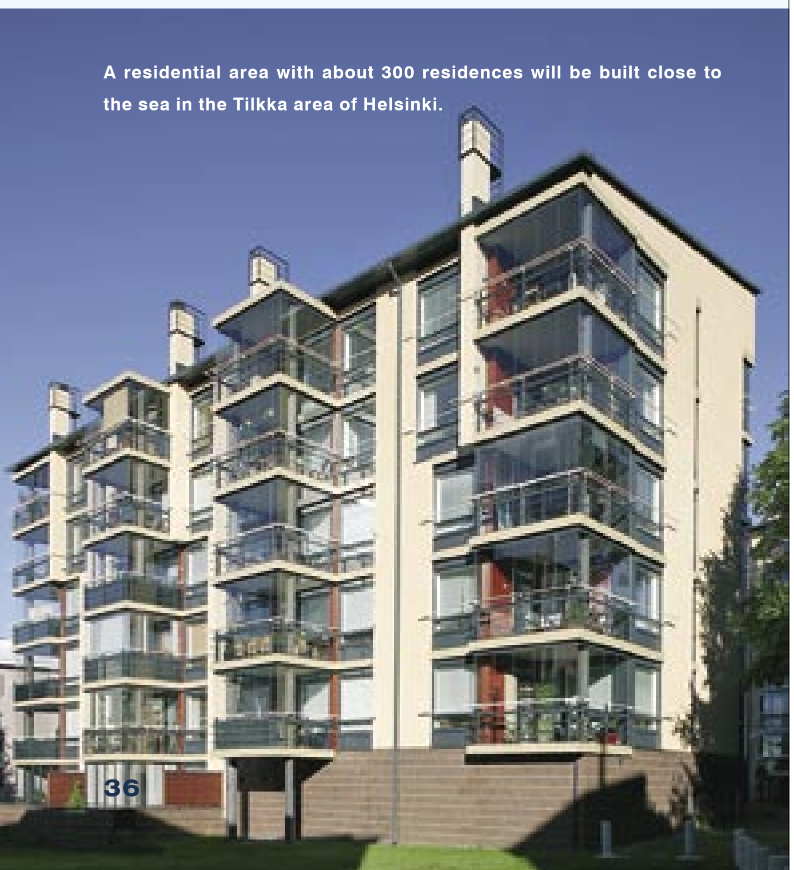
- the construction and maintenance of infrastructure and both municipal and environmental technology as well as arranging services for them,
- repairs, modernization and maintenance of properties, building equipment systems and data networks,
- developing and building attractive residential and other living environments,
- developing properties owned by the public sector and upgrading the efficiency of their use, and
- the new construction and renovation of properties and building systems.

## YIT Home expands to Russia and the Baltic countries

YIT Home is the Group's service brand for households. YIT aims to increase its profile as a reliable and high-quality construction company that provides good customer service. The brand is a pledge of end-to-end service that puts the customer first, from site design to marketing, sales and warranty-period repairs.

As housing construction increases in Russia, Estonia, Latvia and Lithuania, the YIT Home brand is systematically expanded into these countries. In Russia and the Baltic countries, especially, YIT can set itself apart from its competitors as a reliable, financially sound company. The service provided and ways of working in each country are adapted to local consumer needs, values and culture. Development efforts bolster expertise and consistent operating methods in the entire service chain.


**Residential construction is being stepped up vigorously in Russia, Estonia, Latvia and Lithuania. At the end of 2005, over 5,000 residential units were under construction in St Petersburg and the cities surrounding Moscow.**



**A residential area with about 300 residences will be built close to the sea in the Tilkka area of Helsinki.**

Construction Services' customers are homebuyers, the users of business premises, property owners, investors, developers and builders, the public sector as well as trade and industry.

# CONSTRUCTION SERVICES' DELIVERIES IN 2005

### Residential construction

Housing is built on a developer-contracted basis in Finland, Russia, Estonia, Latvia and Lithuania.

In addition to developer contracting, market-financed and State-supported residential building projects are implemented in cooperation with developers under the Design & Build model, in which YIT is responsible for project design and implementation.

In Finland, residences are wired up with modern security solutions and telecom connections. Conversely, in Russia and the Baltic countries, residences are most often unfinished when they are handed over to homebuyers – that is, surface materials and kitchen, bedroom and sanitary fixtures are not installed. From YIT, homebuyers can also opt for a residence that is ready to be moved into.

In Finland, construction mainly focused on the Greater Helsinki Area and the country's other growth centres. Major sites in the Helsinki included Svingi and Stanssi, built in Katajannokka, three new sites in Vanhankaupunginkoski, and the final housing site in the Tilkka area, a senior citizens' building named Ventus. The construction of the Amiraalimäki, Tuomarila and Niittymaa areas continued in Espoo. The construction of an area of apartment buildings and low-rise houses in Pakkalanrinne and a low-rise house area in Kaskikallio, Itä-Hakkila, got under way in Vantaa. In the case of the municipalities surrounding the Greater Helsinki Area, the fastest-paced activity was seen in Kirkkonummi, Kerava, Tuusula and Sipoo.

The architectural competition for the Merijalinranta area that YIT owns in Oulu was concluded during the report year. Top-notch market-financed non-rental housing will be built on this plot, which is located close to the city centre on the banks of the Oulujoki river.

The major sites started up in Russia were the second stage of Shuvalovo in St Petersburg, MarizaToresa 44 and Kolomagi. In the Moscow area, projects got under way in Zhukov, Balashiha, Dolgobrudni and Korolev.

Numerous residential sites were started up in Tallinn, Estonia. Works on the first project in Pärnu commenced. In Latvia, the works that were started up included the second and third stages of Brivibas in Riga. Two 22-story high-rises with a total of 211 residential units will be built in Vilnius, Lithuania. About 200 residential units will be built in Kaunas, replacing an old industrial building.

**The highest crane in Finland is stationed at the Cirrus construction site in Vuosaari. Cirrus will be Finland's highest block of flats. At a height of 100 metres, Susan Hutka operates the crane.**

## Regional development projects

In regional development projects, YIT works with the landowner as the city's strategic partner in the development of an area or quarter into an attractive residential or business premise area. Projects carried out under different agreement models develop the themes and identities of areas. Implementation takes the viewpoints of different parties into consideration, along with eco-efficient implementation and maintenance over the whole life-cycle of the project.

YIT made a significant cooperation agreement with M-real Corporation for the zoning and stage-by-stage acquisition of a tract of land in Lielahti, Tampere. The aim is to develop a suburban residential community on the shores of Näsijärvi Lake in cooperation with the City of Tampere.

In Turku, YIT made a cooperation agreement with a private property owner on the zoning and development of the Raunistula industrial area into a high-quality, market-financed residential area.

In Espoo, the zoning of the Hansavalkama area and the development of the Hista Manor area progressed in line with plans. YIT and the City of Espoo have worked in close cooperation with the area's landowners, current residents, the authorities and civic organizations.

## Renovation

Renovation works include the developer-contracted refurbishing of housing, project development of working environments and both basic renovation and partial repairs of properties.

In the case of the developer-contracted refurbishing of housing and the project development of working environments, the company operates in the same manner as in the construction of new buildings, with the difference that an existing property is converted to suit its new intended purpose.

Property renovation and partial repairs – such as facade refurbishing, the overhaul of the plumbing and sewerage of residential buildings and balcony repairs – are carried out using the Design & Build model or as tender-based construction.

In refurbishing services for housing corporations, YIT acts as a partner to the housing corporation or property owner during the duration of project implementation, from the analysis of needs to the design and implementation of repairs.

Developer-contracted refurbishing of residences is typically carried out on premium properties in the centre of Helsinki. The refurbishing of a premium property into market-financed non-rental housing on Jääkärinkatu street was ongoing in 2005 .

The tender-based contracts that were started up in Helsinki included repairing residential properties for the Helsinki City Housing Production Office as well as the refurbishing of the Vuosaari Church for the Parish Union of Helsinki. Agreements were made for the basic renovation of the Oulu Polytechnic and the Kuusiluoto upper secondary school in Oulu, the basic renovation and extension of the University Hospital of Tampere, and the refurbishing of the cooking facility of Valio's plant in Vantaa. Construction and renovation works began at the Narva Vocational Training Centre in Estonia.

YIT has a partnership agreement with VVO to develop a new refurbishing concept for housing corporations that features a more industrial and customer-focused approach. YIT signed a contract agreement with VVO for the refurbishing of residential buildings in Tampere and Vantaa.

A partnership agreement on damage refurbishing was made with the insurance company Pohjola Group Plc.

## Working environments

The working environments built by YIT are business premises, retail and commercial premises and industrial facilities.

Working environments are implemented as developer-contracted projects, Design & Build implementations and through tender-based contracting.

The eventual owners of business premises are usually property investment companies, which rent the premises to their users.

In addition, plot and property owners are offered project development services in which YIT is involved from the very start in the design of the property's business concept. As in developer contracting, YIT handles the zoning work with the landowner and municipality, and both designs and builds the site and sees to leasing out the premises

**The shared premises of the Finnish Meteorological Institute and the Finnish Institute of Marine Research put the emphasis of energy economy and adaptability. For instance, the offices can be flexibly converted into laboratories.**

In January, following the largest single property deal in YIT's history, the construction of the DHL Business Park logistics centre was started up in the vicinity of the Helsinki–Vantaa Airport on behalf of Tapiola. The logistics hub project Koskelo Trade Park was started up in Espoo. Its main tenant will be Rautaruukki. The construction of a leisure centre in Lahti was agreed on with Tapiola.

The developer-contracted business premise projects that were started up included Intelligate in Turku, the Pendolino office building in Tampere and the Kuriirinmuuri business premises in Vantaa. Projects to build YIT's own business premises began in Vantaa, Kouvola, Kuopio and Vaasa.

In the case of retail premises, the construction of a Lidl supermarket was started up in Turku and that of an ABC service station store in Hämeenlinna. An agreement was made to extend the Columbus shopping centre in Vuosaari, Helsinki. During the report year, the Mega shopping and leisure centre was built for AB Baltic Shopping Centers in a record time. In Russia, an agreement was made to build the Leto shopping centre for OOO Aljans in St Petersburg and a retail store for Rauta-Kesko.

Other contract agreements made in Finland included the Tapainlinna school for the City of Hyvinkää, the Kaskinen harbour building, a refrigerated warehouse for HK-Ruokatalo in Forssa, the Longinoja indoor ice arena in Malmi, Helsinki, and a pier for timber at UPM's mill in Rauma. Extension projects included the parkade of the Jumbo shopping centre in Vantaa, Technopolis' office building and the operating theatres of Hyvinkää Hospital.

In Russia, an agreement was made with Nokian Tyres for the extension of the Vsevolozhsk tyre factory, which is located close to St Petersburg. Construction got under way in Estonia on an office building for Kaitseliit and buildings at the Pirita Harbour in Tallinn, and a logistics centre for OU Loginvest in Harju county. An agreement was made with the City of Pärnu to implement a sports hall under a public-private-partnership model.

### Civil engineering – infrastructure construction

Services for new construction based on specialized expertise in infrastructure construction are offered under a range of life-cycle, partnership and tender-based contracting models. The works performed are earthworks, foundation works, piling and foundation reinforcement, tunnelling and underground construction, harbour construction and dredging, municipal engineering, and the construction of streets, roads, bridges and cavern facilities.

In infrastructure maintenance, YIT upkeeps roads, streets and the rail network, including related structures such as bridges. Services are offered under long-term maintenance agreements, in which pricing is affected by the usability of the route and service quality.

The tunnelling and underground construction works that were under way included the excavation of the train tunnel to the Vuosaari Harbour as well as open excavation works in the harbour area. Other excavation works included the Viikinranta cable tunnel in Helsinki on behalf of Helsinki Energy. Agreements were made with Konevuori Oy for open excavation works on an industrial area in Porvoo, with the City of Helsinki Public Works Department concerning the soil stabilization of new residential areas as well as the reconditioning of the former landfill.

Basic improvement works on Highway 4 in the centre of the municipality of Ii commenced on behalf of the Finnish Road Administration, as did the construction of the Haarajoki and Mäntsälä station arrangements on the Kerava-Lahti railway line. An agreement was made with Gasum Oy to build a parallel natural gas pipeline.

The major agreements for the maintenance of routes and areas were a regional road maintenance contract in Tampere in 2005–2010, which was made with the Finnish Road Administration, and two regional maintenance contracts for city districts made with the City of Oulu.

### Water supply and environmental construction

Construction, modernization, maintenance and operation services for water supply, wastewater treatment and district heating networks are offered to the public sector and industry in Northern Europe and certain countries in the Middle and Far East.

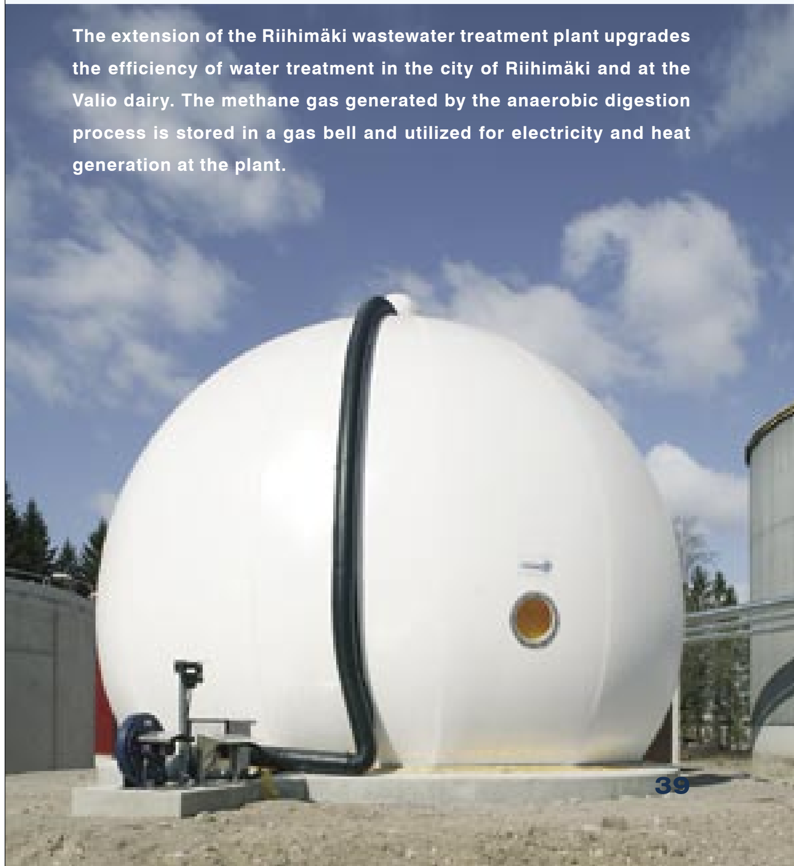
In plant projects, YIT takes on responsibility not only for implementation, but also the operation and ownership of the plant for an agreed period of time before its handover to the client, if required.

YIT made an agreement with Neste Oil Corporation regarding a water treatment plant extension to refinery in Porvoo and with Vamy Oy regarding a new plant in Myllykoski.

In Estonia YIT started up Rapla and in Latvia Sloka wastewater treatment plant projects. In Finland the construction of plants got under way in Lohja and Turku. St Petersburg's Southwest Wastewater Treatment Plant was inaugurated in Russia during the report year.

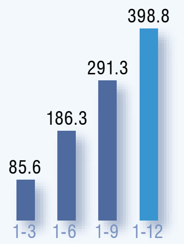
In Estonia, the Kunda pulp mill process and wastewater treatment plant project was started up for Estonia Cell. In Sweden, an agreement was made with Svensk Biogas i Linköping AB for the construction of a biogas plant in Norrköping. An agreement was made with the Kirishskaja Gres power plant in Russia to modernize its water treatment process and facilities. The implementation of district heating projects continued in China.

**The excavation of tunnels for Outokumpu Chrome Oy got under way in Kemi at the only chrome mine in the EU countries.**

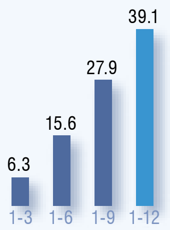


**The extension of the Riihimäki wastewater treatment plant upgrades the efficiency of water treatment in the city of Riihimäki and at the Valio dairy. The methane gas generated by the anaerobic digestion process is stored in a gas bell and utilized for electricity and heat generation at the plant.**

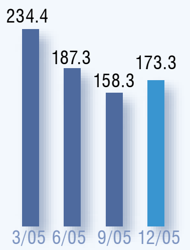
Trend in revenue, MEUR




Trend in the operating profit, MEUR




Trend in the order backlog, MEUR




| BALANCE SHEET SUMMARY, MEUR | 2005 | 2004 |
|---|---|---|
| Non-current assets | **43.1** | 44.5 |
| Inventories | **15.7** | 9.7 |
| Financial assets | **143.9** | 108.9 |
| Shareholders' equity | **33.2** | 32.2 |
| Obligatory provisions | **5.2** | 5.2 |
| Interest-bearing liabilities | **30.2** | 30.8 |
| Interest-free liabilities | **134.1** | 94.9 |
| Balance sheet total | **202.7** | 163.1 |

# INDUSTRIAL AND NETWORK SERVICES STAYS ON A GOOD EARNINGS TRACK

The revenue of Industrial and Network Services grew by 11 per cent to EUR 398.8 million. Maintenance and business based on long-term customer agreements accounted for 77 per cent of revenue. Operations in countries other than Finland generated 7 per cent.

Operating profit increased by 42 per cent to EUR 39.1 million. The operating profit margin improved to 9.8 per cent. Return on investment was 63.3 per cent.

The order backlog at the end of the year amounted to EUR 173.3 million. The order backlog in network services is based on forecasts from customers, which generally extend until the end of the calendar year. The order backlog was down 13 per cent on the previous year due to the lower volume forecasts received from network service customers and progress on the Diesel project at Neste Oil's Porvoo refinery.

## Key figures

| | 2005 | 2004 |
|---|---|---|
| Revenue, MEUR | **398.8** | 359.0 |
| - Share of maintenance and long-term customer agreements, % | **77%** | 74% |
| Operating profit, MEUR | **39.1** | 27.5 |
| - % of revenue | **9.8%** | 7.7% |
| Return on investment, % | **63.3%** | - |
| Order backlog, Dec 31, MEUR | **173.3** | 199.2 |
| Employees, Dec 31 | **4,126** | 4,275 |

## Outlook for 2006

The business operations of Industrial and Network Services enjoy a stable market outlook. Maintenance partnership agreements are expected to gain ground in industry during the next few years. According to an investment survey carried out by the Confederation of Finnish Industries EK, growth in investments by industry in Finland will slacken to 1.5 per cent in 2006. The slowdown in investment growth is due to factors such as the scarcity of large-scale projects in the forest industry.

The broadband trend is expected to remain robust in network services. Demand for IT helpdesk services is anticipated to increase. Structural realignments in the telecom business are ongoing in the form of the outsourcing of installation services and other corporate arrangements. Network investments will remain slight. However, the construction of networks will be started up when the technology employed in backbone networks is overhauled.



### Good demand in maintenance services

The outsourcing trend in maintenance services for industry continued in 2005. In the course of the collective agreement dispute in the forest industry, it was agreed that from now on decisions about the outsourcing of maintenance can be made locally. In the latter half of 2005, YIT made numerous maintenance and operation agreements with Finnish industrial companies.

Due to the strike in the forest industry, maintenance works were delayed in the wood-processing industry and closely related fields of industry in the first part of the year. In the latter half, many extensive maintenance shutdowns and other upkeep works were performed.

### Investments primarily earmarked for export

In the case of investments by industry, engineering workshops' output early in the year was largely exported. International demand for power plant piping and tanks was solid. Decisions on large-scale modernization works at nuclear power plants were made in Sweden.

According to EK's investment survey, investments grew by 7 per cent in Finland in 2005. Investments grew at a rapid clip in the forest, chemical and foodstuff industries. However, numerous projects were pushed back to the years ahead in the forest industry due to the collective agreement dispute in the first half of the year. The marine industry surged in activity as shipyards landed new orders. Investments by the building products industry declined, while growth in investments by the technology industry came to a virtual standstill. The chemical industry invested in the augmentation of capacity. Other fields of industry primarily made replacement and rationalization investments.

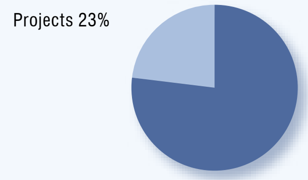
YIT's engineering workshops began operating at full capacity in the spring. By mid-year, capacity was under full use in installation works as well.

### Installation of broadband connections remains brisk

In the network services market, competition between teleoperators remained severe. The outsourcing of installation services into the hands of external service providers continued, and demands to save costs gave momentum to both the development and the boosting of the efficiency of YIT's operations. The number of broadband connections saw further growth and YIT's installation services were in brisker demand than in the previous year. Demand for technical helpdesk services also increased during the report year.

Investments in telecom networks and demand for related installation services remained slight. Mobile network technology was modernized due to the mounting need for network services and the greater number of services offered on networks.

Breakdown of revenue




### Business segment formed in June 2005

The Industrial and Network Services business segment was created on June 1, 2005, by merging Services for Industry and Data Network Services. The aim was to boost operational efficiency, develop maintenance-related processes more efficiently and improve the range of varied end-to-end deliveries.

The business segment's comparative figures for 2004 have been calculated by combining the financial figures of the Services for Industry and Data Network Services business segments.

### Organizational changes in 2006

At the beginning of 2006, the business segment was rounded out with the industrial electricity, automation and HEPAC operations that were transferred to the Industrial and Network Services business segment from YIT Kiinteistötekniikka Oy. The transferred business functions had revenue of EUR 58.9 million in 2005.

**Annual maintenance works were carried out at numerous power plants**

## Maintenance partnerships lead to higher operational efficiency

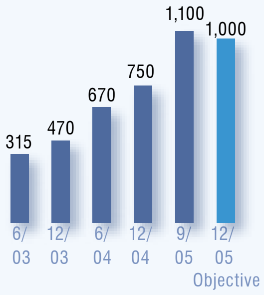
YIT's strategic objective is to increase the share of revenue accounted for by maintenance services and long-term service agreements.

Combining services for industry and data networks in the same business segment serves to promote the development of maintenance-related processes and outsourcing concepts. In addition, this bolsters the range of diverse end-to-end deliveries and services.

Long-term service agreements and the outsourcing of maintenance and installation services are common among both industry and network operators. YIT offers maintenance services for process equipment and properties to all fields of industry. Network operators are provided with installation services as well as the maintenance of fixed and mobile networks.

YIT is zeroing in on strategic partnerships in which the service provider's expertise and knowledge of the customer's processes come to the fore. Industrial players and network companies are seeking cost savings, higher operational efficiency and improvements in the productivity and operational reliability of plants.

**Number of broadband connections in Finland**




Sources: Ministry of Transport and Communications Finland, Statistics Finland and Finnish Communications Regulatory Authority

**The Finnish government's objective was to break the milestone of one million broadband connections in Finland by the end of 2005. This goal was achieved well ahead of schedule in June.**

# STRONG PROVIDER OF SERVICES FOR INDUSTRY AND DATA NETWORKS

**Industrial and Network Services provides production plant maintenance services to industry, along with capital investment services for piping and tanks and for electrical, automation and ventilation systems. Piping and tank prefabs are delivered the world over. The design, installation and maintenance of telecom networks are offered nationwide in Finland.**

In the Nordic countries, YIT is the largest provider of industrial maintenance and capital investment services in its product areas, and in Finland, it is the biggest provider of telecom network installation, maintenance and construction services. YIT's strengths as a provider of maintenance services for industry and network services are its Finland-wide service network and an in-depth knowledge of its customers' processes. Services are offered widely to different fields of industry and for network implementations. In industrial investment projects, YIT is a specialist in product prefabrication, demanding high-pressure piping, and electrical automation and ventilation works.

## Growth from outsourcing and geographical expansion

The strategic objective is to enlarge operations by taking on responsibility for maintenance and installation services outsourced by industry and network operators. In addition, the range of services is expanded geographically in YIT's operating countries.

Outsourcing opens up growth potential for industrial maintenance services, especially in the forest industry. Operations are expanded in YIT's home markets by means of partnership agreements and M&A transactions. In capital investment services for industry, YIT works with Finnish forest and power plant industry companies in international projects. The business segment cooperates with the Building Systems business segment in countries such as Sweden and Russia.

In addition to the outsourcing of teleoperators' field functions, another growth area in network services is telecom network-related helpdesk services, such as installing and updating workstation software and providing assistance to users. YIT is also looking into opportunities for venturing into services for the power distribution network: remote metering is becoming more common and the demand for related installation and maintenance services is on the rise.

## Maintaining profitability entails stepping up operational efficiency continuously

Operational efficiency in the Industrial and Network Services business segment is increased across the board by providing packaged services as well as standardizing and streamlining processes. Other focus areas are honing procurements and logistics. The development of project management will continue in the implementation of investment projects.

To be competitive in network services, a company must be able to perform small-scale services efficiently. To support the profitability trend, the use of e-business solutions will be stepped up vigorously. Mobile technology, which works independently of location, is used in the direction of works.

### Outsourcing of services increasing

The market situation remains good in maintenance and installation services. Companies are focusing on their core business and are more frequently opting to purchase end-to-end maintenance service packages. The outsourcing of maintenance services continues both in industry and among teleoperators.

Industrial players aim not only to achieve cost savings, but also to improve the productivity of production plants through knowledgeable maintenance. The forest, chemical and basic metals industries in particular are outsourcing maintenance and upkeep tasks in many of YIT's business countries.

Due to severe competition, teleoperators are boosting the efficiency of their operations through outsourcing services and by means of structural realignments. Demand in network services is also increasing in technical helpdesk services because, for instance, of the greater amount of digital technology in households. Future demand for helpdesk services is expected to focus on services for households and small enterprises.

### Large-scale projects dominate investments by industry

Investments by industry are rising slightly in Finland. The ongoing large-scale projects – the construction of the Olkiluoto nuclear power plant and Neste Oil's Diesel project – contribute greatly to growth. Investments are on the wane in the forest, foodstuffs, textile and clothing industries, but on the rise in the technology and construction material industries. The need for industrial investments and maintenance in the Nordic countries is boosted by growth in exports and industrial output.

The forest industry is carrying out more and more large-scale projects outside Finland. As development progresses, well-rounded local expertise is required to modernize ageing industrial plants in Finland.

### Modernizing and simplifying backbone network technology

Network investments remain slight. The modernization of the backbone network technology of telecom networks will increase network investments by teleoperators for several years. The IP technology commonly used in local networks will gradually supplant traditional telecom network technology (such as SDH, PDH and ATM technologies).

Fast-paced mobile network construction has given way to a phase of slower development. New investments are carried out when service demand increases. The number of traditional telephone connections in the access network is expected to keep declining. Triple Play connections, which combine audio, data and video services, are gaining market share.

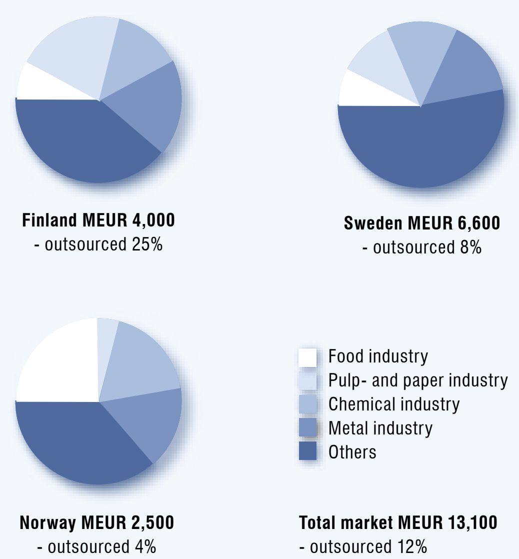
### Engaging in development both internally and with both customers and research institutions

Operating methods and new services are developed in association with customer companies, universities and research institutions. The focus in industrial maintenance is to hone operational reliability and operating methods. In network services, installation and servicing for consumers are being developed with YIT's Building Systems business segment. In capital investment projects for industry, prefabrication is being upgraded to accelerate the installation phase.

The corporate structure of the Industrial and Network Services business segment will be streamlined in 2006. The realignment is geared towards improving internal efficiency. In addition, great outlays will be made on the development of personnel, processes and systems.

**Demand in the marine industry picked up significantly as shipyards landed new orders. YIT supplied engineering products for ships – including machine units and modules – to companies such as Aker Finnyards.**

Industrial maintenance market



The great project of 2005:

### The Diesel project at the Porvoo refinery

In the Diesel project, a new production line is being built for Neste Oil's refinery in Kilpilahti, Porvoo. After the Olkiluoto nuclear power plant project, Diesel is the second-largest industrial investment currently ongoing in Finland. It is valued at a total of about EUR 500 million.

In the project, YIT has been responsible for earthworks and quarrying, two transformer substations, instrumentation connection buildings and the foundation works of the inter-process connections.

As the contractor responsible for the mechanical installation works, YIT's deliveries include piping and equipment installation for the hydrogen and residual oil units of the production line, deliveries of steel structures weighing 4,000 tonnes, and underground process piping. In the case of electrical and automation works, YIT is supplying cooling water facility, sulphur line and flare automation as well as field cabling for the hydrogen and residual oil units.

The customers of Industrial and Network Services represent a broad range of different fields of industry, including the forest, energy, food, marine and shipyard industries, network operators and service companies, telecom equipment manufacturers and the end-users of network services.

# INDUSTRIAL AND NETWORK SERVICES' DELIVERIES IN 2005

### Capital investment services for industry

**Capital investment services for industry comprise piping systems and tanks as well as electrical, ventilation and automation deliveries for various industrial processes. The products and services cover everything from workshop-fabricated piping and boiler components to end-to-end projects including design, manufacture and installation.**

**Electrification works were carried out on ships such as the Freedom of the Seas liner, which will make its inaugural voyage in the Caribbean in 2006.**

In 2005, YIT started a piping contract at Myllykoski Oy's peroxide bleaching plant and a piping project involving the modernization of M-real's board machine. Hydraulic and lubrication piping was delivered for Metso for paper machines in Svetogorsk and UPM's Tervasaari mill. Of the large investment projects that were ongoing in the process industry, were seen to completion: a piping project for a paper machine at Stora Enso's mills in Summa, piping and equipment installation works at UPM's deinking facility in Kaipola, and pipe bridge and evaporating facility piping at M-real's mill in Kaskinen.

Major tank orders were landed for UPM Caledonian Paper's extension in England and Neste Oil's Biodiesel project. Two 10,000 m3 molten sulphur storage tanks were delivered for Neste Oil's Diesel project. In Estonia, the delivery of process tanks for Estonian Cell's Kunda CTMP plant was completed for the most part.

In the marine industry, piping, machine units and modules were supplied to Aker Finnyards for a Freedom Class cruise ship, Tallink III and RoRo ships. Deliveries for the oil-drilling rig Constitution were seen to completion and deliveries for the Tahiti got under way.

In services for the energy industry, boiler piping was delivered for Andritz in Portugal, Foster Wheeler in Germany and the Philippines, and Kvaerner Power in Indonesia and China. An order came in from Andritz and SCA for piping for a soda recovery boiler plant in Sweden, and from Fortum for boiler modernization works at the Högdalsverket waste treatment facility. In association with the Swedish functions of Building Systems, a significant boiler conversion project was carried out for Öresundskraft in Helsingborg. Desalinized water storage tanks will be supplied for the third nuclear power plant in Olkiluoto on behalf of Siemens Ag.

A major delivery of high-pressure turbine piping installation and support replacements was carried out for Alstom Power Sweden Ab at nuclear power plants. Piping for combined cycle gas power plants in Riga and Gothenburg were delivered on behalf of Demag Delaval Industrial Turbomachinery.

### Maintenance services for industry

Maintenance services cover mechanical maintenance and both electrical and automation installation and maintenance. The service range also includes process modernization projects.

Maintenance services are offered as part of long-term service agreements. In addition to continuous servicing, larger-scale maintenance projects are carried out as shutdowns, in which operations at the industrial facility are halted for a certain period of time to carry out more through inspections, repairs, servicing, replacements or production conversion works.

Long-term maintenance agreements with Stora Enso, UPM and Outokumpu's Tornio plant were extended. Five-year maintenance service agreements were made with both Teollisuuden Voima's and Metsä-Botnia's mills in Rauma.

YIT made an agreement with Saint-Gobain Isover on the project to modernize the Yegorievsk glass wool factory as well as the maintenance of the factory in Russia.

During the report year, shutdown works were carried out at sites such as Teollisuuden Voima's Olkiluoto nuclear power plant and Fortum's nuclear power plant in Loviisa. Major instrumentation-related shutdown works were carried out at Neste Oil's Porvoo refinery.

**Automation installer Marko Pihlaja inspecting the measurement data of a soda recover boiler at Metsä-Botnia's pulp mill.**

**YIT has a maintenance partnership agreement with Outokumpu's plant in Tornio. This production plant makes ferrochrome and stainless steel.**

100 million bottles a year are produced at Altia Corporation's Rajamäki alcoholic beverage plant. YIT attends to the provision of maintenance services for the plant.

Maintenance agreements were renewed with companies such as UPM. The photo shows the Pietarsaari paper mill.

### Industrial partnership agreements

In maintenance partnership agreements, YIT takes on total responsibility for the maintenance of a plant, including the management of maintenance activities as well as operational maintenance works. In addition to process maintenance, a partnership agreement can cover the maintenance of properties and outdoor areas.

Forest industry companies made numerous partnership agreements with Botnia Mill Service, an industrial maintenance and plant service company founded by Metsä-Botnia and YIT in 1997.

SCA Packaging Finland transferred the management and development of its maintenance business as well as operational maintenance to Botnia Mill Service. A cooperation agreement was made with M-real Kyro for the project execution and design service functions of the Kyröskoski plant. Metsä-Botnia made a partnership agreement including the end-to-end maintenance of process equipment at the Kaskinen mills, from the direction of operations to operational maintenance. Botnia Mill Service also holds total responsibility for the maintenance of Metsä-Botnia's pulp mills in Kemi and Joutseno.

YIT made a maintenance design agreement with M-real Tako Board and also agreed on the maintenance of M-real's new BCTMP facility in Kaskinen. A partnership agreement was made with the IT company Okmetic in which YIT was handed responsibility as from January 1, 2006, for the maintenance of the process and property of its silicon wafer plant in Vantaa, including its development.

An agreement was made with Finnsementti Oy to transfer total responsibility for the maintenance of its cement factory in Parainen to YIT effective January 1, 2006. YIT also set up a maintenance services unit in Parainen to cater to the needs of local customers.

### Installation, maintenance and construction services for telecom networks

End-to-end network implementation services are offered to network and service operators and to telecom equipment manufacturers. YIT designs, builds and maintains fixed telecom networks, mobile and radio networks and data networks.

New customer agreements were signed with teleoperators during the report year, expanding the customer base and increasing the work volume of YIT's installation services. For instance, telephone companies of Kuopio, Pietarsaari, Iisalmi and Loviisa outsourced their installation service functions to YIT.

YIT also designs and installs data networks for events. At the World Championships in Athletics held in Helsinki in the summer, YIT handled the networks required by the results reporting service, the landline phones in the press centre, the LAN and WLAN, and supplied connections, including some of the camera and audio links of radio and TV broadcasters.

### Data network helpdesk services

Telecom installation and maintenance services and technical helpdesk services are offered to customers such as IT service providers and, through operators, to end users. YIT installs different types of connections, PC workstations and their peripherals, and internal network solutions. Helpdesk services also include the installation of workstations, software, updates and patches, and user support. In addition, helpdesk services handle the warranty-period repair and maintenance of workstations as well as move them from one location to another.

The number of household broadband connections almost matches their number of computers. The range of helpdesk services supplied with broadband connection installation has increased in recent years, as has the demand for them.

During the report year, outsourcing agreements were made with equipment and service providers and operators for telecom installation and maintenance services, technical helpdesk services, and services for the construction and maintenance of IT environments.

**Telecom installers Timo Kurvi (left) and Kyösti Juopperi at the harbour area of the city of Lappeenranta, assessing the location of cable damage.**

**At the Sijoitus-Invest Fair in Helsinki, one could meet both YIT's then current and future Group CEO: Reino Hanhinen is in the background and Hannu Leinonen in the foreground.**

## Information for shareholders

**Dividend**

- The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 1.10 per share be paid for the 2005 financial year.
- The right to a dividend rests with a shareholder who by the record date, March 16, 2006, has been entered as a shareholder in the company's shareholder register that is kept by Finnish Central Securities Depository Ltd.
- The Board of Directors proposes that the dividend be paid on March 23, 2006.

**Annual General Meeting**

- The Annual General Meeting of YIT Corporation is held at 3:00 p.m. (Finnish time) on Monday, March 13, 2006 at Finlandia Hall, Mannerheimintie 13 E, 00100 Helsinki, Finland.
- The right to participate in the meeting rests with a shareholder who by March 3, 2006, at the latest has been entered as a shareholder in the company's shareholder register that is kept by Finnish Central Securities Depository Ltd.
- Shareholders who wish to participate in the Annual General Meeting must notify the company thereof no later than by 4:00 p.m. on March 9, 2006.

Registration

By telephoning +358 20 433 2257 or +358 20 433 2453
By e-mailing liisa.nordberg@yit.fi or pirkko.pesonen@yit.fi
By writing to YIT Corporation, Marja Salo,
P.O. Box 36, FI-00621 Helsinki, Finland

Proxies

It is requested that shareholders notify the company of any proxies when registering and that any proxies be sent to the above address before the expiry of the registration period.

The Annual General Meeting is discussed in greater detail on page 56.

# YIT AS AN INVESTMENT

### Operations expanded profitably

YIT has implemented a strategy of profitable growth since 1994. In just over a decade, revenue has increased annually by an average of 18.4 per cent. In spite of strong growth, profitability and solvency have remained good. In 1998, YIT set strategic target levels for return on investment and the equity ratio. In 1998–2005, annual return on investment has been 13.7–26.4 per cent and the equity ratio has ranged between 28.3 and 41.6 per cent.

### Growth on a stable footing

YIT's growth will yield an increasing number of new business opportunities. At the same time, the company has become an ever more stable investment, as its operations are not dependent on economic trends in only a single business segment or country. YIT operates in all the Nordic countries, the Baltic countries and Russia, and its service portfolio covers all the basic technical structures of our modern living environment.

### Good share yield

The trend in YIT's share price has been favourable, and the company has succeeded in ensuring a steadily evolving flow of dividends for its shareholders. Including the dividend for 2004, the share yield in 2005 was 100.6 per cent. In accordance with the proposal of the Board of Directors, the dividend per share will be raised for the eleventh year in a row. During the last five years, YIT's share price has more than quintupled and the number of shareholders has more than trebled.

### Financial objectives strenghtened

The company's outlook for the future is good in all its business segments and territories. The strategy of profitable growth will continue. In 2005, the targets set for annual growth in revenue, return on investment and the dividend payout ratio were raised, whilst the target level for the equity ratio remained the same.

## Analyst coverage

| | |
|---|---|
| Alfred Berg Finland Oyj Abp | *Jan Brännback* |
| Carnegie Investment Bank AB | *Miikka Kinnunen* |
| Credit Agricole Cheuvreux Nordic AB | *David Halldén* |
| Deutsche Bank AG | *Timo Pirskanen* |
| eQ Bank | *Kalle Karppinen* |
| Enskilda Securities | *Tommy Ilmoni* |
| Evli Bank Plc | *Mika Karppinen* |
| FIM Securities Ltd | *Jari Westerberg* |
| Handelsbanken Capital Markets | *Ari Järvinen* |
| Impivaara Securities Ltd | *Jeffery Roberts* |
| Kaupthing Bank Oyj | *Mika Metsälä* |
| Mandatum Stockbrokers Ltd | *Robin Johansson* |
| Opstock Ltd | *Mikael Doepel* |

Analysts' contact details can be found on YIT's website.

# INVESTOR RELATIONS

The aim of YIT's Investor Relations is to communicate all the essential information on YIT to all the market parties, and to do so continuously, consistently and equitably, so that the value of YIT's share reflects its fair value. We seek to provide the market with highly accurate information and to maintain openness and transparency. A service-minded attitude in all investor relations is one of our operating principles.


**YIT Corporation**
Investor Relations
P.O. Box 36, FI-00621
Helsinki, Finland

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*Esko Mäkelä*, Executive Vice President,
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Tel. +358 20 433 2258
e-mail: esko.makela@yit.fi

*Petra Thorén*, Vice President,
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Mobile +358 40 764 5462
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Mobile +358 40 840 2500
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*Virva Salmivaara*, Communications Officer
Tel. +358 20 433 2781
Mobile +358 40 830 8091
e-mail: virva.salmivaara@yit.fi


## Investor's calendar 2006

| | |
|---|---|
| 2005 Financial Statement Bulletin | February 10, 2006 at 08:00 |
| Annual Report | Week 9 |
| Annual General Meeting | March 13, 2006 at 15:00 |
| Interim Report for January - March | April 27, 2006 at 08:00 |
| Interim Report for January - June | July 28, 2006 at 08:00 |
| Interim Report for January - September | October 27, 2006 at 08:00 |

YIT has a two-week closed period before the publication of each of its earnings releases. During that period, the company's representatives do not provide comments on company's financial state or meet capital market representatives.

**Shown accepting the investor relations award: Virva Salmivaara, Esko Mäkelä and Petra Thorén.**

## Publications and releases

The Annual Report, Interim Reports and stock exchange releases can be read in Finnish and English on YIT's site at www.yit.fi/english. You may also sign up for the release emailing list on the site.

Printed copies of the Annual Report are mailed to all shareholders included in the register kept by Finnish Central Securities Depository Ltd.

Financial reports and other YIT publications can be ordered from YIT's Investor Relations.

## Address changes

Shareholders are requested to make notification of changes in their address to the bank branch office in which their book-entry account is handled.

If the account is handled at Finnish Central Securities Depository Ltd, notifications of address changes should be sent to Finnish Central Securities Depository Ltd, P.O. Box 1110, FI-00101 Helsinki, Finland.

## YIT had the best management of investor relations for the third time

YIT was ranked for the third time running as the company with the best management of investor relations in a study carried out by the Swedish research and analysis firm Regi. In the study, analysts and portfolio managers were asked about their experiences of how companies communicate with the capital markets.

YIT received the highest marks in Finland both as a whole and in practical investor relations. Petra Thorén, Vice President, Investor Relations, took shared first place in her category.

# MAIN STOCK EXCHANGE RELEASES IN 2005

**February 15, 2005**
Financial statement bulletin for 2004. YIT posted its best-ever result in 2004. Revenue was EUR 2,780.1 million and operating profit EUR 157.4 million (accounting for IFRS adjustments).

**March 16, 2005**
Resolutions passed at the Annual General Meeting. It was decided that a dividend of EUR 0.70 would be paid per share. Ilkka Brotherus, Eino Halonen, Reino Hanhinen, Teuvo Salminen and Antti Herlin were re-elected as Board members. The Annual General Meeting also decided on the buyback of YIT shares and authorized the Board of Directors to decide on the conveyance of own shares.

**March 30, 2005**
The Board of Directors elected, from amongst its number, Ilkka Brotherus as chairman and Eino Halonen as vice chairman. Ilkka Brotherus, Eino Halonen and Teuvo Salminen were elected as members of the Audit Committee.

**April 6, 2005**
Publication of YIT Corporation's IFRS Comparative Information for the 2004 financial year.

**April 11, 2005**
Hannu Leinonen was appointed as YIT's new Group CEO and Sakari Toikkanen as the deputy to the Group CEO as from the beginning of 2006.

**April 14, 2005**
Antti Nurminen was appointed as managing director of YIT Primatel Ltd, which offers network services.

**April 27, 2005**
YIT founded a joint venture for the developer-contracting of housing in Moscow.

**May 4, 2005**
Interim Report, 1 Jan. – Mar. 31, 2005. Revenue was EUR 663.9 million and operating profit EUR 40.1 million.

**May 4, 2005**
YIT's business operations were divided into three business segments by merging Services for Industry and Data Network Services to form a new business segment as from June 1, 2005: Industrial and Network Services. Pekka Frantti was appointed as the president of the business segment.

**May 18, 2005**
Leif S. Gustafsson was appointed as president of YIT Sverige AB, which provides building system services in Sweden.

**June 16, 2005**
A cooperation agreement on the development of the Lielahti area of Tampere was made with M-real.

**June 30, 2005**
YIT and Kesko continued their cooperation in property management and maintenance at about 400 locations in different parts of Finland.

**August 5, 2005**
Interim Report, Jan 1. – June 30, 2005. Revenue was EUR 1,409.0 million and operating profit EUR 95.8 million.

**September 21, 2005**
YIT amended its strategic target levels. The revenue growth target was set to 10 per cent annually on average. The target level for return on investment was raised to 22 per cent. The target for the dividend payout ratio was increased to 40–60 per cent. The target level for the equity ratio was kept at 35 per cent.

**November 4, 2005**
Interim Report, Jan. 1 – Sept. 30, 2005. Revenue was EUR 2,163.8 million and operating profit EUR 162.5 million.

The Annual Report, Interim Reports and stock exchange releases can be read in Finnish and English on YIT's site at www.yit.fi/english. You may also sign up for the release emailing list on the site.

# SHARE AND SHAREHOLDERS

### YIT's share

YIT Corporation's share is quoted on the Main List of the Helsinki Stock Exchange under the Industrials sector. The size of a trading lot is 50 shares.

The company has one series of shares. Each share carries one vote and confers an equal right to a dividend.

The nominal value of the share is one euro. The Finnish taxation value of YIT's share confirmed for 2005 is EUR 25.20 per share.

### Share price trend and turnover

At the end of 2005, the closing rate of YIT's share was EUR 36.13 (2004: EUR 18.36), up 96.8 per cent during the report year. Including the dividend for 2004, the share yield was 100.6 per cent (41.0%). The share price trend was significantly better than the general share price trends on the Helsinki Stock Exchange, because, as measured by the OMXH All-share Index, share prices were 31.1 per cent higher at the end of 2005 than at the turn of the previous year. The increase in share prices, as measured by the weight-limited OMXHCAP Portfolio Index, was 30.1 per cent during the report year.

The highest price of YIT's share during 2005 was EUR 36.50 (EUR 18.84) and the lowest was EUR 17.90 (EUR 13.51). The average price was EUR 27.97 (EUR 15.92). YIT Corporation's market capitalization at the end of the year was EUR 2,254.4 million (EUR 1,125.3 million), representing an increase of 100.3 per cent on the previous year.

Share turnover also grew significantly compared with 2004. Share turnover on the Helsinki Stock Exchange in 2005 amounted to 60,184,308 shares (45,579,537). The value of share turnover was EUR 1,697.3 million (EUR 725.8 million). The average daily turnover was 237,883 shares (180,156). The figures have been adjusted to correspond to the number of shares after the halving of the nominal value of the share (split) in 2004.

### Dividend payout

YIT's goal is to follow an active dividends policy and offer shareholders a steady flow of dividends. YIT has raised the dividend from 1995 to 2004. In 2005, YIT's Board of Directors increased the target level for the dividend payout ratio. The company set itself the strategic goal of paying out as dividends 40–60 per cent of annual earnings after taxes and minority interest.

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 1.10 per share be paid for the 2005 financial year, representing 43.7 per cent of earnings per share.

### Trading codes on the Helsinki Stock Exchange:

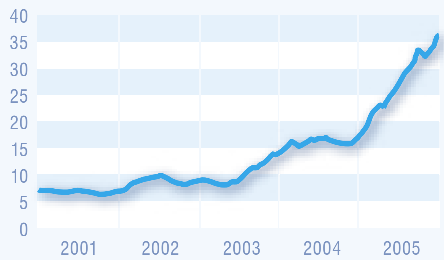
YIT's share: YTY1V
Series C share option: YTY1VEW102
Series D share option: YTY1VEW202
Series E share option: YTY1VEW104 (starting April 1, 2006)
Series F share option: YTY1VEW204 (starting April 1, 2007)

The shares and share options are included in the book-entry system maintained by Finnish Central Securities Depository Ltd.

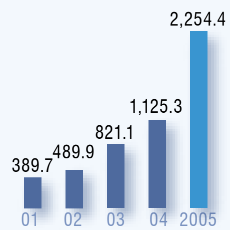
### Additional information

Ten-year share-related key figures are presented on page 74.

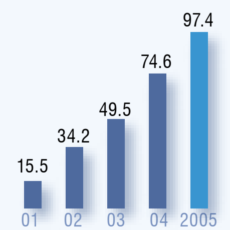
**Development of YIT share price 2001–2005, EUR**




**Market capitalization, MEUR**




**Share turnover of shares outstanding, %**

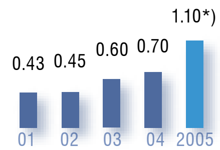



**Dividend payout**

| | 2001 | 2002 | 2003 | 2004 | **2005** |
|---|---|---|---|---|---|
| Dividend/share, EUR*) | 0.43 | 0.45 | 0.6 | 0.7 | **1.10**)** |
| Dividend/per-share earnings, % | 39.7 | 60.4 | 73.2 | 43.2 | **43.7**)** |
| Dividends paid, MEUR | 24.5 | 26.3 | 36.6 | 42.9 | **68.6**)** |

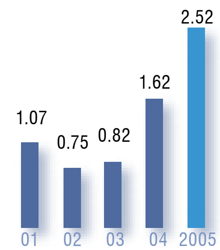
*) The halving of the nominal value of the share, registrered on March 26, 2004, has been taken into account.
**) Board of Directors' proposal

**Dividend/share, EUR**

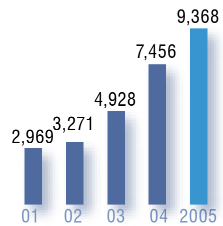



*) Board of Directors' proposal

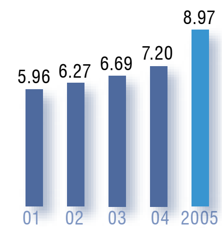
**Earnings/share, EUR**




**Number of shareholders 2001–2005**




**Equity/share, EUR**



## Share capital and number of shares

At the beginning of 2005, the total number of shares issued by the company amounted to 61,292,854 and share capital amounted to EUR 61,292,854. During the report year, the number of shares grew by 1,104,498 due to share subscriptions carried out on the basis of the Series C and D share options from 2002. At the end of 2005, the number of shares was 62,397,352 and share capital amounted to EUR 62,397,352.

According to the Articles of Association, the company's minimum share capital is EUR 50 million and the maximum share capital is EUR 200 million. Within these limits the share capital can be increased or decreased without amending the Articles of Association.

No share issues were organized in 2005 and the company did not float convertible bonds or bonds with warrants.

### Increases in share capital, 2001–2005

| Registration date | Number of new shares | New number of shares | New share capital, EUR |
|---|---|---|---|
| May 6, 2002 | 125,100 | 29,508,785 | 59,017,570 |
| Jun 27, 2002 | 124,900 | 29,633,685 | 59,267,370 |
| Aug 26, 2002 | 1,400 | 29,635,085 | 59,270,170 |
| Dec 5, 2002 | 111,250 | 29,746,335 | 59,492,670 |
| May 8, 2003 | 2,600 | 29,748,935 | 59,497,870 |
| Jun 26, 2003 | 57,751 | 29,806,686 | 59,613,372 |
| Aug 21, 2003 | 311,160 | 30,117,846 | 60,235,692 |
| Oct 31, 2003 | 285,350 | 30,403,196 | 60,806,392 |
| Dec 4, 2003 | 120,179 | 30,523,375 | 61,046,750 |
| Mar 26, 2004 | 30,523,375 | 61,046,750 | 61,046,750 |
| May 6, 2004 | 35,130 | 61,081,880 | 61,081,880 |
| Jun 28, 2004 | 78,060 | 61,159,940 | 61,159,940 |
| Aug 23, 2004 | 18,780 | 61,178,720 | 61,178,720 |
| Dec 9, 2004 | 114,134 | 61,292,854 | 61,292,854 |
| May 6, 2005 | 380,706 | 61,673,560 | 61,673,560 |
| Jun 27, 2005 | 325,538 | 61,999,098 | 61,999,098 |
| Aug 19, 2005 | 131,176 | 62,130,274 | 62,130,274 |
| Dec 5, 2005 | 267,078 | 62,397,352 | 62,397,352 |

The increases in the share capital in 2002 and 2003 resulted from share subscriptions carried out on the basis of the 1998 share options. The halving of the nominal value of the share (split) was registered on March 26, 2004, without increasing the share capital. The increases in the share capital in 2004 were due to share subscriptions carried out on the basis of the Series C share options from 2002. The increases in the share capital in 2005 were due to share subscriptions carried out on the basis of the Series C and D share options from 2002.

### Management's share and share option ownership

On December 31, 2005, the members of YIT Corporation's Board of Directors as well as the president and CEO and the executive vice president owned a total of 1,144,860 YIT shares (December 31, 2004: 2,328,204), corresponding to 1.7 per cent (3.8) of the company's shares and the votes conferred by them. Share ownership includes their direct holdings and the holdings of their close associates and controlled corporations.

On December 31, 2005, the president and CEO and the executive vice president had a total of 58,665 (31,901) Series C and D share options from 2002. If these options were to be exercised in full, YIT Corporation's number of shares would increase by 117,330 on the basis of the subscriptions, increasing the share capital by EUR 117,330; on December 31, 2005, this amount would have represented 0.19 per cent of the company's number of votes and share capital. Members of the Board of Directors who are not employed by the company are not covered by the share option programmes.

### Own shares and Board authorizations

The Annual General Meeting of YIT Corporation held on March 16, 2005 decided to buy back a minimum of 200 and a maximum of 2,000,000 of the company's own shares and authorized the Board of Directors to decide on the conveyance of these shares. In December 2005, YIT Corporation acquired 200 of the company's own shares at an average price of EUR 35.25 per share. During 2005, no shares in the parent company were owned by subsidiaries.

At the end of the year, the Board of Directors did not have valid share issue authorizations or authorizations to issue convertible bonds or bonds with warrants.

## Share subscriptions and trading in 2005

In the period from April 1, 2005, to November 30, 2005, a total of 422,876 shares were subscribed for with the Series C share options and 681,622 with the Series D share options. The resulting increases in the share capital, totalling EUR 1,104,498, were entered in the Trade Register in four instalments.

During the report year, 312,165 Series C share options were traded at an average price of EUR 34.17 and 372,895 Series D share options were traded at an average price of EUR 41.55.

## Additional information

The complete terms and conditions of the share option programmes are available on YIT's Internet site.

Management's share and share option ownership can be found in the Corporate Governance section on page 59.

## Share option programmes

In 2005, YIT had two share option programmes in operation. The share option programme from 2002 is directed at the Group's management and key employees and includes the Series C and D share options. The share option programme from 2004 includes the Series E and F share options and is directed at management and key employees in the Building Systems business segment who were not part of the 2002 programme.

YIT Construction Ltd subscribed for the Series D share options for staggered distribution to members of the Group's management and key employees in 2003–2005 on the basis of the achievement of the profitability and growth objectives set forth in the share option programme. YIT Construction Ltd subscribed for the Series F share options for staggered distribution to the Building Systems business segment's management and key employees in 2005–2007 on the basis of the achievement of the objectives set for the business segment's result (EBITA %). YIT Construction Ltd does not have the right to subscribe for YIT shares with the options.

By the end of 2005, a total of 427,740 Series C share options and 698,520 Series D share options had been distributed to the Group's management and key employees. By November 30, 2005, a total of 668,980 shares had been subscribed for with the Series C share options and 681,622 with the Series D share options.

### Summary of the share option programmes

| | Series C | Series D | Series E | Series F |
|---|---|---|---|---|
| Option subscription period | Year 2002 | Year 2002 | Year 2004 | Year 2004 |
| Maximum number of options | 450,000 | 950,000 | 180,000 | 420,000 |
| Subscribers | approx. 110 people | YIT Construction Ltd | approx. 65 people | YIT Construction Ltd |
| Quoted on the stock exchange from | April 1, 2004 | April 1, 2005 | April 1, 2006 (target) | April 1, 2007 (target) |
| Share subscription period April 1 - November 30 in | 2004–2006 | 2005–2006 | 2006–2007 | 2007 |
| Subscription price for 1 share | EUR 6.545 | EUR 5.845 | EUR 15.40 less the per-share dividend paid for 2004 and 2005 | EUR 15.40 less the per-share dividend paid for 2004–2006 |
| Number of shares each share option entitles its bearer to subscribe for | 2 | 2 | 1 | 1 |
| Maximum share capital increase on the basis of share subscriptions | EUR 900,000 | EUR 1,900,000 | EUR 180,000 | EUR 420,000 |

## Shareholders

During 2005, the number of registered shareholders rose from 7,456 to 9,368, that is, by 25.6 per cent. The number of private investors increased by more than 1,800.

At the beginning of the year, a total of 27.9 per cent (22.1%) of the shares were owned by international investors, while this figure was 39.9 per cent (27.9%) at year's end.

During 2005, there were no changes in YIT share ownership that would have required flagging notification.

### Distribution by groups of shareholders, Dec 31, 2005

| | Number of shareholders | Proportion of shareholders, % | Number of shares | Proportion of shares, % |
|---|---|---|---|---|
| Companies | 776 | 8.2 | 3,615,130 | 5.8 |
| Financial and insurance institutions | 100 | 1.1 | 15,187,143 | 24.3 |
| Public sector entities | 54 | 0.6 | 8,676,734 | 13.9 |
| Non-profit institutions | 296 | 3.2 | 3,310,431 | 5.3 |
| Households | 8,089 | 86.3 | 6,741,999 | 10.8 |
| Foreign owners | 53 | 0.6 | 24,865,915 | 39.9 |
| (of which nominee-registered) | (13) | (0.0) | (23,552,031) | 37.7 |
| Total | 9,368 | 100.0 | 62,397,352 | 100.0 |

Each nominee register is recorded in the share register as a single shareholder.

### Distribution of shareholdings by size class, Dec 31, 2005

| Number of shares | Number of shareholders | Proportion of shareholders, % | Number of shares | Proportion of shares, % |
|---|---|---|---|---|
| 1–100 | 2,405 | 25.7 | 174,697 | 0.3 |
| 101–1,000 | 5,264 | 56.2 | 2,138,576 | 3.4 |
| 1,001–10,000 | 1,436 | 15.3 | 4,062,825 | 6.5 |
| 10,001–100,000 | 214 | 2.3 | 6,016,313 | 9.6 |
| 100,001–1,000,000 | 42 | 0.4 | 11,960,517 | 19.2 |
| 1,000,001–10,000,000 | 6 | 0.1 | 25,158,756 | 40.3 |
| 10,000,001–100,000,000 | 1 | 0.0 | 12,885,668 | 20.7 |
| Total | 9,368 | 100.0 | 62,397,352 | 100.0 |

### Purchase obligation clause

YIT Corporation's Articles of Association include a pre-emptive purchase obligation clause. According to this clause, a shareholder whose stake in the company's shares outstanding or the votes conferred by them either reaches or exceeds one third and/or half must offer to purchase the remainder of the shares issued by the company and the securities entitling to these shares as defined in the Companies Act.

### Nominee-registration

Instead of opening up a book-entry account, foreign investors can enter their shareholdings in Finnish companies in a nominee register. By means of nominee-registration, the portfolios of many investors can be managed through one account. The register does not directly indicate the names of the shareholders, and each nominee register is recorded in a company's – such as YIT's – Share Register as a single shareholder. Nominee-registered shares do not entitle their owners to exercise the voting rights conferred by such shares.

### Principal shareholders, Dec 31, 2005

| | | Number of shares | % of shares and votes |
|---|---|---|---|
| Sampo Life Insurance Company Ltd | | 5,366,710 | 8.60% |
| Suomi Mutual Life Assurance Company | | 4,285,590 | 6.87% |
| Varma Mutual Pension Insurance Company | | 3,906,604 | 6.26% |
| Ilmarinen Mutual Pension Insurance Company | | 1,667,000 | 2.67% |
| Tapiola Group<br>Tapiola General Mutual Insurance Company | 592,210 | | |
| Tapiola Mutual Pension Insurance Company | 374,650 | | |
| Tapiola Mutual Life Assurance Company | 348,500 | | |
| Tapiola Corporate Life Insurance Company | 149,430 | 1,464,790 | 2.35% |
| Etera Mutual Pension Ins. Company | | 926,200 | 1.48% |
| Odin Norden | | 733,900 | 1.18% |
| Kaleva Mutual Insurance Company | | 700,000 | 1.12% |
| OP-Delta Mutual Fund | | 636,760 | 1.02% |
| Brotherus Ilkka | | 612,370 | 0.98% |
| Nominee-registered | | 23,552,031 | 37.75% |
| Other shareholders, total | | 18,545,397 | 29.72% |
| Total | | 62,397,352 | 100.00% |

This information is based on the shareholder list maintained by Finnish Central Securities Depository Ltd.

### Additional information

The Corporate Governance Recommendation for listed companies that was released by HEX Ltd, the Central Chamber of Commerce and the Finnish Confederation of Industry and Employers TT is available from the Internet site of the Helsinki Stock Exchange (http://www.hex.com/en/rules/).

### Additional information in the Annual Report

Presentation of the members of the Board of Directors and shareholdings on pages 64–65.

Personal information on the CEO, his deputy and other members of the Management Board and their holdings of YIT shares and options are presented on pages 66–68.

YIT's risk management policy is presented in greater detail on pages 62–63.

### Additional information on YIT's Internet site

YIT Corporation's Articles of Association

Resolutions of the Annual General Meeting

The YIT Group's Guidelines for Insiders

Up to date information on the shares and options held by insiders subject to the disclosure requirement, and changes in these holdings

# CORPORATE GOVERNANCE

The administration of the YIT Group and its parent company, YIT Corporation, complies with Finnish legislation – particularly the Companies Act, the Securities Market Act and the Accounting Act, and EU's IAS regulation – and the rules and instructions of the Helsinki Stock Exchange. The main principles are defined in the Articles of Association of YIT Corporation. In addition, YIT complies with the recommendations on the Corporate Governance of listed companies that were released by HEX Ltd, the Central Chamber of Commerce and the Finnish Confederation of Industry and Employers TT in December 2003.

## Annual General Meeting

YIT Corporation's Annual General Meeting is the company's highest decision-making body. The Annual General Meeting is held annually by the end of March. In accordance with the Companies Act, the Annual General Meeting takes decisions on matters such as:

- approving the financial statements
- the payment of dividends
- discharging the members of the Board of Directors and the president from liability
- the election of Board members and the remuneration to be paid to them
- the election of the auditor and the remuneration to be paid for the audit
- amendments to the Articles of Association
- decisions leading to changes in the share capital
- share buyback and transferring the company's own shares
- share option schemes.

Annual General Meetings are convened by the company's Board of Directors, which proposes the matters to be included in the agenda of the meeting. Extraordinary general meetings are held when the Board of Directors considers it advisable to do so or when demanded by a shareholder or shareholders owning at least 10 per cent of the shares outstanding in the company or by the company's auditor.

Shareholders have the right to have items included in the agenda of the general meeting, provided they demand, in writing, the Board of Directors to do so early enough that the item can be included in the Notice of Meeting.

The Notice of Meeting is published in the Helsingin Sanomat and Kauppalehti newspapers and on the company's Internet site. The notice announces the names of the persons who have been nominated to seats on the Board of Directors. The condition is that these persons have the support of shareholders who hold at least a total of 10 per cent of the voting rights conferred by the company's shares and that the nominees have given their consent to being elected. The name of the nominated auditor is also announced.

The right to participate in a general meeting rests with a shareholder who has been entered as a shareholder in the company's shareholder register ten days before the meeting. YIT has only one series of shares. Each share confers one vote at general meetings. The minutes of a general meeting are made available for inspection by shareholders within two weeks of the meeting at YIT's head office (Panuntie 11, Helsinki, Finland).

## Board of Directors

The Board of Directors of the parent company, YIT Corporation, attends to the administration and the proper organization of the operations of the Group; in addition, it directs and oversees the operations of the Group. The Board of Directors ensures that the supervision of accounting and asset management is organized appropriately. It is the duty of the Board to promote the interests of the YIT Group and all YIT Corporation shareholders. The Board members shall not represent the parties that proposed them for membership on the Board.

### Tasks of the Board of Directors

The key tasks and working principles of the Board of Directors are defined in the standing orders that were reviewed in December 2005. The Board of Directors takes decisions on matters that are of far-reaching significance to the Group and which are significant in principle, such as:

- the election of the president and CEO and his deputy and deciding on their salary, remuneration and other terms of employment
- the Group's strategy and objectives
- budgets and operating plans and overseeing their realization
- processing and approving the financial statements, report of the Board of Directors and Interim Reports
- specifying the dividends policy and making a proposal to the Annual General Meeting on the dividends to be paid for the year
- significant acquisitions and other investments
- the Group's operational structure
- ensuring the functionality of management systems
- approving the principles and objectives of risk management
- ratifying the Group's values.

The Board of Directors convened 11 times in 2005. One of these meetings was held over the telephone. The average attendance rate at meetings was 94.6 per cent.

## Composition and term of office of the Board of Directors

According to the Articles of Association, the Board of Directors shall include a minimum of five and a maximum of seven members who are elected by the Annual General Meeting for a term of one year. At the Annual General Meeting held on March 16, 2005, five members were elected:

- Ilkka Brotherus, Managing Director of Sinituote Oy
- Eino Halonen, Managing Director of Suomi Mutual Life Assurance Company
- Reino Hanhinen, Group CEO of YIT Corporation
- Antti Herlin, Chairman of the Board of Directors of KONE Corporation
- Teuvo Salminen, Deputy CEO of Jaakko Pöyry Group Oyj.

The members' term of office begins at the Annual General Meeting which elected them and ends at the conclusion of the next Annual General Meeting. Decisions at the Board of Directors are taken by majority vote. If voting is split, then the chairman has the decisive vote. A person who is 67 years old or over cannot be elected as a member.

The Board of Directors elects a chairman and vice chairman from amongst its members. At its organization meeting on March 30, 2005, the Board of Directors elected Ilkka Brotherus as its chairman and Eino Halonen as its vice chairman. At the meeting of the Board of Directors on April 11, 2005, it was decided that Reino Hanhinen will assume chairmanship of the Board of Directors as from the beginning of January 2006, with Ilkka Brotherus as vice chairman.

With the exception of Reino Hanhinen, none of the Board members are dependent on YIT. All the members are independent of significant shareholders in YIT, as required in the recommendation on the Corporate Governance of listed companies issued by HEX Ltd, the Central Chamber of Commerce and the Finnish Confederation of Industry and Employers TT. The Board members represent a wide range of expertise and experience in different fields that complement each other.

The Board of Directors assesses its activities and working methods annually. Board members submit their assessments of Board activities to the chairman of the Board by the end of January at the latest.

## Committees of the Board of Directors

On March 30, 2005, the Board of Directors elected an Audit Committee with three members from amongst its number. The members of the Audit Committee are Ilkka Brotherus (chairman), Eino Halonen and Teuvo Salminen. None of these Board members are dependent on YIT.

The Board of Directors has confirmed written standing orders for the Audit Committee. It is the task of the Audit Committee to assist the Board of Directors in supervisory duties related to the YIT Group's reporting and accounting

## Remuneration of Board members

The Annual General Meeting held on March 16, 2005, decided to pay those members of the Board of Directors who are not in the employ of the Group remuneration for the entire term of office such that the annual remuneration of the chairman is EUR 39,600 per year, or EUR 3,300 per month, that of the vice chairman EUR 36,000 per year, or EUR 3,000 per month, and that of members EUR 33,000 per year, or EUR 2,750 per month.

It was decided that the remuneration would be paid in its entirety as one sum such that about 40 per cent of the remuneration will be used to acquire YIT Corporation shares on the Helsinki Stock Exchange on behalf and in the name of each Board member, with the remainder being paid in cash and used for withholding tax. Furthermore, it was decided that a meeting fee of EUR 500 per meeting will be paid to the members of the Board of Directors and the Audit Committee. A decision was made that per diems for trips in Finland and abroad will be paid in accordance with the State's travelling compensation regulations.

On May 4 and 9, 2005, YIT shares were purchased for the Board members: 670 for the chairman, 610 for the vice chairman and 570 for the members. The average share price was EUR 23.30.

In 2005, YIT Corporation's Board members were paid a total of EUR 170,050 in remuneration. Members of the Board of Directors who are not employed by YIT are not covered by the company's share option programmes.

### Remuneration paid to and the terms of the employment of the president and CEO and his deputy

The Board of Directors decides on the president's and his deputy's salary, remuneration and other terms of employment. The bonuses paid to management are determined on the basis of the realization of the Group's strategic profitability, growth and development objectives and personal objectives.

In 2005, the regular salary paid to President and CEO Hanhinen, inclusive of fringe benefits, amounted to EUR 506,824, and the bonuses paid to him amounted to EUR 321,179, to a total of EUR 828,003. In 2005, 18,212 Series D share options from the 2002 share option programme were granted to the president and CEO. He did not subscribe for any YIT shares with options in 2005.

In 2005, the regular salary paid to the deputy to the CEO, Mäkelä, inclusive of fringe benefits, amounted to EUR 258,624, and the bonuses paid to him amounted to EUR 58,000, to a total of EUR 316,624. He was granted 9,106 Series D share options. The deputy to the CEO did not subscribe for YIT shares with options in 2005.

The retirement age of President and CEO Reino Hanhinen has been set at 62. Hanhinen retired on December 31, 2005. The retirement age of Executive Vice President Esko Mäkelä has been set at 63. The retirement age of Hannu Leinonen, who started out as CEO in January 2006, and that of Sakari Toikkanen, the new deputy to the CEO, has been set at 62.

The president and CEO, his deputy and the members of the Board of Directors did not have cash loans from the company or its subsidiaries on December 31, 2005.

processes, including internal monitoring, risk management, internal auditing and both guiding and supervising the audit.

The Audit Committee convened four times in 2005. The Board of Directors does not have other committees.

### President and CEO

The president and CEO attends to the day-to-day administration of the company in accordance with the instructions and regulations laid down by the Board of Directors. He also ensures that the company's accounting is lawful and asset management is organized reliably. The president and CEO of the parent company, whose title is Group CEO, serves as the chairman of the Group's Management Board and as the chairman of the Boards of YIT Building Systems Oy, YIT Construction Ltd and YIT Industrial and Networks Services Ltd.

Since 1987, YIT Corporation's president and CEO has been Reino Hanhinen (born 1943), M.Sc. (Eng.), who was also appointed as Group CEO on June 1, 2000. The deputy to the president and CEO has been Executive Vice President Esko Mäkelä (born 1943), M.Sc. (Eng.). Reino Hanhinen retired at the beginning of January 2006. In accordance with the decision by YIT's Board of Directors on April 11, 2005, Hanhinen assumed the chairmanship of the Board at the beginning of January, Hannu Leinonen, M.Sc. (C.E.), (born 1962), started out as the president and CEO and Sakari Toikkanen, Lic. (Tech.), (born 1967), as executive vice president and the deputy to the CEO. Esko Mäkelä will continue to serve as executive vice president until December 31, 2006, with responsibility for investor relations.

### The Group's Management Board

The Group's Management Board, which meets once a month as a rule, assists the Group CEO with operational planning and management and prepares matters that are to be dealt with by the parent company's Board of Directors. Among other duties, the Management Board formulates and coordinates the Group's strategic and annual planning, supervises the realization of plans and reporting, and prepares major investments and acquisitions. Its central tasks include the development of intra-Group activities, the corporate culture and the corporate image.

### Shares and options owned by the Board of Directors, the president and CEO and the Group's Management Board, December 31, 2005

| | Share | C option | D option | E option | F option |
|---|---|---|---|---|---|
| Board of Directors (excl. President and CEO) | 1,037,960 | - | - | - | - |
| President and CEO *) | 78,900 | 15,570 | 26,066 | - | - |
| Deputy to the CEO **) | 28,000 | 4,040 | 13,033 | - | - |
| Group's Management Board (excl. President and CEO and his deputy) | 32,500 | 4,040 | 21,100 | 3,600 | 560 |

*) The president and CEO was also a member of the Board of Directors and the chairman of the Group's Management Board in 2005.
**) The deputy to the CEO is a member of the Group's Management Board.

Share and option ownership includes direct ownings and ownings of family members and insider's controlled corporations.

The YIT Group's Management Board comprises:
- Group CEO (chairman)
- deputy to the Group CEO (vice chairman)
- the Group's Executive Vice President
- presidents of the parent companies of the main business segments
- Vice President, Corporate Communications
- Vice President, Corporate Development
- Vice President, Investor Relations

### Insider administration

The YIT Group employs insider regulations that are in line with the Guidelines for Insiders approved by the Helsinki Stock Exchange for listed companies.

The insiders who are subject to the disclosure obligation are the members of the parent company's Board of Directors, the Group CEO and the deputy to the CEO, the executive vice president/secretary to the Board of Directors, the chief auditor as well as the members and secretary of the Group's Management Board. Other permanent insiders include persons responsible for matters such as administration, HR and legal affairs, accounting, finance, communications and investor relations at the Group level as well as the secretaries to senior management. In addition, the permanent insiders include the members of the Boards of Directors of the parent companies of the Group's main business segments as well as the secretaries of the presidents of these business segments and their financial managers. In total, the Group has about 50 permanent insiders.

Insiders may not buy or sell securities issued by YIT Corporation in the 14-day period preceding the publication of the financial statement bulletin or interim reports ("closed window"). Project-specific insider registers are set up when necessary. Persons recorded in a project-specific insider register are barred from buying or selling YIT securities until the project is made public or lapses.

### Remuneration paid to the Group's Management Board

The Board of Directors decides on the salaries and bonuses of the members of the Group's Management Board. In 2005, the regular salary, inclusive of fringe benefits, paid to the members of the Management Board, excluding the CEO and his deputy, amounted to EUR 1,161,149 and the bonuses paid to them amounted to EUR 187,638, to a total of EUR 1,348,787. In 2005, a total of 50,260 Series D share options from the 2002 share option programme and 560 Series F share options from the 2004 share option programme were granted to them. On the basis of the 2005 share options, the members of the Management Board, excluding the CEO and his deputy, subscribed for 26,300 YIT shares in 2005.

The retirement age of the president and CEO and the executive vice president are presented in the above section on the terms and conditions of employment relationships. The retirement age of present CEO and that of, the present deputy to the CEO, has been set at 62. The contractual retirement age of one of the members of the Group's Management Board is 60. In other respects, the statutory retirement age applies to the members of the Management Board.

### Organization and internal supervision of business operations

The YIT Group's business operations are divided into main business segments. The heads of the business segments report to the Group CEO. The reporting and supervision of the business segments are based on budgets drafted every six months and on monthly performance reporting. Each business segment holds follow-up meetings led by the Group CEO twice a year; present at these meetings are the management of the business segment, the management of the business units and other key employees of the business segment.

As a rule, the Boards of Directors of the parent companies of the business segments meet on a monthly basis. The Group CEO serves as the chairman. The members are the deputy to the president of the Group's parent company, the executive vice president, the president of each business segment and the directors of the divisions and units operating in different countries. The Boards of Directors deal with matters such as the business segment's development, strategic and annual planning, the supervision of business operations and performance, investments, acquisitions and internal organization within the business segment.

Each of the divisions and country groups within the business segments have their own Management Boards. Their central task is to deal with matters related to business planning, the monitoring of performance and the development of operations. The Management Boards, which meet on a monthly basis as a rule, also include personnel representatives.

The control and supervision of the YIT Group's business operations are performed using the management system presented above. The company employs appropriate reporting systems for monitoring business operations and supervising asset management.

The Group's accounting department provides instructions on the drafting of the financial statements and interim financial statements as well as prepares the consolidated financial statements. The parent company's finance department attends to the YIT Group's asset management and funding on a centralized basis and is responsible for the management of interest and exchange rate risks. The financial managers of the business segments monitor that reporting within the business segments is carried out in line with the instructions issued by Group management. The Group's legal affairs department provides guidelines and supports the company's business functions in making and executing agreements. The Group's personnel department maintains and promotes the company's personnel policy and supports its implementation by the business functions.

### Internal audit

The parent company shall have an internal auditor whose main tasks involve business auditing and ensuring that the operating principles are consistent. The management, supervision and reporting systems used in business operations and asset management are described above. The Group's auditor assesses the functionality of the company's internal monitoring system as part of his supervision of the lawfulness of operations. The internal audit is also supervised by the Audit Committee of the Board of Directors.

### Audit

According to the Articles of Association, the company shall have one auditor that must be a firm of auditors approved by the Central Chamber of Commerce. The auditor's term of office is the financial period at the time of election and ends at the conclusion of the next Annual General Meeting. The Annual General Meeting in the spring of 2005 elected PricewaterhouseCoopers Oy (PwC), Authorized Public Accountants, to audit the administration and accounts in 2005. The chief auditor is Göran Lindell, Authorized Public Accountant, M.Sc. (Econ.).

In 2005, the auditor (PwC) was paid EUR 0.9 million in remuneration for the audit. In addition, the auditor (PwC) was paid EUR 0.2 million in remuneration for non-audit services.

### Risk management

The Board of Directors approves the risk management policy and objectives as well as guides and monitors the planning and implementation of risk management. The Group CEO holds overall responsibility for risk management. Overall responsibility includes strategic risks and risks related to the corporate culture, organization and key employees. The Group CEO reports to the Board of Directors. The management of the business segments identifies, assesses and monitors the major risks of their respective business segments and draws up contingency plans for the risks. The management of the business segments is responsible for the implementation of risk management within their business segment and reports to the Group CEO.

YIT's risk management is an integral part of the Group's management, monitoring and reporting systems. Regular reporting and monitoring is performed both at the Group and division levels. The units, divisions and business segments hold the primary responsibility for the identification and monitoring of the risks of business operations and preparations for them. Group Management attends to the management of risks related to strategy choices.

Integrated risk management hinges on the management of the company's total risk exposure from the entire Group's perspective, and not just the management of individual risk factors. Optimal risk management seeks to increase the company's value.

# RISK MANAGEMENT POLICY

**YIT's risk management policy aims to identify the major risk factors, taking the special characteristics of YIT's business operations and environment into consideration, and optimally manage them so that the company achieves its strategic and financial objectives. Risk management seeks to take all of the Group's major risk factors into consideration so that its total risk exposure is optimally managed in accordance with the strategic and financial objectives. Optimal risk management seeks to increase the company's value.**

**YIT's risk management is an integral part of the Group's management, monitoring and reporting systems. Regular reporting and monitoring are performed both at the Group and division levels. The identification of business risks and preparations for them are primarily carried out in the units, divisions and business segments. Group Management attends to the management of risks related to strategy choices.**

### Risk management organization and reporting

**The Board of Directors** approves the risk management policy and objectives as well as guides and supervises the planning and implementation of risk management.

**The Group CEO** holds overall responsibility for risk management, including strategic risks and the management of risks related to the corporate culture, organization and key employees. The Group CEO reports to the Board of Directors.

**The presidents of the business segments** identify, assess and monitor the major risks of their respective business segments and draw up contingency plans for the risks. The presidents of the business segments are responsible for the implementation of risk management within their business segments. They report to the Group CEO.

## Strategic risks

### Profitable growth

The management of risks related to strategy choices is based on anticipating changes in the business environment and markets and on agility in reacting to them. YIT will continue to pursue its strategy of profitable growth. In order to improve profitability and cash flow, the share of business accounted for by services close to end users and long-term service agreements will be stepped up.

### Acquisitions and managing growth

YIT's annual growth target is 10 per cent on average, exceeding the rate of market growth. Revenue growth is sought by rounding out the service portfolio in building systems in the Nordic and Baltic countries, stepping up residential construction in Russia and the Baltic countries as well as expanding the offerings of Industrial and Network Services in YIT's operating countries and through the outsourcing of industry and network operators. Growth potential is also seen in services offered directly to consumers – which have a high value-added content – and in different aspects of the technical infrastructure of society.

Growth is sought both organically and through acquisitions. The risks related to acquisitions are managed by means of the stringent strategic and financial screening of acquirees and especially through the efficient implementation of a post-acquisition integration programme. Good examples from the past few years are the acquisition of Calor, Primatel and Building Systems and their successful integration processes.

### Capital management

During the year now ended, YIT's target level for return on investment was raised from 20 to 22 per cent. The target level for the equity ratio was kept at 35 per cent. The ROI target reflects the channelling of growth into labour-intensive business areas where large investments are not required and which generate higher operating profit. In addition, capital is used effectively in more capital-intensive developer housing construction. The 35 per cent target level for the equity ratio is a good fit for YIT's optimal capital structure and risk level. The development of the capital structure is actively guided into the right direction by means of the target levels and by setting the generation of cash flow as one of YIT's strategic focus areas.

### Availability of competent employees and HR planning

YIT's business operations are labour intensive. Moreover, increasingly complex technical equipment is being used more widely, and the company's business has become highly service oriented – and this further highlights the importance of competent personnel. The company's strategic objectives are so demanding that it must be ensured that it has access to the best possible employees. The population of the Nordic countries is ageing, and in the next few years Nordic companies will face tougher competition for skilled labour. YIT seeks to maintain its good image as an employer and to hold on to its position as a pioneer in its field. YIT makes outlays on continuous on-the-job learning, internal training, job rotation and the transfer of expertise between the business segments. YIT has prioritized active hiring and cooperation with universities and educational institutions. In addition, considerable effort is devoted in HR planning to ensure the adequacy of personnel and the systematic development of their competence base.

### Growth in international operations

The Nordic countries, which form one of the most politically and economically stable areas in the world, account for about 88 per cent of YIT's revenue. Operations in the Baltic countries generate about seven per cent. Russia's share is four per cent. YIT's core revenue is stable and profitable, enabling the company to expand its operations in the growing housing market of Russia. YIT has 45 years of experience in the Russian market. Our local employees are well-versed in the markets and their mechanisms. Risk management focuses on acquiring skilled employees and finding the right partners. The trend in net working capital and cash flow is monitored systematically. The geographical diversity of business operations and the regional spread of the plot portfolio affect the management of the Group's total risk level.

### Project management

Efficient project management and in-depth process expertise at the level of line operations play a key role in achieving profitability, cost-effectiveness and good cash flow. Expertise is developed continuously by making outlays on training, contractual expertise, the development of offer and risk analyses, and the systematic monitoring of results. The management culture and the dissemination of the best practices and expertise within the Group are bolstered.

### Financial development

By continuously monitoring and analyzing economic, demographic and technological phenomena, the company seeks to react to changes in time – and tap into the new business opportunities these changes open up.

YIT's structure, both in terms of its business segments and geographical reach, balances out the impact of cyclical fluctuations on the trend in consolidated revenue and earnings, because business cycles do not have a simultaneous effect in all of YIT's territories and business segments. Almost 40 per cent of revenue is already generated by the maintenance and servicing business, which enjoys stable development in spite of cyclical fluctuations. The company seeks to increase the share of its operations accounted for by this business.

The high price of oil slows down economic growth in most countries, but supports the economies of Russia and Norway. Another major factor disturbing the global economy is the uncertainty about the trends in the key exchange rates due to the rapid increase in the deficit of the current account balance of the United States. YIT's business operations are based on local market demand in all of its business countries, and thus the impact of exchange rates is only indirectly reflected mainly in changes in investment demand by sectors that are dependent on exports and imports.

A significant share of the earnings has come from market-financed residential production. In addition to the population shift, the level of demand for housing purchases is affected by the interest rate level, household incomes and consumers' confidence in the development of their own finances.

Growth in the European interest level is expected to be so moderate in the next few years that housing sales will remain brisk in Finland. The foreign exchange risk of rapidly growing residential construction in Russia has been hedged. Positive economic growth will continue in 2006–2007 at almost the same rate as in 2005 in all of YIT's home markets of the Nordic and Baltic countries and Russia.

## Administrative risks

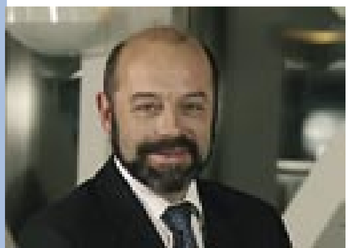
### Management system

A clear and consistent management system and culture is an integral part of YIT's success factors. The regular monitoring of profitability extends throughout the entire line organization, from the project level to the Group level, thanks to a purpose-designed operating and reporting system and an active approach to management. The management system is upgraded further by standardizing and firmly establishing operating procedures in different countries and business segments, harmonizing language and culture, the development of the service culture and systems, and deeping cooperation with customers.


**The Novaja Europa apartment building in St Petersburg will have 1,500 residences. This is the largest-ever apartment building made by YIT.**

# BOARD OF DIRECTORS

As from January 1, 2006, Reino Hanhinen has served as the chairman of YIT Corporation's Board of Directors and Ilkka Brotherus as its vice chairman.
In 2005, the chairman was Ilkka Brotherus and the vice chairman was Eino Halonen.

| | | Primary working experience: | Positions of trust: | Ownership information: |
|---|---|---|---|---|
|  | ***Ilkka Brotherus***<br>born 1951, M.Sc. (Econ.),<br>Managing Director of Sinituote Oy.<br>Member of YIT's Supervisory Board 1998–2000, member of the Board of Directors since 2000, Chairman of the Board of Directors 2002–2005 and Chairman of the Audit Committee since 2004. Independent Board member. | **Sinituote Oy**<br>1989– Managing Director,<br>Hackman Housewares Oy<br>1987–1988 Managing Director,<br>Havi Oy<br>1981–1986 Managing Director,<br>Mestarikustannus Oy<br>1979–1981 Managing Director. | Tapiola Mutual Pension Insurance Company<br>2005– member of the Supervisory Board,<br>1996–2005 Chairman of the Supervisory Board,<br>Veho Group Oy Ab<br>2003– member of the Board of Directors,<br>Amer Group<br>2000– member and Vice Chairman of the Board of Directors. | 861,170 YIT shares |
|  | ***Eino Halonen***<br>born 1949, M.Sc. (Econ.),<br>Managing Director of Suomi Mutual Life Assurance Company.<br>Member of YIT's Board of Directors since 2000, Vice Chairman 2003–2005 and member of the Audit Committee since 2004. Independent Board member. | **Suomi Mutual Life Assurance Company**<br>2000– Managing Director,<br>Pohjola Life Assurance Company Ltd<br>1998–1999 Managing Director,<br>Merita Nordbanken 1998 Executive Vice President, Regional Bank Manager,<br>Merita Bank Ltd 1996–1997 Director and member of the Management Board,<br>Kansallis-Osake-Pankki 1971–1995. | Finsilva Oyj<br>2005– member of the Board of Directors,<br>Rakentajain Konevuokraamo Oyj<br>2003– member of the Board of Directors,<br>Federation of Finnish Insurance Companies<br>2003– member of the Board of Directors,<br>Ilmarinen Mutual Pension Insurance Company<br>2000– member of the Board of Directors. | 5,670 YIT shares |
|  | ***Reino Hanhinen***<br>born 1943, M.Sc. (Eng.),<br>D.Sc. (Tech.) h.c., President and CEO of YIT Corporation until Dec 31, 2005.<br>Member of YIT's Board of Directors since 1988 and Chairman 1989–2000 and since 2006. | **YIT Corporation**<br>2000–2005 President and CEO,<br>1987–2005 managing director,<br>Perusyhtymä Oy<br>1986–1987 managing director,<br>YIT Oy Yleinen Insinööritoimisto<br>1985–1986 managing director,<br>Oy PPTH-Norden Ab<br>1976–1985 managing director,<br>YIT Oy Yleinen Insinööritoimisto<br>1974–1976 Division Manager,<br>1968–1974 Work Supervisor. | KONE Corporation<br>2005– member of the Board of Directors. | 78,900 YIT shares<br>15,570 Series C share options<br>26,066 Series D share options |

| | | Primary working experience: | Positions of trust: | Ownership information: |
|---|---|---|---|---|
|  | ***Antti Herlin***<br>born 1956, D.Sc. (Econ.) h.c.,<br>Chairman of KONE Corporation's Board of Directors.<br>Member of YIT's Board of Directors since 2004.<br>Independent Board member. | **KONE Corporation**<br>2003– Chairman of the Board of Directors,<br>1996– CEO,<br>1996–2003 Vice Chairman of<br>the Board of Directors,<br>1991– member of the Board of Directors. | Confederation of Finnish Industries EK<br>2005– Vice Chairman of the Board of Directors,<br>2004– member of the Board of Directors,<br>Ilmarinen Mutual pension Insurance Company<br>2004– Vice Chairman of the Supervisory Board,<br>2001– member of the Supervisory Board,<br>Technology Industries of Finland<br>2005– Chairman of the Board of Directors,<br>1996– member of the Board of Directors. | 161,280 YIT shares |
|  | ***Teuvo Salminen***<br>born 1954, M.Sc. (Econ.),<br>Deputy CEO of Jaakko Pöyry Group Oyj.<br>Member of YIT's Board of Directors since 2001<br>and member of the Audit Committee since 2004.<br>Independent Board member. | **Jaakko Pöyry Group Oyj**<br>1999– Deputy CEO<br>1997–1999 Division Manager,<br>1988–1997 CFO,<br>1985–1988 Financial Manager,<br>Uudenmaan Tilintarkastustoimisto<br>1978–1984 partner. | Capman plc<br>2005– Vice Chairman of the Board of Directors,<br>2001–2005 member of the Board of Directors,<br>Tapiola General Mutual Insurance Company<br>1999–2005 member of the Supervisory<br>Board. | 9,840 YIT shares |

***Esko Mäkelä,*** YIT Corporation's Executive Vice President, Investor Relations, serves as the secretary of the Board of Directors.

A Board member is considered to be independent when he or she is not dependent on the company and its significant shareholders as required in the recommendation on the Corporate Governance of listed companies issued by HEX Ltd, the Central Chamber of Commerce and the Finnish Confederation of Industry and Employers TT.

The information on share and option ownership includes the holdings of the persons themselves, their close associates and their controlled corporations at the end of 2005.

### Additional information

Up-to-date information on holdings is presented on YIT's Internet site.

# MANAGEMENT BOARD

Hannu Leinonen is the chairman of the Management Board of YIT Corporation and Sakari Toikkanen its vice chairman. In 2005, the chairman was Reino Hanhinen and the vice chairman Esko Mäkelä. More information on Hanhinen is provided in the presentation of the Board of Directors.

| | | Primary working experience and positions of trust: | Ownership information: |
|---|---|---|---|
|  | ***Pekka Frantti***,<br>born 1964, M.Sc. (Eng.)<br>President of YIT Industrial and Network Services Ltd.<br>In the Group's employ since 2003.<br>. | **YIT Industrial and Network Services Ltd** 2005– President,<br>YIT Kiinteistötekniikka Oy 2003–2005 Vice President, Building Systems and Security Systems,<br>ABB Oy 2001–2003 Vice President, Commercial & Public Buildings and International Operations,<br>ABB Installaatiot Oy 1998–2001 Division Manager, Baltic and Russian Operations,<br>ABB Sakti Industri (Indonesia) 1995–1998 Division Manager, Engineering and Contracting,<br>ABB Installaatiot Oy 1991–1995 Marketing Manager,<br>ABB Trafo-BB GmbH (Germany) 1990–1991 Area Manager,<br>ABB Industry Oy 1988–1990 Project Manager, Electrification projects. | Does not own YIT shares.<br>3,600 Series E share options<br>560 Series F share options |
|  | ***Ilpo Jalasjoki***,<br>born 1951, M.Sc. (Eng.)<br>President of YIT Construction Ltd.<br>In the Group's employ since 1987. | **YIT Construction Ltd** 2000– President, 1999–2000 Head of YIT Building Construction division,<br>YIT Tolonen Oy 1987–1999 Managing Director,<br>Kummila Oy 1981–1987 Residential Construction Manager,<br>Rakennusliike Eero Keränen Oy 1979–1981 Technical Manager,<br>National Housing Board 1977–1979 Office Engineer,<br>VTT Technical Research Centre of Finland 1975–1977 Researcher.<br>**Positions of trust:**<br>Confederantion of Finnish Construction Industries RT 2005– Chairman of the Board of Directors,<br>Confederation of Finnish Industries EK 2005– member of the Board of Directors and executive committee,<br>Ilmarinen Mutual Pension Insurance Company 2004– member of the Supervisory Board. | Does not own YIT shares.<br>7,033 Series D share options |
|  | ***Juha Kostiainen***,<br>born 1965, M.Sc. (Eng.), Ph.D. (Adm.)<br>YIT Corporation, Vice President, Business Development.<br>In the Group's employ since 2001. | **YIT Corporation** 2005– Vice President, Business Development,<br>2003–2005 Vice President, Corporate Planning,<br>University of Tampere 2005– adjunct professor, strategic development of city-regions<br>YIT Construction Ltd 2001–2003 Development Manager,<br>City of Tampere 1997–2001 Business Sector Manager,<br>Finn-Medi Research Ltd 1995–1997 Managing Director,<br>Prizztech Ltd 1992–1995 Managing Director.<br>**Positions of trust:**<br>Suomi Mutual Life Assurance Company 2004– member of Policyholders' Representative Assembly,<br>Hermia Business Development Ltd 2003– member of the Board of Directors,<br>Coxa Hospital for Joint Replacement 2001– Chairman of the Supervisory Board. | Does not own YIT shares.<br>1 Series D share option |

| | | Primary working experience and positions of trust: | Ownership information: |
|---|---|---|---|
|  | ***Hannu Leinonen***,<br>born 1962, M.Sc. (Eng.)<br>President and CEO of YIT Corporation.<br>In the Group's employ since 2002. | **YIT Corporation** 2006– President and CEO,<br>YIT Primatel Ltd 2001–2005 President,<br>Sonera Telecom 1999–2001 Director,<br>Sonera Oyj, Network Services 1996–1999 Director,<br>Skanska Oy 1994–1996 Procurement Manager,<br>Haka Oy 1992–1994 Procurement Manager, | 10,000 YIT shares<br>3,533 Series D<br>share options |
|  | **Veikko Myllyperkiö**,<br>born 1946, M.Sc. (Pol.Sc.)<br>YIT Corporation, Vice President,<br>Corporate Communications.<br>In the Group's employ since 2001. | **YIT Corporation** 2001– Vice President, Corporate Communications,<br>The Confederation of Finnish Construction Industries<br>1991–2000 Director, business policy, business cycle monitoring and communications,<br>The Federation of the Finnish Building Industry<br>1984–1991 counsel, construction business cycle forecasts,<br>VTT Technical Research Centre of Finland 1971–1984 Construction Economy Researcher. | 6,500 YIT shares |
|  | ***Esko Mäkelä***,<br>born 1943, M.Sc. (Eng.), MBA<br>YIT Corporation, Executive Vice President,<br>Investor Relations.<br>In the Group's employ since 1965. | **YIT Corporation** 1987– Executive Vice President,<br>YIT Oy Yleinen Insinööritoimisto 1986–1987 Managing Director,<br>Perusyhtymä Oy 1982–1986 Administrative Director, 1981–1982 Assistant Manager,<br>YIT Oy Yleinen Insinööritoimisto 1977–1980 Regional Manager, Saudi Arabia,<br>1972–1977 Assistant Manager, 1970–1972 Development Manager.<br>**Positions of trust:**<br>Air-Ix Oy 2004– member of the Board of Directors,<br>Etera Mutual Pension Insurance Company (LEL)<br>2003– Chairman of the Board of Directors, 1992– member of the Board of Directors. | 28,000 YIT shares<br>4,040 Series C share options<br>13,033 Series D share options |

| | | Primary working experience and positions of trust: | Ownership information: |
|---|---|---|---|
|  | ***Juhani Pitkäkoski***<br>born 1958, LL.M.<br>President of YIT Building Systems Ltd.<br>In the Group's employ since 1988. | **YIT Building Systems Ltd** 2003– President,<br>YIT Installation Ltd 2002–2003 President,<br>YIT Industry Ltd 2000–2002 Executive Vice President,<br>YIT Service Ltd 1998–2000 Managing Director,<br>YIT Cororation 1997–1998 Unit Manager,<br>Oy Huber Teollisuus Ab 1994–1996 Managing Director,<br>Oy Huber Ab 1991–1994 Director of the Factory Service unit, 1988–1991 Attorney-at-Law<br>The Electrical Contractors' Association of Finland 1986–1988 Attorney-at-Law.<br>**Positions of trust:**<br>Tapiola Mutual Pension Insurance Company 2004– member of the Supervisory Board. | 13,000 YIT shares<br>4,040 Series D share options. |
|  | ***Petra Thorén***<br>born 1969, M.Sc. (Econ.)<br>YIT Corporation, Vice President, Investor Relations.<br>In the Group's employ since 2002. | **YIT Corporation** 2006– Vice President, Investor Relations, 2002–2005 Manager, Investor Relations,<br>Mandatum & Co, Corporate Finance 1999–2002 Analyst,<br>Alfred Berg Corporate Finance 1998–1999 Analyst.<br>**Positions of trust:**<br>Finnish Tennis Association 2006– member of the Board of Directors,<br>Foundation for the advancement of tennis in Finland 2005– member of the Board of Directors. | 2,580 YIT shares<br>4,166 Series D share options |
|  | ***Sakari Toikkanen***<br>born 1967, Lic. (Tech.)<br>Executive Vice President and Deputy to the CEO of YIT Corporation.<br>In the Group's employ since 1997. | **YIT Corporation** 2006– Executive Vice President and Deputy to the CEO<br>YIT Building Systems Ltd 2003–2005 Executive Vice President,<br>YIT Corporation 2001–2003 Vice President, Corporate Planning,<br>YIT Construction Ltd 1999–2000 Development Manager,1997–1998 Quality Manager,<br>Helsinki University of Technology 1993–1996 Researcher. | 3,000 YIT shares<br>10,533 Series D share options |

***Antero Saarilahti,*** M.Sc. (Eng.), Vice President, Administration, serves as the secretary of the Group's Management Board.
The information on share and option ownership includes the holdings of the persons themselves, their close associates and their controlled corporations at the end of 2005.

## Auditor

PricewaterhouseCoopers Oy, Authorized Public Accountants, with Göran Lindell, Authorized Public Accountant, M.Sc. (Econ.), as chief auditor. Göran Lindell does not own YIT shares.

## Additional information

Up-to-date information on holdings is presented on YIT's Internet site.

# YIT GROUP'S ORGANIZATION 2006

**YIT Corporation**
President and CEO Hannu Leinonen
Executive Vice President Sakari Toikkanen

| Building Systems | Construction Services | Industrial and Network Services |
|---|---|---|
| *Juhani Pitkäkoski* | *Ilpo Jalasjoki* | *Pekka Frantti* |
| Sweden<br>*Leif S. Gustafsson* | Residential Construction<br>*Jouko Kemppinen* | Project Services<br>*Raimo Poutiainen* |
| Finland<br>*Matti Malmberg* | Building Construction<br>*Pasi Suutari* | Maintenance Services<br>*Juha Moisio* |
| Norway<br>*Arne Malonæs*<br>Executive Vice President of YIT Building Systems Ltd | Business Premises<br>*Kari Kauniskangas* | Network Services<br>*Antti Nurminen* |
| Denmark<br>*Leo G Sørensen* | Infraservices<br>*Juhani Kuusisto* | Electrification, Automation and HVAC Services<br>*Mikko Luoma* |
| Estonia, Latvia, Lithuania and Russia<br>*Pekka Hämäläinen* | International Operations<br>*Timo Lehmus* | |

# YIT Corporation's financial statements for 2005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# Key financial figures

## KEY FINANCIAL FIGURES OF THE GROUP 1996–2005

| Income statement | | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 FAS | 2004 IFRS | 2005 IFRS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | MEUR | 876.3 | 941.4 | 1,167.7 | 1,222.1 | 1,235.4 | 1,623.1 | 1,763.0 | 2,389.7 | 3,033.4 | 2,780.1 | **3,023.8** |
| - change | % | 32.8 | 7.4 | 24.1 | 4.7 | 1.1 | 31.4 | 8.6 | 35.5 | 26.9 | - | **8.8** |
| - of which activities outside Finland | MEUR | 157.4 | 171.1 | 200.0 | 165.3 | 146.4 | 330.5 | 386.9 | 672.5 | 1,212.7 | 1,183.2 | **1,326.6** |
| | | | | | | | | | | | | |
| Operating income and expenses | MEUR | -818.2 | -871.4 | -1,095.7 | -1,141.2 | -1,126.8 | -1,497.2 | -1,643.5 | -2,253.3 | -2,850.6 | -2,600.4 | **-2,772.2** |
| Depreciation and write-downs | MEUR | -12.2 | -13.1 | -13.9 | -12.6 | -13.6 | -16.1 | -16.5 | -17.3 | -17.1 | -22.3 | **-23.9** |
| Depreciation of goodwill | MEUR | -3.7 | -2.9 | -3.6 | -6.0 | -5.3 | -10.1 | -13.2 | -20.5 | -30.6 | - | **-** |
| Operating profit | MEUR | 42.2 | 54.0 | 54.5 | 62.3 | 89.7 | 99.7 | 89.8 | 98.6 | 135.1 | 157.4 | **227.7** |
| - % of revenue | % | 4.8 | 5.7 | 4.7 | 5.1 | 7.3 | 6.1 | 5.1 | 4.1 | 4.5 | 5.7 | **7.5** |
| Financial income and expenses, net | MEUR | -13.6 | -10.8 | -8.5 | -7.1 | -10.2 | -10.9 | -12.2 | -14.2 | -16.8 | -17.4 | **-12.9** |
| Profit before extraordinary items | MEUR | 28.6 | 43.2 | 46.0 | 55.2 | 79.5 | 88.8 | 77.6 | 84.4 | 118.2 | 140.0 | **214.8** |
| - % of revenue | % | 3.2 | 4.6 | 3.9 | 4.5 | 6.4 | 5.5 | 4.4 | 3.5 | 3.9 | 5.0 | **7.1** |
| Extraordinary income | MEUR | 1.6 | 10.8 | 0.1 | 18.5 | - | - | - | - | - | - | **-** |
| Extraordinary expenses | MEUR | 2.2 | 1.2 | 0.3 | - | -0.1 | - | - | - | - | - | **-** |
| Profit before taxes | MEUR | 28.0 | 52.8 | 45.8 | 73.7 | 79.4 | 88.8 | 77.6 | 84.4 | 118.2 | 140.0 | **214.8** |
| - % of revenue | % | 3.2 | 5.6 | 3.9 | 6.0 | 6.4 | 5.5 | 4.4 | 3.5 | 3.9 | 5.0 | **7.1** |
| Profit for the period | MEUR | 20.7 | 40.9 | 28.4 | 60.7 | 54.7 | 61.6 | 43.0 | 48.4 | 84.0 | 100.5 | **156.9** |
| - % of revenue | % | 2.4 | 4.3 | 2.4 | 5.0 | 4.4 | 3.8 | 2.4 | 2.0 | 2.8 | 3.6 | **5.2** |
| | | | | | | | | | | | | |
| Attributable to: | | | | | | | | | | | | |
| Equity holders of the company | MEUR | | | | | | | | | | 99.1 | **155.5** |
| Minority interest | MEUR | | | | | | | | | | 1.4 | **1.4** |

# Key financial figures

## KEY FINANCIAL FIGURES OF THE GROUP 1996–2005

| Balance sheet | | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | FAS | IFRS | IFRS |
| ASSETS | | | | | | | | | | | | |
| Tangible assets | MEUR | 93.8 | 78.6 | 88.1 | 78.3 | 85.2 | 69.7 | 61.9 | 66.8 | 68.4 | 81.0 | **77.1** |
| Goodwill on consolidation | MEUR | 16.3 | 12.8 | 13.0 | 13.0 | 14.3 | 47.4 | 72.0 | 246.9 | 224.2 | 248.8 | **248.8** |
| Other intangible assets | MEUR | 1.2 | 2.9 | 4.5 | 7.6 | 9.5 | 7.2 | 9.5 | 11.8 | 12.3 | 13.1 | **13.4** |
| Investments | | | | | | | | | | | | |
| Treasury shares | MEUR | - | - | - | 4.2 | 7.8 | 6.5 | 7.2 | - | - | - | **-** |
| Other investments | MEUR | 10.8 | 10.5 | 13.8 | 11.4 | 11.0 | 6.3 | 7.1 | 7.9 | 6.8 | 4.2 | **4.8** |
| Inventories | MEUR | 181.3 | 217.5 | 222.2 | 175.4 | 249.4 | 259.3 | 338.1 | 380.8 | 421.6 | 629.3 | **685.2** |
| Receivables | MEUR | 259.7 | 300.9 | 320.1 | 389.2 | 411.0 | 483.0 | 503.5 | 781.0 | 822.1 | 503.7 | **578.1** |
| Current investments | MEUR | 9.9 | 3.7 | 5.1 | 13.4 | 1.4 | 18.6 | 10.7 | 11.9 | 0.7 | 0.7 | **0.0** |
| Cash and cash equivalents | MEUR | 8.8 | 16.4 | 10.5 | 10.2 | 11.2 | 18.4 | 28.2 | 48.4 | 34.2 | 35.4 | **80.7** |
| Total assets | MEUR | 581.8 | 643.3 | 677.3 | 702.7 | 800.8 | 916.4 | 1,038.2 | 1,555.5 | 1,590.3 | 1,516.2 | **1,688.1** |
| EQUITY AND LIABILITIES | | | | | | | | | | | | |
| Share capital | MEUR | 41.0 | 49.3 | 49.3 | 58.8 | 58.8 | 58.8 | 59.5 | 61.0 | 61.3 | 61.3 | **62.4** |
| Other equity | MEUR | 82.4 | 157.6 | 176.3 | 212.7 | 250.2 | 291.6 | 313.7 | 347.3 | 395.9 | 380.0 | **497.4** |
| Minority interest | MEUR | 7.6 | 10.1 | 11.1 | 6.7 | 1.6 | 3.2 | 2.9 | 3.4 | 3.6 | 4.1 | **3.7** |
| Provisions | MEUR | 4.2 | 4.4 | 3.2 | 6.7 | 6.9 | 10.1 | 14.2 | 27.3 | 26.0 | 59.9 | **57.5** |
| Non-current liabilities | | | | | | | | | | | | |
| Interest-bearing | MEUR | 166.5 | 120.9 | 128.4 | 125.2 | 89.2 | 133.5 | 130.4 | 202.6 | 214.0 | 224.0 | **172.4** |
| Non interest-bearing | MEUR | 18.2 | 7.1 | 9.3 | 4.8 | 3.3 | 7.7 | 7.8 | 8.3 | 15.7 | 23.6 | **40.9** |
| Current liabilities | | | | | | | | | | | | |
| Interest-bearing | MEUR | 82.6 | 69.1 | 44.7 | 15.5 | 38.9 | 14.2 | 12.6 | 62.2 | 47.5 | 171.5 | **162.6** |
| Advances received | MEUR | 37.0 | 41.2 | 42.4 | 43.7 | 47.1 | 54.5 | 71.8 | 100.6 | 106.7 | 77.5 | **134.9** |
| Other non interest-bearing | MEUR | 142.3 | 183.6 | 212.6 | 228.6 | 304.8 | 342.8 | 425.3 | 742.8 | 719.6 | 514.3 | **556.3** |
| Total shareholders' equity and liabilities | MEUR | 581.8 | 643.3 | 677.3 | 702.7 | 800.8 | 916.4 | 1,038.2 | 1,555.5 | 1,590.3 | 1,516.2 | **1,688.1** |

| Other key figures | | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | FAS | IFRS | IFRS |
| Cash flow from operating activities | MEUR | 46.1 | 15.9 | 53.6 | 64.4 | 47.3 | 40.3 | 76.7 | 97.6 | 35.4 | 59.2 | **167.3** |
| Return on equity | % | 19.0 | 21.7 | 13.9 | 18.3 | 19.1 | 19.1 | 12.2 | 12.5 | 19.6 | 24.3 | **31.1** |
| Return on investment | % | 11.8 | 14.5 | 13.7 | 15.5 | 21.2 | 21.6 | 17.8 | 16.8 | 19.6 | 19.1 | **26.4** |
| Equity ratio | % | 24.0 | 36.0 | 37.3 | 41.6 | 40.2 | 40.3 | 38.2 | 28.3 | 31.1 | 31.0 | **36.3** |
| Net interest-bearing debt | MEUR | - | - | - | 117.1 | 115.4 | 110.7 | 104.1 | 204.4 | 226.6 | 359.4 | **254.4** |
| Gearing ratio | % | 175.9 | 78.4 | 66.6 | 42.8 | 38.1 | 31.9 | 28.2 | 49.6 | 49.2 | 80.7 | **45.1** |
| Gross capital expenditures on non-current assets | MEUR | 15.5 | 24.7 | 35.9 | 35.6 | 34.3 | 75.1 | 60.6 | 232.9 | 31.0 | 35.6 | **30.1** |
| - % of revenue | % | 1.8 | 2.4 | 3.1 | 2.9 | 2.8 | 4.6 | 3.4 | 9.7 | 1.0 | 1.3 | **1.0** |
| Research and development expenditure | MEUR | - | - | 6.7 | 8.4 | 10.0 | 12.0 | 13.0 | 16.0 | 18.0 | 18.0 | **19.0** |
| - % of revenue | % | - | - | 0.6 | 0.7 | 0.8 | 0.7 | 0.7 | 0.7 | 0.6 | 0.6 | **0.6** |
| Order backlog as at Dec 31 | MEUR | 319.7 | 411.7 | 477.5 | 479.1 | 574.7 | 735.8 | 938.8 | 1,490.1 | 1,604.9 | 1,823.4 | **1,878.8** |
| of which orders from abroad | MEUR | 57.7 | 91.8 | 89.2 | 46.8 | 57.3 | 180.2 | 255.0 | 569.5 | 621.0 | 645.0 | **752.4** |
| Number of employees at Dec 31 | | 6,421 | 7,116 | 7,536 | 8,282 | 8,605 | 10,264 | 12,633 | 21,939 | 21,680 | 21,680 | **21,289** |
| Average number of employees | | 7,184 | 6,531 | 7,340 | 8,721 | 8,189 | 10,118 | 11,990 | 16,212 | 21,884 | 21,884 | **21,194** |

# Key financial figures

## SHARE-RELATED KEY FIGURES 1996–2005

| | | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2004 | 2005 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | FAS | IFRS | **IFRS** |
| Earnings/share | EUR | 0.44 | 0.62 | 0.49 | 0.80 | 0.95 | 1.07 | 0.75 | 0.82 | 1.37 | 1.62 | **2.52** |
| Earnings/share, diluted | EUR | - | - | - | - | - | - | 0.74 | 0.82 | 1.36 | 1.60 | **2.46** |
| Equity/share | EUR | 2.53 | 3.53 | 3.85 | 4.63 | 5.26 | 5.96 | 6.27 | 6.69 | 7.46 | 7.20 | **8.97** |
| Dividend/share | EUR | 0.13 | 0.17 | 0.21 | 0.30 | 0.38 | 0.43 | 0.45 | 0.60 | 0.70 | 0.70 | **1.10*)** |
| Dividend/earnings | % | 28.8 | 27.4 | 43.0 | 37.7 | 39.5 | 39.7 | 60.4 | 73.2 | 51.1 | 43.2 | **43.7*)** |
| Effective dividend yield | % | 2.8 | 3.3 | 5.7 | 5.5 | 5.5 | 6.3 | 5.4 | 4.5 | 3.8 | 3.8 | **3.0*)** |
| Price/earnings multiple (P/E) | | 10.3 | 8.4 | 7.6 | 6.9 | 7.2 | 6.3 | 11.3 | 16.4 | 13.4 | 11.3 | **14.3** |
| Share price trend | | | | | | | | | | | | |
| Average price | EUR | 8.03 | 11.06 | 10.76 | 8.77 | 12.73 | 12.66 | 16.40 | 20.70 | 15.92 | 15.92 | **27.97** |
| Low | EUR | 4.37 | 9.25 | 6.56 | 6.50 | 10.40 | 10.42 | 13.20 | 14.01 | 13.51 | 13.51 | **17.90** |
| High | EUR | 9.92 | 12.19 | 16.15 | 11.00 | 14.20 | 13.95 | 19.65 | 27.70 | 18.84 | 18.84 | **36.50** |
| Price on Dec 31 | EUR | 9.07 | 10.34 | 7.40 | 10.90 | 13.60 | 13.50 | 16.79 | 26.90 | 18.36 | 18.36 | **36.13** |
| Market capitalization on Dec 31 | MEUR | 221.4 | 303.1 | 217.1 | 315.0 | 389.3 | 389.7 | 489.9 | 821.1 | 1,125.3 | 1,125.3 | **2,254.4** |
| Share turnover trend | | | | | | | | | | | | |
| Share turnover | 1,000 | 17,452 | 32,012 | 23,662 | 18,132 | 21,650 | 8,896 | 19,824 | 29,279 | 45,580 | 45,580 | **60,184** |
| Share turnover as percentage of shares outstanding | % | 35.7 | 57.1 | 40.4 | 31.4 | 37.6 | 15.5 | 34.2 | 49.5 | 74.6 | 74.6 | **97.4** |
| Weighted average share issue - adjusted number of shares outstanding | 1,000 | 48,846 | 56,084 | 58,616 | 57,742 | 57,524 | 57,494 | 57,940 | 59,104 | 61,123 | 61,123 | **61,772** |
| Weighted average share issue - adjusted number of shares outstanding, diluted | 1,000 | - | - | - | - | - | - | 58,514 | 59,248 | 61,823 | 61,823 | **63,261** |
| Share issue - adjusted number of shares outstanding on Dec 31 | 1,000 | 48,846 | 58,606 | 58,676 | 57,794 | 57,252 | 57,736 | 58,358 | 61,046 | 61,293 | 61,293 | **62,397** |

*) Board of directors' proposal

YIT Corporation's Annual General meeting held on March 18, 2004 decided to change the nominal value of share from two euro to one euro, thereby doubling the number of shares. The comparative figures for 1996–2003 have been adjusted to be comparable with the figures for 2004 and 2005.

## DEFINITIONS OF KEY FINANCIAL FIGURES

| | | |
|---|---|---|
| Return on investments (%) = | Profit before taxes + interest expenses and other financial expenses + / - exchange rate differences / Balance sheet total - non-interest -bearing liabilities (average for the period) | x 100 |
| Return on equity (%) = | Net profit for the financial year / Shareholders' equity - own shares + minority interest (average) | x 100 |
| Equity ratio (%) = | Shareholders' equity - treasury shares + minority interest / Balance sheet total - advances received | x 100 |
| Gearing ratio (%) = | Interest-bearing liabilities - liquid financial assets / Shareholders' equity - own shares + minority interest (average) | x 100 |
| Share issue-adjusted earnings per share (EUR)= | Net profit for the financial year, attributable to equity holders / Share issue-adjusted average number of outstanding shares during the period | |
| Equity per share (EUR) = | Equity attributable to the equity holders / Share issue-adjusted number of outstanding shares on December 31 | |
| Share issue-adjusted dividend per share (EUR) = | Dividend for the period per share / Adjustment ratios of share issues during the period and afterwards | |
| Dividend per earnings (%) = | Dividend per share / Earnings per share | x 100 |
| Effective dividend yield (%) = | Share issue-adjusted dividend per share / Share issue-adjusted share price on December 31 | x 100 |
| Price per earnings (P/E-ratio) = | Share issue-adjusted share price on December 31 / Share issue-adjusted earnings per share | |
| Market capitalization (MEUR)= | (Number of shares - own shares) x share price on December 31 | |
| Share turnover (%) = | Number of shares traded / Total number of outstanding shares (average during the period) | x 100 |

# Key financial figures

## FINANCIAL DEVELOPMENT BY QUARTER

| | IFRS Q1/2004 | IFRS Q2/2004 | IFRS Q3/2004 | IFRS Q4/2004 | IFRS Q1/2005 | IFRS Q2/2005 | IFRS Q3/2005 | IFRS Q4/2005 |
|---|---|---|---|---|---|---|---|---|
| Revenue, MEUR | 669.9 | 729.2 | 658.9 | 722.1 | 663.9 | 745.1 | 754.8 | **860.0** |
| Operating profit, MEUR | 37.5 | 37.9 | 47.4 | 34.6 | 40.1 | 55.7 | 66.7 | **65.2** |
| - % of revenue | 5.6 | 5.2 | 7.2 | 4.8 | 6.0 | 7.4 | 8.8 | **7.6** |
| Financial income, MEUR 1) | 0.4 | 0.5 | 0.3 | 0.6 | 0.3 | 0.4 | 0.6 | **0.6** |
| Exchange rate differences, MEUR | 0.2 | 0.3 | -0.6 | -1.0 | 1.5 | 0.6 | 0.5 | **-0.6** |
| Financial expenses, MEUR | -4.7 | -4.9 | -4.0 | -4.5 | -4.5 | -4.1 | -4.2 | **-4.0** |
| Profit before taxes, MEUR | 33.4 | 33.8 | 43.1 | 29.7 | 37.4 | 52.6 | 63.6 | **61.2** |
| - % of revenue | 5.0 | 4.6 | 6.5 | 4.1 | 5.6 | 7.1 | 8.4 | **7.1** |
| Total balance sheet assets, MEUR | 1,465.3 | 1,506.1 | 1,514.0 | 1,516.2 | 1,508.2 | 1,612.2 | 1,621.4 | **1,688.1** |
| | | | | | | | | |
| Earnings per share, EUR | 0.36 | 0.36 | 0.54 | 0.36 | 0.46 | 0.63 | 0.74 | **0.69** |
| Equity per share, EUR | 5.96 | 6.32 | 6.85 | 7.2 | 6.95 | 7.53 | 8.28 | **8.97** |
| | | | | | | | | |
| Share price at the end of period, EUR | 15.40 | 16.74 | 15.85 | 18.36 | 21.84 | 27.60 | 35.30 | **36.13** |
| Market capitalization at the end of period, MEUR | 940.1 | 1,023.8 | 969.7 | 1,125.3 | 1,338.6 | 1,711.2 | 2,193.2 | **2,254.4** |
| | | | | | | | | |
| Return on investment, rolling 12 months, % | 2) | 2) | 2) | 19.1 | 19.7 | 21.8 | 23.7 | **26.4** |
| Return on equity % | - | - | - | 24.3 | - | - | - | **31.1** |
| Equity ratio, % | 26.7 | 27.6 | 30.2 | 31.0 | 30.1 | 31.8 | 34.6 | **36.3** |
| Net interest-bearing debt at the end of period, MEUR | 379.1 | 397.4 | 370.0 | 359.4 | 368.1 | 313.6 | 271.8 | **254.4** |
| Gearing ratio, % | 103.1 | 101.7 | 87.5 | 80.7 | 85.6 | 66.6 | 52.3 | **45.1** |
| | | | | | | | | |
| Gross capital expenditure cumulative/year, MEUR | 7.3 | 19.0 | 24.3 | 35.6 | 7.0 | 14.1 | 22.3 | **30.1** |
| | | | | | | | | |
| Order backlog at the end of period, MEUR | 1,585.2 | 1,722.2 | 1,708.2 | 1,823.4 | 1,909.4 | 1,999.2 | 1,881.4 | **1,878.8** |
| | | | | | | | | |
| Personnel at the end of period | 21,654 | 21,952 | 22,013 | 21,680 | 21,096 | 21,297 | 21,468 | **21,289** |

1) Includes results of affiliates.
2) Comparative IFRS information is not available.

# Key financial figures



**REVENUE BY BUSINESS SEGMENT (EUR million)**

| | IFRS Q1/2004 | IFRS Q2/2004 | IFRS Q3/2004 | IFRS Q4/2004 | IFRS Q1/2005 | IFRS Q2/2005 | IFRS Q3/2005 | IFRS Q4/2005 |
|---|---|---|---|---|---|---|---|---|
| Building Systems | 316.1 | 335.7 | 310.9 | 358.5 | 319.5 | 348.0 | 327.2 | **403.7** |
| Construction Services | 288.3 | 315.5 | 266.0 | 277.4 | 272.0 | 313.8 | 339.5 | **373.0** |
| Industrial and Network Services | 74.8 | 90.2 | 93.1 | 100.9 | 85.6 | 100.7 | 105.0 | **107.5** |
| Other items | -9.3 | -12.2 | -11.1 | -14.7 | -13.2 | -17.4 | -16.9 | **-24.2** |
| YIT Group | 669.9 | 729.2 | 658.9 | 722.1 | 663.9 | 745.1 | 754.8 | **860.0** |

**OPERATING PROFIT BY BUSINESS SEGMENT (EUR million)**

| | IFRS Q1/2004 | IFRS Q2/2004 | IFRS Q3/2004 | IFRS Q4/2004 | IFRS Q1/2005 | IFRS Q2/2005 | IFRS Q3/2005 | IFRS Q4/2005 |
|---|---|---|---|---|---|---|---|---|
| Building Systems | 4.5 | 7.4 | 8.5 | 13.7 | 8.2 | 14.3 | 13.3 | **21.0** |
| Construction Services | 32.7 | 25.4 | 27.9 | 16.2 | 29.4 | 34.2 | 44.1 | **35.4** |
| Industrial and Network Services | 1.4 | 6.5 | 11.9 | 7.7 | 6.3 | 9.3 | 12.3 | **11.2** |
| Other items | -1.1 | -1.4 | -0.9 | -3.0 | -3.8 | -2.1 | -3.0 | **-2.4** |
| YIT Group | 37.5 | 37.9 | 47.4 | 34.6 | 40.1 | 55.7 | 66.7 | **65.2** |

**ORDER BACKLOG BY BUSINESS SEGMENT (EUR million)**

| | IFRS Q1/2004 | IFRS Q2/2004 | IFRS Q3/2004 | IFRS Q4/2004 | IFRS Q1/2005 | IFRS Q2/2005 | IFRS Q3/2005 | IFRS Q4/2005 |
|---|---|---|---|---|---|---|---|---|
| Building Systems | 557.2 | 566.5 | 564.6 | 557.8 | 574.0 | 602.6 | 575.7 | **492.0** |
| Construction Services | 842.6 | 963.0 | 940.0 | 1,066.4 | 1,131.0 | 1,263.3 | 1,193.8 | **1,242.6** |
| Industrial and Network Services | 185.4 | 192.7 | 203.6 | 199.2 | 234.4 | 187.3 | 158.3 | **173.3** |
| Other items | - | - | - | - | -30.0 | -54.0 | -46.4 | **-29.1** |
| YIT Group | 1,585.2 | 1,722.2 | 1,708.2 | 1,823.4 | 1,909.4 | 1,999.2 | 1,881.4 | **1,878.8** |

# Report of the Board of Directors, Jan. 1 - Dec. 31, 2005

## Strong earnings growth still on track

In 2005, YIT's revenue and profit before taxes rose to record levels. All the business segments improved their operating profit and profitability. Building Systems focused on improving profitability. The business segment's operating profit rose to a satisfactory 4.1 per cent of revenue. Construction Services racked up excellent earnings in all business areas, with operating profit representing 11.0 per cent of revenue. Demand for residences in Finland remained solid and other construction activity was also brisk. Residential construction in Russia, Estonia, Latvia and Lithuania was stepped up rapidly. Thanks to its high capacity utilization ratio and developed operations control, Industrial and Network Services posted a good result. The operating profit margin was 9.8. The Group's outlook for 2006 is favourable.

## YIT's Group structure

YIT's business segment structure was firmed up on June 1, 2005, by merging Services for Industry and Data Network Services to form a single business segment: Industrial and Network Services. YIT's business operations are now divided into three business segments: Building Systems, Construction Services and Industrial and Network Services.

The Industrial and Network Services business segment's comparative figures for 2004 have been calculated by combining the financial figures of the Services for Industry and Data Network Services business segments.

## IFRS standards

YIT changed over to IFRS (International Financial Reporting Standards) on January 1, 2005. The financial statement bulletin for 2005 is drafted in accordance with IFRS recognition and measurement policies. The comparative figures for 2004 presented in the bulletin are also in line with IFRS.

## YIT's strategic target levels are revised

YIT Corporation's Board of Directors amended the Group's financial target levels on September 21, 2005. The revised financial target levels correspond to the strategic emphases set for business operations. The revenue growth target was bolstered from 5-10 per cent to 10 per cent annually on average. The target level for return on investment was raised from 20 to 22 per cent. The target for the dividend payout ratio was increased from 30-50 to 40-60 per cent. The target level for the equity ratio was kept at 35 per cent.

The Board of Directors' decision to revise the target levels was published as a stock exchange bulletin on September 21, 2005.

## Revenue grows by 9 per cent

In 2005, the YIT Group's revenue exclusive of acquisitions rose to EUR 3,023.8 million (2004: EUR 2,780.1 million), representing growth of 9 per cent compared with the previous year. The strategic target for revenue growth is 10 per cent annually on average.

**Revenue by business segment (EUR million)**

| | **Jan-Dec/2005** | Jan-Dec/2004 | Change, % | Share of the Group's revenue Jan-Dec/2005 |
|---|---|---|---|---|
| Building Systems | **1,398.4** | 1,321.2 | 6 | 46 % |
| Construction Services | **1,298.3** | 1,147.2 | 13 | 43 % |
| Industrial and Network Services | **398.8** | 359.0 | 11 | 13 % |
| Other items | **-71.7** | -47.3 | 52 | -2 % |
| YIT Group, total | **3,023.8** | 2,780.1 | 9 | 100 % |

YIT's service chain spans the entire life cycle of investments. YIT employs a life cycle strategy to seek better service capabilities, business growth and a steadier flow of income. Part of the Group's revenue comes from its property, industrial, telecom network and traditional infrastructure maintenance and servicing business. In 2005, the share of revenue accounted for by the upkeep business rose to EUR 1,135.0 million (EUR 1,036.9 million), representing 38 per cent (37%) of total revenue.

As from the beginning of 2006, business operations will be monitored in accordance with the new structure. Services for households will be tracked separately. In the case of services for companies and institutions, the trend in the shares accounted for by long-term service agreements and development projects will be monitored. YIT's strategic objective is to increase the relative share of revenue accounted for by consumer services and long-term service agreements.

Of the revenue, 56 per cent (57%) came from Finland, 32 per cent (32%) from the other Nordic countries, 7 per cent (6%) from Lithuania, Latvia and Estonia and 4 per cent (3%) from Russia.

YIT's strategy is to bolster its construction services in the Baltic countries and Russia, building system services in the Nordic and Baltic countries as well as industrial and network services in its operating countries.

## Earnings per share increase by 56 per cent

The Group's operating profit amounted to EUR 227.7 million (EUR 157.4 million), and the operating profit margin was 7.5 per cent (5.7%).

Profit before taxes was 53 per cent better than in the previous year, having risen to EUR 214.8 million (EUR 140.0 million). Profit after taxes was EUR 156.9 million (EUR 100.5 million). Return on investment was 26.4 per cent (19.1%). The strategic target level for return on investment is 22 per cent.

## Earnings per share increase by 56 per cent

Earnings per share increased by 56 per cent and amounted to EUR 2.52 (EUR 1.62). Equity per share rose to EUR 8.97 (EUR 7.20). The equity ratio was 36.3 per cent (31.0%). The strategic target level for the equity ratio is 35 per cent.

## Proposed dividends: EUR 1.10

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 1.10 be paid per share (EUR 0.70) for the 2005 financial year, representing 43.7 per cent (43.2%) of earnings per share. YIT is now increasing the dividend for the eleventh year running. The strategic target for the dividend payout is 40-60 per cent of annual earnings after taxes and minority interest.

The Board of Directors' proposal on the use of profits is presented at the end of the Report of the Board of Directors.

## Order backlog grows

The Group's market position is strong. The uninvoiced backlog of orders was 3 per cent higher at the end of 2005 than a year earlier, having risen to EUR 1,878.8 million (EUR 1,823.4 million). The margin of the order backlog is good. Due to their nature, part of the Group's maintenance and servicing operations are not included in the order backlog.

**Order backlog by business segment (EUR million)**

| | Jan-Dec/2005 | Jan-Dec/2004 | Change, % | Share of the Group's order backlog Dec/2005 |
|---|---|---|---|---|
| Building Systems | **492.0** | 557.8 | -12 | 26 % |
| Construction Services | **1,242.6** | 1,066.4 | 17 | 66 % |
| Industrial and Network Services | **173.3** | 199.2 | -13 | 9 % |
| Other items | **-29.1** | - | - | -1 % |
| YIT Group, total | **1,878.8** | 1,823.4 | 3 | 100 % |

The order backlog rose in Construction Services due to the good demand for residences and especially the expansion of housing production in Russia and the Baltic countries. The decline in the order backlog of Building Systems was due to the more precise selection of projects in order to improve profitability and the focusing of operations on the maintenance and servicing business. The order backlog was down 13 per cent in Industrial and Network Services due to the lower volume forecasts received from network service customers and progress on the Diesel project at Neste Oil's Porvoo refinery.

## The Group's financial position strengthens

The Group's financial position strengthened in 2005. Interest-bearing liabilities amounted to EUR 335.0 million (EUR 395.5 million) at the end of the period and liquid assets to EUR 80.6 million (EUR 36.1 million). Net debt was EUR 254.4 million (EUR 359.4 million). At the end of the review period, the gearing ratio was 45.1 per cent (80.7%).

Financial income during the period amounted to EUR 1.9 million (EUR 1.8 million), exchange rate gains to EUR 2.0 million (EUR –1.1 million) and financial expenses to EUR 16.8 million (EUR 18.1 million). Net financial expenses were EUR 12.9 million (EUR 17.4 million), or 0.4 per cent (0.6%) of revenue.

The proportion of fixed-interest loans in the Group's entire loan portfolio was 49 per cent (52%). Loans raised directly on the capital and money markets represented 39 per cent (46%) of the loan portfolio.

The construction-stage contract receivables sold to financing companies totalled EUR 268.2 million (EUR 199.7 million) at the end of the period. Of this amount, EUR 109.4 million (EUR 101.6 million) is included in interest-bearing liabilities in the balance sheet and the remainder comprises off-balance sheet items as per IAS 39. The interest on sold receivables paid to financing companies, EUR 5.3 million (EUR 5.7 million), is included in financial expenses in its entirety.

Participations in the housing corporation loans of unsold completed residences, EUR 15.3 million (EUR 16.8 million), are also included in interest-bearing liabilities, but the interest on them is booked in project expenses, as said interest is included in housing corporation maintenance charges.

Interest-bearing liabilities included EUR 5.1 million in leasing commitments (EUR 10.2 million).

## Capital expenditures and acquisitions

Gross capital expenditures on non-current assets included in the balance sheet totalled EUR 30.1 million (EUR 35.6 million) during the financial year, representing 1.0 per cent (1.3%) of revenue. Investments in construction equipment amounted to EUR 11.8 million (EUR 8.1 million) and investments in information technology to EUR 2.7 million (EUR 3.7 million). Other production investments came in at EUR 1.6 million (EUR 1.9 million). Other investments amounted to EUR 14.0 million (EUR 21.9 million).

In Construction Services, YIT Construction Ltd signed an agreement in April to found the joint venture ZAO YIT CityStroi in Moscow. The company's field of business is the developer contracting of housing in the City of Moscow. YIT's holding in the new company is 65 per cent, and that of Russian private shareholders is 35 per cent.

In Building Systems, YIT Building Systems Oy acquired a majority holding in the Estonian electrical contracting and servicing company A/S Emico in August. In Norway, YIT acquired Nortelco System-Teknik, which provides audiovisual systems and video conference services.

YIT's property maintenance business in the Greater Helsinki Area was sold to Sol Palvelut Oy on September 1, 2005. By means of this transaction, YIT phased out the maintenance of the external areas of properties and building superintendent services. In the property services provided by YIT itself, the company will from now on focus on works related to the technical systems of properties.

## Major risks and risk management

YIT's risk management policy aims to identify the major risk factors, taking the special characteristics of YIT's business operations and environment into consideration, and optimally manage them so that the company achieves its strategic and financial objectives. Risk management seeks to take all of the Group's major risk factors into consideration so that its total risk exposure is optimally managed in accordance with the strategic and financial objectives.

YIT's major risks are divided into strategic and administrative risks. YIT will continue pursuing its strategy of profitable growth. Major strategic risk factors include the management of growth, acquisitions, capital management, the availability of skilled employees, growth in international operations, project management and financial development. In the case of administrative risks, attention is paid to maintaining the continuity of the company's successful management system and both developing and firmly establishing a consistent management system and operating procedures in different countries and business segments as well as harmonizing languages and culture.

YIT's risk management is an integral part of the Group's management, monitoring and reporting systems. Regular reporting and monitoring are performed both at the Group and division levels. The identification of business risks and preparations for them are primarily carried out in the units, divisions and business segments. The Group CEO holds overall responsibility for risk management, including strategic risks as well as risks related to the corporate and operating culture, the organization and key employees. The Board of Directors approves the risk management policy and its objectives, and both directs and supervises the planning and implementation of risk management.

An account of YIT's risk management policy and the management of individual risks has been published in the 2003 and 2004 Annual Reports, and will also appear in the 2005 Annual Report.

## Changes in the Group management

At its meeting on April 11, 2005, YIT Corporation's Board of Directors decided to appoint YIT Primatel Ltd's Managing Director Hannu Leinonen, M.Sc. (C.E.), as YIT Corporation's Group CEO and YIT Building Systems Ltd's Executive Vice President Sakari Toikkanen, Lic. (Tech.), as executive vice president and the deputy to the Group CEO. The new executives assumed their positions on January 1, 2006, when current Group CEO Reino Hanhinen retired. As of the beginning of 2006, Hanhinen became the chairman of YIT's Board of Directors. The former chairman of the Board, Ilkka Brotherus, assumed the vice chairmanship of the Board. Esko Mäkelä will continue to serve as senior vice president until December 31, 2006, with responsibility for investor relations.

Petra Thorén, Manager, Investor Relations, was appointed YIT Corporation's Vice President, Investor Relations as of January 1, 2006, from which date on Thorén has also been a member of YIT Corporation's Management Board.

# Report of the Board of Directors, Jan. 1 - Dec. 31, 2005

## Changes in the group structure

YIT's business segment structure was firmed up on June 1, 2005, by merging Services for Industry and Data Network Services to form a single business segment: Industrial and Network Services. Pekka Frantti, M.Sc. (Eng.), division director at YIT Kiinteistötekniikka Oy, was appointed as the president of the new business segment. The structure of the business segment will be gradually streamlined in 2006 by merging YIT Primatel Oy, YIT Service Oy and YIT Industria Oy into the parent company YIT Industrial and Network Services Oy. At the beginning of 2006, industrial electricity, automation and HEPAC operations were transferred to the business segment from YIT Kiinteistötekniikka Oy. The business functions that will be transferred had revenue of EUR 58.9 million in 2005.

An independent country group was set up from Building Systems' business functions in the Baltic countries and Russia as from the beginning of 2006. These business functions were previously part of the same corporate entity as Finnish functions. The revenue of the Russian and Baltic business functions was EUR 38.7 million in 2005.

YIT BS Latvia SIA, which provides building system services in Latvia, was renamed YIT Tehsistem SIA. YIT Construction Ltd's Estonian subsidiary AS FKSM was renamed AS YIT Ehitus.

## Number of employees 21,300

In 2005, the Group employed 21,194 (21,844) people on average. At the end of the year, the Group had 21,289 employees (21,680). Of YIT's employees, 52 per cent work in Finland, 37 per cent in the other Nordic countries and 7 per cent in Lithuania, Latvia and Estonia and 4 per cent in Russia.

**Personnel by business segment, Dec. 31, 2005**

| | No. | Share of the Group's employees |
|---|---|---|
| Building Systems | 11,731 | 55 % |
| Construction Services | 5,115 | 24 % |
| Industrial and Network Services | 4,126 | 20 % |
| Corporate Services | 317 | 1 % |
| YIT Group, total | 21,289 | 100 % |

**Personnel by country, Dec. 31, 2005**

| | No. | Share of the Group's employees |
|---|---|---|
| Finland | 11,159 | 52 % |
| Sweden | 4,143 | 20 % |
| Norway | 2,485 | 12 % |
| Denmark | 1,103 | 5 % |
| Lithuania, Latvia, Estonia | 1,492 | 7 % |
| Russia | 907 | 4 % |
| YIT Group, total | 21,289 | 100 % |

The development of personnel and operating systems comprises part of business operations. The Group's financial outlays on development efforts in 2005 amounted to about EUR 19.0 million (EUR 18.0 million), representing 0.6 per cent (0.6%) of revenue.

## Resolutions passed at the Annual General Meeting

YIT Corporation's Annual General Meeting was held on March 16, 2005. The Annual General Meeting adopted the 2004 financial statements and discharged the members of the Board of Directors and the President and CEO from liability. It was confirmed that a dividend of EUR 0.70 would be paid per share (EUR 0.60 for 2003), or a total of EUR 42.9 million (EUR 36.6 million). March 21, 2005, was set as the record date and March 30, 2005, as the payout date.

The Annual General Meeting confirmed that the number of Board members shall be set at five. The following persons were re-elected to seats on the company's Board of Directors: Ilkka Brotherus, Eino Halonen, Reino Hanhinen, Antti Herlin and Teuvo Salminen. At its organization meeting on March 30, 2005, the Board of Directors elected Ilkka Brotherus as its chairman and Eino Halonen as its vice chairman. Ilkka Brotherus was elected as the chairman of the Audit Committee, and Eino Halonen and Teuvo Salminen as its members. At the Board meeting held on April 11, 2005, it was decided that Reino Hanhinen would assume chairmanship of the Board of Directors as from the beginning of January 2006, with Ilkka Brotherus the vice chairman.

The Annual General Meeting re-elected PricewaterhouseCoopers Oy, Authorized Public Accountants, as the company's auditor to audit the administration and accounts during the present financial period. PricewaterhouseCoopers Oy appointed Göran Lindell, M.Sc. (Econ.), Authorized Public Accountant, as chief auditor.

The Annual General Meeting unanimously decided to purchase a minimum of 200 to a maximum of 2,000,000 of the company's own shares with distributable shareholders' equity in accordance with the proposal by the Board of Directors. In addition, it authorized the Board of Directors to decide on the disposal of a maximum of 2,000,000 of the company's own shares which will be acquired for the company on the basis of the decision of the Annual General Meeting in such a manner and for such purposes as are meant in the proposal by the Board of Directors. The Board's proposal concerning share buyback and disposal was made public in a stock exchange release on February 15, 2005.

## Share capital and shares

YIT Corporation's share capital was EUR 61,292,854 at the beginning of 2005 and the number of shares outstanding was 61,292,854. On the basis of shares subscribed for with the Series C and Series D share options from 2002, the share capital was increased by a total of EUR 1,104,498 in four lots. At the end of 2005, the share capital was EUR 62,397,352 and the number of shares was 62,397,352.

### Authorizations to increase the share capital

In 2005, no share issues were organized and convertible bonds or bonds with warrants were not floated. At the end of the year, the Board of Directors did not have valid share issue authorizations or authorizations to issue convertible bonds or bonds with warrants.

### Market capitalization grows by 100 per cent

The closing rate of YIT's share on the last day of trading in 2005 was EUR 36.13 (2004: EUR 18.36). The price grew by 96.8 per cent during the report year. Including the 2004 dividends, the share yield was 100.6 per cent (41.0%). The trend in YIT's share price has significantly outclassed general share price trends on the Helsinki Stock Exchange, because, as measured by the OMXH all-share index, prices were 31.1 per cent higher at the end of 2005 than at the turn of the previous year. Measured with the weight-limited OMXHCAP portfolio index, prices rose by 30.1 per cent during the report year.

The highest share price in 2005 was EUR 36.50 (EUR 18.84) and the lowest was EUR 17.90 (EUR 13.51). The average price was EUR 27.97 (EUR 15.92). Market capitalization at the end of the year was EUR 2,254.4 million (EUR 1,125.3 million), up 100.3 per cent on the previous year.

YIT's share turnover also increased significantly compared with the previous year. Share turnover on the Helsinki Stock Exchange during 2005 amounted to 60,184,308 (45,579,537) shares and the value of share turnover to EUR 1,697.3 million (EUR 725.8 million). The average daily turnover of the shares was 237,883 (180,156). The figures have been converted to correspond to the number of shares following the halving of the nominal value of the shares (split) in 2004.

**Own shares**

YIT Corporation's Annual General Meeting held on March 16, 2005, decided to buy back a minimum of 200 to a maximum of 2,000,000 of the company's own shares and authorized the Board of Directors to decide on the disposal of these shares. In December 2005, YIT Corporation purchased 200 of the company's own shares at an average price of EUR 35.25 per share. Subsidiaries did not own any shares in the parent company in 2005.

**Number of shareholders grows substantially**

In 2005, the number of registered shareholders grew from 7,456 to 9,368, up 25.6 per cent. The number of private investors grew by over 1,800.

International investors owned a total of 27.9 per cent of the shares at the beginning of the year and 39.9 per cent at year's end.

## Share option programmes from 2002 and 2004

The 2002 Annual General Meeting decided to grant a maximum total of 450,000 Series C share options and a maximum total of 950,000 Series D share options for subscription to the Group's management and key employees. Each Series C and D share option from 2002 entitles its holder to subscribe for two YIT Corporation shares having a nominal value of one euro. As a result of the subscriptions, the share capital can be increased by a maximum of EUR 2,800,000.

In 2002, about 110 members of the Group's management and key employees named by the Board of Directors subscribed for Series C share options. The subsidiary YIT Construction Ltd subscribed for all the Series D share options for distribution to members of the Group's management and key employees on a staggered basis from 2003-2005 on the basis of the achievement of the profitability and growth targets set in the share option programme. By the end of 2005, a total of 427,740 Series C and 698,520 Series D share options had been distributed to members of the Group's management and key employees. By November 30, 2005, 1,350,602 shares had been subscribed for with the Series C and D share options. Shares can be subscribed for annually from April 1 – November 30. The subscription period with the Series C share options began on April 1, 2004, and with the Series D share options on April 1, 2005. The subscription period with both series ends on November 30, 2006.

During the period from April 1, 2005 to November 30, 2005, a total of 422,876 shares were subscribed for on the basis of the Series C share options and 681,622 shares on the basis of the Series D share options. The resulting increases in the share capital, totalling EUR 1,104,498, were entered in the trade register in four instalments. During the report year, 312,165 Series C share options were traded at an average price of EUR 34.17 and 372,895 Series D share options at an average price of EUR 41.55.

The 2004 Annual General Meeting decided that a maximum of 180,000 Series E share options and a maximum of 420,000 Series F share options be granted for subscription to the management and key employees of the new YIT Building Systems business segment. The share option programme covers about 65 people who are not part of the 2002 share option programme. Each share option entitles its holder to subscribe for one YIT Corporation share having a nominal value of one euro. As a result of the subscriptions, the share capital can be increased by a maximum of EUR 600,000.

The Series E share options were issued in summer 2004. YIT Construction Ltd subscribed for the Series F share options and will distribute them on a staggered basis to the management and key employees of the Building Systems business segment in 2005-2007 if the objectives set for the business segment's result (EBITA-%) are achieved. Shares can be subscribed for with the Series E share options from April 1 – November 30, 2006 and April 1 – November 30, 2007, and with the Series F share options from April 1 – November 30, 2007.

The full terms and conditions of the share options are available on the company's Internet site at www.yit.fi/investors.

## Market situation remains good in Northern Europe

The Nordic countries are still booming. Financial research institutions estimate that the national economies of the Nordic countries will develop at a stable rate of about 2.5-3 per cent in 2006-2008, outpacing growth in the EU by approximately one percentage point. The good trend in incomes and the improving employment situation support household consumption. The Nordic construction market represents 8 per cent of the Western European construction market. The Nordic construction market will grow by 3 per cent during the present year. In 2007 and 2008, growth will slacken. The moderate growth rate of euro interest rates supports the calm trend in investments and housing demand. Housing sales in Finland continue to be brisk. Growth in exports and industrial output increases the need for industrial investments and maintenance in the Nordic countries. Russia and Norway benefit from the high prices of oil. The rate of growth in Russia, Estonia, Latvia and Lithuania is twice as fast as in the Nordic countries.

**Finland**

In November, the Research Institute of the Finnish Economy ETLA estimated that Finland's GDP will rise by 3.6 per cent this year and 3.1 per cent in 2007. The improvement in the employment count, the good trend in incomes and the low interest rate level support household consumption and demand for housing. ETLA states that annual growth in fixed investments will be about 5 per cent both this year and the next. Investments in machinery and equipment will swing to growth of 6 per cent this year and 10 per cent the next. According to the business cycle report published by the Confederation of Finnish Construction Industries RT in November, the volume of construction will grow by 3 per cent both this year and the next. Residential construction and repair works will remain brisk. Housing construction permits in the January-November period increased by 9 per cent compared with the corresponding period of the previous year. Prices of old residences rose by 9 per cent on average during the year. Construction of industrial and commercial premises will also be on the up and office construction has now passed its low point. Annual growth in renovation works will be 2-3.5 per cent during the present decade. Growth in new construction and renovation maintains demand in the construction and building system markets (heating, plumbing, air-conditioning, electrical and automation contracting, and maintenance). The market for industrial, property and infrastructure maintenance will expand as the outsourcing trend progresses. Telecom operators are expected to keep outsourcing their field functions in the future. Growth in the number of broadband connections will also continue. On the other hand, investments to expand the fixed and mobile phone networks will remain slight.

# Report of the Board of Directors, Jan. 1 - Dec. 31, 2005

**Sweden**

At the end of December, the Swedish National Institute of Economic Research KI estimated that Sweden's GDP will grow by 3.6 per cent this year and 3.1 per cent in 2007. The factors underlying this positive trend are the high capacity utilization ratio in industry, solid earnings, the positive incomes trend enjoyed by households and the low interest rates. Growth is on a broad footing. In 2006, exports will increase by 7.9 per cent due to international demand and the effect of the relatively weak Swedish kronor. Fixed investments will increase by 6.7 per cent this year, but will slacken to 4.7 per cent the next. Growth in fixed investments by industry will slow down to 5.1 per cent this year, and further to 3 per cent in 2007. Investments by the service sector are growing about two percentage points faster than those of industry. KI states that growth in housing investments will continue at a rate of 10.4 per cent this year and by 8.9 per cent the next. According to the business cycle barometer KI released in January, the order backlogs of construction companies have increased, and these companies expect to see further growth in production. Almost 60 per cent of construction firms estimate that construction activity will be on the up this year. Over 30 per cent of construction companies have reported that there is a shortage of skilled labour. The Swedish Construction Federation BI predicts that the construction of 32,000 new residential units will be started up this year and that total construction investments will increase by 4 per cent. Industrial construction will decline.

**Norway**

According to the forecast released by Statistics Norway in December, economic growth will hold steady at slightly over 2 per cent annually in 2006–2009. Growth in domestic consumption will continue at a rate of 3 per cent during the whole forecast period. The vigorous growth in fixed investments that got under way in 2004 will still continue at 6 per cent this year, but the completion of large oil and gas investments will depress investments into a decline of 2 per cent in 2007. Interest rates are low, but are swinging to moderate growth, the international economy is recovering and the prices of Norwegian export products are riding high. Housing investments are still high, but growth will already begin to slip off this year. It is estimated that residential start-ups numbered 28,000 last year, or 2,000 less than in the two previous years. According to Statistics Norway, the construction of 27,309 residences was started up in the January-November period, representing 1.2 per cent more floor area than in the corresponding period of the previous year. The amount of other building start-ups during the first 11 months of the report year was 1.4 per cent higher than in the corresponding period of the previous year. Demand for business and industrial buildings is expected to grow slightly in 2006 - 2009. Euroconstruct estimated in November that the construction of new buildings will decline by 2.1 per cent this year and further by 1.6 and 1.1 per cent in 2007 and 2008, respectively. In 2006 – 2008, renovation would see growth of 2.5, 2.9 and 2.5 per cent. On the whole, building construction will remain at the high level that was achieved last year.

**Denmark**

The outlook for the Danish economy is good. In November, the Copenhagen Institute for Future Studies anticipated that annual GDP growth would amount to 2.5 per cent in 2005-2008. Export growth gathered steam last year, and is expected to continue at a rate of 4.5 per cent over the next few years. Private consumption is expected to rise by 2.5 per cent annually thanks to a positive incomes trend and stimulatory economic policy. Growth in investments is stable at around 3 per cent annually. The value of new housing construction will grow by 5 per cent both this year and the next, coming to a halt in 2008. In November, Euroconstruct estimated that the number of new residential start-ups will be 26,000 this year and 27,000 in both 2007 and 2008. Housing renovation will not see growth in these years. The construction of other types of new buildings will increase by 3.5 per cent both this year and the next. In 2008, growth will slacken to 1.3 per cent. The value of the production of industrial buildings will rise at a rate of 8 per cent and that of office buildings 5 per cent both this year and the next. Annual growth in repairs of office buildings is about one per cent.

**Baltic countries**

Growth in investments and GDP in the Baltic countries significantly outpaces growth in the Nordic countries, and is expected to remain at a level of 5.5-8 per cent during the next few years. The growth of these economies is supported by the high educational level in the area and the EU membership of Estonia, Latvia and Lithuania. Growth in investments this year and the next will be around 6 per cent in Estonia, 8 per cent in Lithuania and 10 per cent in Latvia. In 2006-2008, the growth rate of construction investments will be in the double digits. Inflation in Estonia and Lithuania is 2-3 per cent; in Latvia, too, inflation will decline from its current level of 6 per cent to 3.5 per cent in 2008. Real interest rates have been negative in all three countries, but the slowing down of inflation will quickly swing them to zero. The interest rate spread with the euro will narrow as the countries seek EMU membership. Estonia and Lithuania will most likely achieve EMU entry in 2007, with Latvia following suit a year later. EMU membership might be delayed by the high inflation of these countries. Affordable borrowing, economic growth and the greater affluence of the population have increased demand for new residences and renovation. VTT estimates that this year 4,000 residential units will be completed in Estonia, 4,500 in Latvia and 8,000 in Lithuania.

**Russia**

The high price of oil supports Russian economic growth. Following GDP growth of over 7 per cent in 2003 and 2004, the forecast for GDP growth this year is 5-6 per cent and about 5 per cent for the next two years. The slight slackening of growth is due to the slowdown of growth in investments and industrial output. Inflation was 10.9 per cent last year and according to the Russian Ministry of Finance will slow down to no more than 8-9 per cent this year. Growth in investments has begun to lose momentum in spite of the high price of oil and the high capacity utilization ratio, but remains slightly above the EU and Nordic average. Thanks to the good incomes trend, household consumption has become the primary engine of growth. The greater affluence of the middle class has strengthened demand for residences in large cities such as Moscow and St Petersburg.

## Earnings trends of the business segments

### Building Systems

In 2005, Building Systems' revenue grew by 6 per cent on the previous year and amounted to EUR 1,398.4 million (EUR 1,321.2 million). The breakdown of revenue by country was as follows: Sweden, 38 per cent, Norway, 22 per cent, Denmark, 9 per cent, Finland, 28 per cent, and the Baltic countries and Russia, 3 per cent. The share of the revenue of the business segment accounted for by the maintenance and servicing business rose to 60 per cent, or EUR 840.7 million. The share of revenue generated by this business was 52 per cent in Sweden, 75 per cent in Norway, 58 per cent in Denmark, and 60 per cent in Finland, the Baltic countries and Russia.

Operating profit grew by 67 per cent to EUR 56.8 million (EUR 34.1 million). The operating profit margin improved to 4.1 per cent (2.6%). It was 5.2 per cent in the fourth quarter. Return on investment in 2005 was 22.0 per cent.

The order backlog at the end of the period was EUR 492.0 million (EUR 557.8 million). The breakdown of the backlog by country was: Sweden, 29 per cent, Norway, 19 per cent, Denmark, 17 per cent, and Finland, Lithuania, Latvia, Estonia and Russia, 35 per cent. The decline in the order backlog by 12 per cent on the previous year was due to steps taken to improve profitability and focus operations on the maintenance and servicing business.

At the end of the period, the business segment had 11,731 employees (12,194). Of them, 4,130 worked in Sweden, 2,485 in Norway, 1,103 in Denmark, 3,424 in Finland, and 589 in the Baltic countries and Russia.

The market situation for building system services was good in 2005. Operations developed steadily in all of YIT's business countries. Property refurbishing and modernization works increased. The market for maintenance and servicing grew, especially due to the greater amount and diversity of technical systems as well as the outsourcing of services. The construction markets of Sweden and Denmark revived after a long sedate period. Construction remained brisk in Finland, Russia and the Baltic countries, and the market for new investments in building equipment systems improved. In Norway, housing construction continued apace and public construction was at a good level in the whole country.

### Construction Services

In 2005, Construction Services' revenue rose by 13 per cent compared with the previous year and amounted to EUR 1,298.3 million (EUR 1,147.2 million). The maintenance business accounted for 3 per cent of revenue, or EUR 42.3 million. Of the revenue, 77 per cent was generated in Finland, 9 per cent in Russia, and 14 per cent in Lithuania, Latvia and Estonia.

Both the demand for construction services and earnings were good in all business areas. Operating profit was up 40 per cent to EUR 143.1 million (102.2). The operating profit margin improved to 11.0 per cent (8.9%). Return on investment was 25.8 per cent.

The uninvoiced backlog of orders was 17 per cent higher than in the previous year, having risen to EUR 1,242.6 million (EUR 1,066.4 million). The margin of the order backlog is good.

The business segment had 5,115 employees (5,102) at the end of the period.

In spite of abundant vacancies, new business premise projects were started up in Finland. Demand for commercial and logistics premises remained good. The backlog of works in civil engineering, water supply and environmental construction remained good.

Demand for residences in Finland remained solid during the whole year. In the Russian and Baltic markets, demand for housing remained strong, and residential construction was stepped up in line with the strategy. In April 2005, YIT Construction Ltd bolstered its position in the housing market of Moscow by founding the joint venture ZAO YIT CityStroi with local private shareholders.

During the past 12 months, the selling prices of the residences built by YIT in Russia and the Baltic countries have averaged slightly less than one-third of the prices of market-financed residences sold in Finland.

**Residential construction in 2005 (2004), number of residences**

| | Finland | | | Russia | Estonia, Latvia, Lithuania |
|---|---|---|---|---|---|
| | Market-financed | State-financed, rental housing and tender-based | Total | Total | Total |
| Sold | 3,094 (2,311) | - | 3,094 (2,311) | 1,535 (722) | 848 (414) |
| Start-ups | 2,993 (2,515) | 328 (202) | 3,321 (2,717) | 2,263 (3,173) | 1,111 (700) |
| Under construction at year's end | 3,417 (2,826) | 153 (158) | 3,570 (2,984) | 5,350 (3,539) | 1,530 (615) |
| Completed | 2,577 (2,908) | 158 (266) | 2,735 (3,174) | 466 (225) | 237 (341) |
| Completed and unsold at year's end | 110 (189) | - | 110 (189) | 1 (13) | 0 (1) |

Developer-contracted housing construction requires good plot reserves. In land management, outlays were made on good plot reserves and their rapid turnover.

# Report of the Board of Directors, Jan. 1 - Dec. 31, 2005

**Plot reserves, December 31, 2005 (December 31, 2004), Building rights and zoning potential, 1,000 m2 of floor area**

| | Finland | Russia | Estonia, Latvia, Lithuania |
|---|---|---|---|
| Residential plots | 1,733 (1,367) | 587 (286) | 215 (254) |
| Business premise plots | 676 (852) | 26 (-) | 33 (-) |
| Total | 2,409 (2,219) | 613 (286) | 248 (254) |
| | | | |
| Capital tied into plot reserves, EUR million | 268.9 (278.1) | 32.5 (11.6) | 24.7 (11.4) |

Plot reserves include plots that have been zoned and an estimate of the potential building rights on areas that are under zoning. Building rights provided by regional development agreements made with landowners are not included in YIT's balance sheet until the zoned sections are each in turn slated for construction.

## Industrial and Network Services

The Industrial and Network Services business segment was created on June 1, 2005, by merging Services for Industry and Data Network Services. The Industrial and Network Services business segment's comparative figures for 2004 have been calculated by combining the financial figures of these business segments. At the beginning of 2006, industrial electricity, automation and HEPAC operations in Finland were transferred to the Industrial and Network Services business segment from YIT Kiinteistötekniikka Oy. The transferred business functions had revenue of EUR 58.9 million in 2005.

The revenue of Industrial and Network Services grew by 11 per cent to EUR 398.8 million (EUR 359.0 million). Maintenance and business based on long-term customer agreements accounted for 77 per cent of revenue, or EUR 305.4 million. Operations in countries other than Finland generated 7 per cent.

Operating profit increased by 42 per cent to EUR 39.1 million (EUR 27.5 million). The operating profit margin improved to 9.8 per cent (7.7%). Return on investment was 63.3 per cent.

The order backlog at the end of the year amounted to EUR 173.3 million (EUR 199.2 million). The order backlog was down 13 per cent on the previous year due to the lower volume forecasts received from network service customers and progress on the Diesel project at Neste Oil's Porvoo refinery. The order backlog in network services is based on forecasts from customers which extend until the end of the calendar year.

At the end of the year, the business segment had 4,126 employees (4,275).

Demand for the maintenance services offered to industry remained good in 2005, as did their outsourcing. The strike and labour lockout in the forest industry hindered industrial operations in the summer. In the case of investments by industry, a great deal of mechanical engineering output was exported. During the report year, investments were also started up in Finland, increasing demand for engineering products and installation works.

In the telecom sector, competition between operators remained severe, which led them to further transfer the responsibility for installation services into the hands of external service providers. There was steady growth in the number of broadband connections and YIT's installation services were in brisk demand.

## Events after the end of the review period

YIT Construction Ltd's Lithuanian subsidiary AB YIT Kausta sold its structural steel plant in Kaunas to the Finnish company Peikko Group. The ship electrification operations of the Telesilta business unit – part of YIT Industrial and Network Services – was sold to a soon-to-be-formed company that will be named Telesilta Oy.

## Outlook for 2006

We estimate that the pre-tax result for 2006 will be better than in the previous year.

# Board of Directors' proposal for the distribution of profit

According to consolidated balance sheet on December 31, 2005, the Group's distributable equity according to IFRS-standards is EUR 392,894,000. The distributable equity of YIT Corporation according to Finnish accounting standards, shown in the balance sheet on December 31, 2005, is EUR 230,798,224.21, which is made up as follows:

| | |
|---|---|
| - Retained earnings | 167,706,964.22 |
| - Profit for the financial period | 63,091,259.99 |
| | 230,798,224.21 |

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

| | |
|---|---|
| - Payment of a dividend of 110% of the nominal value or EUR 1.10 per share to shareholders | 68,636,867.20 |
| - Transfer to retained earnings | 162,161,357.01 |
| | 230,798,224.21 |

Helsinki, February 9, 2006

***Reino Hanhinen***
Chairman

***Ilkka Brotherus***
Vice chairman

***Eino Halonen***

***Antti Herlin***

***Teuvo Salminen***

***Hannu Leinonen***
President and CEO

# Auditor's report

To the shareholders of YIT Corporation

We have audited the accounting records, the financial statements and the administration of YIT Corporation for the period Jan 1 – Dec 31, 2005. The Board of Directors and the President and CEO have prepared the report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that include the parent company's balance sheet, income statement, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about 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 the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine that the members of the Board of Directors and the President and CEO of the parent company have complied with the rules of the Companies' Act.

**Consolidated financial statements**
In our opinion the consolidated financial statements give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

**Parent company's financial statements and administration**
In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's result of operations as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the distributable funds is in compliance with the Companies' Act.

Helsinki, February 13, 2006

**PricewaterhouseCoopers Oy**
Authorised Public Accountants

***Göran Lindell***
Authorised Public Accountant

# Consolidated financial statements, IFRS

## CONSOLIDATED INCOME STATEMENT

| 1,000 EUR | Note | 2005 | 2004 |
|---|---|---|---|
| **Revenue** | 3,5,6 | **3,023,760** | 2,780,060 |
| Other operating income | 7 | **5,849** | 4,204 |
| Change in inventories of finished goods and in work in progress | | **-660** | 80,303 |
| Production for own use | | **3,235** | 2,308 |
| Materials and services for own use | | **-1,495,908** | -1,440,844 |
| Personnel expenses | 10 | **-909,068** | -873,109 |
| Other operating expenses | 8,11 | **-376,300** | -373,495 |
| Share of results in associated companies | 17 | **715** | 288 |
| Depreciation and value adjustments | 9 | **-23,920** | -22,332 |
| **Operating profit** | | **227,703** | 157,383 |
| Financial income | | **1,867** | 1,846 |
| Exchange rate differences (net) | | **2,002** | -1,093 |
| Financial expenses | | **-16,785** | -18,099 |
| Financial income and expenses | 12 | **-12,916** | -17,346 |
| Profit before taxes | | **214,787** | 140,037 |
| Income taxes | 13 | **-57,917** | -39,486 |
| **Net profit for the financial year** | | **156,870** | 100,551 |
| **Attributable to:** | | | |
| Equity holders of the company | | **155,481** | 99,104 |
| Minority interest | | **1,389** | 1,447 |
| **Earnings per share for profit attributable to the equity holders of the Company:** | | | |
| Basic earnings per share, EUR | 14 | **2,52** | 1,62 |
| Diluted earnings per share, EUR | | **2,46** | 1,60 |

# Consolidated financial statements, IFRS

## CONSOLIDATED BALANCE SHEET

| 1,000 EUR | Note | 2005 | 2004 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Tangible assets | 15 | **77,098** | 81,030 |
| Goodwill | 16 | **248,808** | 248,808 |
| Other intangible assets | 16 | **13,437** | 13,065 |
| Investments in associated companies | 17 | **1,784** | 1,166 |
| Other investments | 18 | **3,009** | 2,921 |
| Receivables | 19 | **9,413** | 7,770 |
| Deferred tax receivables | 20 | **23,558** | 26,060 |
| **Total non-current assets** | | **377,107** | 380,820 |
| **Current assets** | | | |
| Inventories | 21 | **685,243** | 629,361 |
| Trade and other receivables | 22 | **545,165** | 469,950 |
| Cash and cash equivalents | 23 | **80,590** | 36,106 |
| **Total current assets** | | **1,310,998** | 1,135,417 |
| **TOTAL ASSETS** | | **1,688,105** | 1,516,237 |

| 1,000 EUR | Note | 2005 | 2004 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to the equity holders of the Company** | 24 | | |
| Share capital | | **62,397** | 61,293 |
| Share premium reserve | | **77,196** | 71,549 |
| Legal reserve | | **705** | 708 |
| Other reserves | | **2,520** | 1,640 |
| Treasury shares | | **-7** | 0 |
| Translation differences | | **-2,947** | -1,373 |
| Fair value reserve | | **-111** | 0 |
| Retained earnings | | **420,014** | 307,439 |
| | | **559,767** | 441,256 |
| **Minority interest** | | **3,752** | 4,139 |
| **Total equity** | | **563,519** | 445,395 |
| **Non-current liabilities** | | | |
| Deferred tax liablities | 20 | **36,463** | 19,879 |
| Pension obligations | 25 | **11,627** | 9,751 |
| Provisions | 26 | **30,060** | 26,540 |
| Interest-bearing liabilities | 27 | **172,454** | 224,022 |
| Other liabilities | 28 | **4,436** | 3,719 |
| **Non-current liabilities** | | **255,040** | 283,911 |
| **Current liabilities** | | | |
| Trade and other liabilities | 28 | **685,981** | 585,944 |
| Income tax liabilities | | **5,229** | 5,909 |
| Provisions | 26 | **15,775** | 23,573 |
| Current interest-bearing liabilities | 27 | **162,561** | 171,505 |
| **Total current liabilities** | | **869,546** | 786,931 |
| **Total liabilities** | | **1,124,586** | 1,070,842 |
| **TOTAL EQUITY AND LIABILITIES** | | **1,688,105** | 1,516,237 |

# Consolidated financial statements, IFRS

## CONSOLIDATED CASH FLOW STATEMENT

| 1,000 EUR | Note | 2005 | 2004 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Net profit for the financial year | | **156,870** | 100,551 |
| Adjustments for | | | |
| Depreciation according to plan | | **23,920** | 22,332 |
| Non-cash transactions | | **338** | 46 |
| Financial income and expenses | | **12,916** | 17,345 |
| Gains on the sale of tangible and intangible assets | | **-651** | -1,420 |
| Taxes | | **57,917** | 39,485 |
| | | **94,440** | 77,788 |
| Change in working capital | | | |
| Change in trade and other receivables | | **-74,335** | 13,155 |
| Change in inventories | | **-54,640** | -83,465 |
| Change in trade and other payables | | **104,461** | -1,021 |
| Change in provisions | | **-2,402** | 4,223 |
| | | **-26,916** | -67,108 |
| Interest paid | | **-20,755** | -20,599 |
| Interest received | | **1,298** | 1,034 |
| Dividends received | | **39** | 27 |
| Taxes paid | | **-37,029** | -32,453 |
| **Net cash generated from operating activities** | | **167,947** | 59,240 |

| 1,000 EUR | Note | 2005 | 2004 |
|---|---|---|---|
| **Cash flow from investing activities** | | | |
| Acquisition of subsidiaries, net of cash | 4 | **-4,711** | -6,989 |
| Purchases of property, plant and equipment | | **-23,064** | -21,146 |
| Purchases of intangible assets | | **-1,768** | -3,371 |
| Other investments | | **-502** | -75 |
| Proceeds from sale of tangible and intangible assets | | **5,194** | 3,811 |
| Proceeds from sale of other investments | | **358** | 2,647 |
| **Net cash used in investing activities** | | **-24,493** | -25,123 |
| **Cash flow from financing activities** | | | |
| Proceeds from share issues | | **6,752** | 1,611 |
| Purchase of treasury shares | | **-7** | - |
| Proceeds from borrowings | | **-** | 37,935 |
| Change in borrowings | | **-36,402** | -40,065 |
| Change in current loans | | **-** | 2,123 |
| Decrease in loan receivables | | **-21,533** | -18,566 |
| Payments of financial leasing debts | | **-5,094** | -4,302 |
| Dividends paid | | **-42,905** | -36,628 |
| Net cash used in financing activities | | **-99,189** | -57,892 |
| **Net change in cash and cash equivalents** | | **44,265** | -23,775 |
| Cash and cash equivalents at the beginning of the financial year | | **36,106** | 61,504 |
| Foreign exchange rate effect on cash and cash equivalents | | **243** | -1,623 |
| Transition effect of IAS 39 | | **-24** | - |
| **Cash and cash equivalents at the end of the financial year** | 23 | **80,590** | 36,106 |

# Consolidated financial statements, IFRS

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| 1,000 EUR | Equity attributable to the equity holders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium reserve | Legal reserve | Other reserve | Cumulative translation differences *) | Fair value reserve | Treasury shares | Retained earnings | **Total** | **Minority interest** | **Total equity** |
| **Equity on Dec 31, 2003** | 61,047 | 70,184 | 689 | - | - | - | - | 276,408 | **408,328** | - | 408,328 |
| Changes in transition to IFRS | | | | 696 | | | | -31,268 | | 3,914 | |
| | | | | | | | | | | | |
| **Equity on Jan 1, 2004** | 61,047 | 70,184 | 689 | 696 | - | - | - | 245,140 | **377,756** | 3,914 | 381,670 |
| Shares subscribed with options | 246 | 1,365 | - | - | - | - | - | - | **-** | | |
| Reclassifications | - | - | 19 | - | - | - | - | -53 | **-** | | |
| Change in translation differences | - | - | - | - | -1,373 | - | - | - | **-** | | |
| Transfer of treasury shares | - | - | - | - | - | - | - | - | **-** | | |
| Share based payments-option charge | - | - | - | 944 | - | - | - | -124 | **-** | | |
| Net profit for the financial year | - | - | - | - | - | - | - | 99,104 | **-** | | |
| Dividend paid | - | - | - | - | - | - | - | -36,628 | **-** | | |
| | | | | | | | | | | | |
| **Equity on Dec 31, 2004** | 61,293 | 71,549 | 708 | 1,640 | -1,373 | 0 | 0 | 307,439 | **441,256** | 4,139 | 445,395 |
| Transition effect of IAS 32 and IAS 39 | | | | | | -393 | | -281 | | | -674 |
| | | | | | | | | | | | |
| **Equity on Jan 1, 2005** | 61,293 | 71,549 | 708 | 1,640 | -1,373 | -393 | 0 | 307,158 | **440,582** | 4,139 | 444,721 |
| Shares subscribed with options | 1,104 | 5,647 | - | - | - | - | - | - | **-** | | |
| Change in the fair value of interest derivatives | - | - | - | - | - | 282 | - | - | **-** | | |
| Change in translation differences | - | - | - | 880 | - | - | - | 60 | **-** | | |
| Transfer of treasury shares | - | - | - | - | -1,574 | - | **-** | - | **-** | | |
| Share based payments-option charge | - | - | - | **-** | - | - | -7 | **-** | **-** | | |
| Net profit for the financial year | - | - | - | - | - | - | - | 155,481 | **-** | | |
| Dividend paid | - | - | - | - | - | - | - | -42,905 | **-** | | |
| Net profit for the financial year | - | - | -3 | - | - | - | - | 220 | **-** | | |
| **Equity on Dec 31, 2005** | 62,397 | 77,196 | 705 | 2,520 | -2,947 | -111 | -7 | 420,014 | **559,767** | 3,752 | 563,519 |

*) On December 31, 2003 the positive cumulative translation differences are included in legal reserve and the negative cumulative translation differences are included in retained earnings.

## 1 ACCOUNTING PRINCIPLES FOR THE CONSOLIDATED ACCOUNTS

**Company profile**
The YIT Group is a service company focused on building and maintaining the technical structures of the modern living environment. The Group provides capital investment and maintenance services for the property and construction sector as well as industry and telecom networks. YIT's main market areas are the Nordic countries, the Baltic countries and Russia. The Group's business segments are: Building Systems, Construction Services, and Industrial and Network Services.

The Group's parent company is YIT Corporation. The parent company is domiciled in Helsinki, and its registered address is Panuntie 11, 00621, Helsinki, Finland. The parent company's shares have been listed on OMX Helsinki Stock Exchange since 1995.

Copies of the consolidated financial statements are available at www.yit.fi or the parent company's head office, address YIT Corporation, Panuntie 11, 00621 Helsinki, Finland. The consolidated financial statements are approved for publication on February 9, 2006.

### ACCOUNTING POLICY APPLIED IN THE FINANCIAL STATEMENTS

**Basis of preparation**
The consolidated financial statements for 2005 are the first to be drafted in line with IFRS (International Financial Reporting Standards). The IAS/IFRS standards approved by the EU Commission by December 31, 2005 and their interpretations have been complied with in the drafting of the statements. IFRS 1 (First-time Adoption of International Financial Reporting Standards) was applied in the transition to IFRS on January 1, 2004. The comparative figures for the 2004 interim reports and financial statements have been converted to match IFRS; the standards not accounted for in the conversion are IAS 32 and 39, which were adopted as from January 1, 2005. Finnish Accounting Standards have been applied in the comparison information for 2004 to the presentation of financial instruments falling under the scope of IAS 32 and 39. Differences due to the adoption of IFRS are presented in the reconciliation statements in note 36 of the notes to the financial statements. The figures in the financial statements are presented in thousands of euro.

The consolidated financial statements have been prepared using the original acquisition cost, with the exception of available-for-sale investments, financial assets and liabilities measured at fair value through profit and loss, derivative contracts and hedged items in fair value hedging, all of which are measured at their fair value. Share-based payments (options granted) are measured at fair value at the time of granting.

**Estimate of the future effect of new standards**
The Group has not resorted to early application of IFRS standards or IAS/IFRS amendments coming into force in 2006 or thereafter concerning the standards IAS 19 (Amendment) Employee Benefits, IFRS 7 Financial Instruments: Disclosures, IAS 21 (Amendment) Net Investments in a Foreign Operation, IAS 39 Financial Instruments: Recognition and Measurement, and IFRIC 4 Determining Whether an Arrangement Contains a Lease. In the Group's view, the new standards will not have a material effect on the Group's financial statement information.

**Use of estimates**
When financial statements are prepared in accordance with IFRS, the management of the Group must make estimates and exercise judgement in the application of the accounting policies. Estimates and assumptions have an effect on the amounts of assets, liabilities and contingent liabilities in the balance sheet of the financial statements and the amounts of revenues and expenses reported for the financial period. Estimates and assumptions have been used, for instance, in the impairment testing of goodwill and both intangible assets and property, plant and equipment; determining the depreciation periods of intangible assets and property, plant and equipment; the income recognition of construction contracts; the calculation of guarantee and liability provisions; and the recognition of deferred taxes.

**Subsidiaries**
The consolidated financial statements include YIT Corporation and subsidiaries it owns either directly or indirectly and in which it has over 50% of the voting rights or in which the Group has a controlling interest otherwise. “Controlling interest” means the right to dictate a company's financial and business principles in order to benefit from its operations. The acquisition cost method has been used in eliminating cross-ownership of shares. Acquired subsidiaries are included in the consolidated financial statements as from the moment when the Group has assumed a controlling interest, and divested subsidiaries are included until the moment when the Group ceases to have a controlling interest. All intra-Group transactions, receivables, liabilities and profits are eliminated in the consolidation. Unrealized losses are not eliminated if they are due to impairment.

**Associates**
The consolidated financial statements include associates in which the YIT Group either holds 20-50% of the voting rights or in which the Group has a significant influence otherwise but not a controlling interest. Associates have been consolidated using the equity method. If the Group's share of the losses of associates exceeds the carrying amount, losses in excess of the carrying amount are not consolidated unless the Group has committed itself to fulfilling the obligations of the associates. Unrealized profits between the Group and associates have been eliminated in accordance with the Group's holding. An investment in an associate includes the goodwill arising from acquisition, which has been tested for impairment.

**Joint ventures**
Joint ventures are companies in which the YIT Group exercises a shared controlling interest with other parties. The YIT Group's holdings in joint ventures are consolidated proportionally on a line-by-line basis. The consolidated financial statements include the Group's share of joint venture assets, liabilities, profit and expenses.

**Translation of items denominated in foreign currency**
The income statements of foreign Group companies have been translated to euro using the average exchange rates quoted by the European Central Bank for the calendar months of the financial period, and the balance sheets have been translated using the rates on the closing date. The translation of the result for the period using different exchange rates in the income statement and balance sheet results in a translation difference, which is entered in shareholders' equity.

Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and the hedging result of net investment are entered in shareholders' equity. When a subsidiary is sold, accumulated translation differences are recorded in the income statement as part of capital gains or losses on the sale. Translation differences arising before January 1, 2004, are recorded in retained earnings in connection with the transition to IFRS and they will not be entered in the income statement in the event of the sale of a subsidiary at a later date.

Both the goodwill arising from the acquisition of a foreign unit and the adjustments of acquired assets and liabilities to their fair values have been treated as the assets and liabilities of the foreign unit in question and translated at the rate on the closing date. The goodwill and fair value adjustments of acquisitions carried out prior to January 1, 2004, have been booked in euro amounts.

Transactions in foreign currency have been recorded in euro at the exchange rate on the date of the transaction. Monetary items denominated in foreign currency have been translated to euro amounts using the exchange rates on the closing date. Gains and losses from transactions in foreign currency and the translation of monetary items have been entered in the income statement. Capital gains and losses on business operations are included in the corresponding items above operating profit. Exchange rate gains and losses from financing are included in financial income and expenses.

## Fixed assets

### Property, plant and equipment

Property, plant and equipment have been valued at the original acquisition cost less depreciation and impairment.

Assets are amortized on a straight-line basis over their estimated economic lifetime. Land is not amortized. The estimated economic lifetimes are:

| | |
|---|---|
| Buildings | 5 - 40 years |
| Machinery and equipment | 3 - 15 years |
| Other property, plant and equipment | 4 - 40 years |

The residual values and economic lifetimes of assets are checked in each financial statement. If necessary, they are adjusted to reflect the changes in the expected financial benefits.

Capital gains and losses on the sale of property, plant and equipment are included in the operating result.

## Costs of debt

Costs of debt are expensed in the financial period in which they were incurred. Construction-stage interest is not capitalized. Transaction costs arising directly from the raising of loans – and which are clearly connected with a certain loan – are included in the original periodized acquisition cost of the loan and are periodized as interest expenses using the effective interest rate method.

## Public grants

Public grants are recognized as decreases in the carrying amounts of property, plant and equipment. Grants are recognized as revenue through smaller depreciation over the economic life of the asset.

## Investment properties

The YIT Group has no assets that are categorized as investment properties

## Intangible assets

### Goodwill

In the case of companies acquired after January 1, 2004, goodwill corresponds to the share of the acquisition cost in excess of the Group's share of the fair value of the acquiree's net assets at the time of acquisition. The goodwill on the consolidation of business functions prior to this date corresponds to the carrying amount as per the previously employed accounting standards, which has been used as the deemed cost. Neither the classification nor accounting treatment of these acquisitions has been adjusted when drafting the opening consolidated IFRS balance sheet. Goodwill is subjected to an annual impairment test. To this end, goodwill is allocated to cash-generating units. Goodwill is measured at the original acquisition cost less impairment. Impairment is expensed directly in the income statement.

### Research and development expenditure

Research expenditure is expensed in the income statement. Expenditure on the design of new or more advanced products is capitalized as intangible assets in the balance sheet as from the date when the product is technically feasible, can be utilized commercially and is expected to yield future financial benefits. Capitalized development expenditure is amortized on a straight-line basis over 5-10 years. Amortization begins when the asset is ready to be used. Incomplete assets are tested annually for impairment. Development expenses that are not expected to yield financial benefits are expensed in the income statement.

### Other intangible assets

Patents and licenses are entered in the balance sheet and expensed in the income statement on a straight-line basis over their economic lifetime. The depreciation period is 7-25 years. Brands with an unlimited economic lifetime are entered in the balance sheet and subjected to an impairment test on each closing date.

## Inventories

Inventories are measured either at the acquisition cost or at the net realizable value, whichever is lower. The acquisition cost of materials and supplies is determined using the weighted average price method. The acquisition cost of finished and incomplete works comprises raw materials, direct costs of labour, other direct costs and the appropriate portion of the variable general costs of manufacture and fixed overhead. The net realizable value is the estimated selling price in ordinary business operations less the estimated expenditure on product completion and sales. In measuring shares and real estate properties held in inventories, the available market information and the level of the yield on the properties are taken into account.

## Lease agreements

Lease agreements concerning property, plant and equipment in which the Group holds a material share of the risks and benefits of ownership are classified as financial lease agreements. A financial lease agreement is entered in the balance sheet at either the fair value of the leased asset on the starting date of the lease agreement or the current value of the minimum rents, whichever is lower. Assets acquired under financial lease agreements are depreciated over their economic lifetime or the period of lease, whichever is shorter. The lease commitments of financial lease agreements are included in interest-bearing liabilities.

Lease agreements in which the risks and benefits of ownership are retained by the lessor are treated as other lease agreements. Rents paid on other lease agreements are expensed in even instalments in the income statement over the duration of the rental period. Incentives received are deducted from the rents paid on the basis of the time pattern of the user's benefit.

## Impairment

At each closing date, the YIT Group evaluates whether there are indications of impairment in any asset item. If impairment is indicated, the recoverable amount of said asset is estimated. In addition, the recoverable amount is assessed annually for each of the following asset items regardless of whether impairment is indicated: goodwill, intangible assets with an unlimited economic lifetime and incomplete intangible assets.

The recoverable amount is the fair value of the asset item less selling costs or the value in use, whichever is higher. The recoverable amount of financial assets is either the fair value or the present value of future cash flows discounted at the original effective interest. An impairment loss is recognized if the carrying amount of the asset item is higher than its recoverable amount. The impairment loss is entered in the income statement. An impairment loss is reversed when the situation changes and the amount recoverable from the asset item has changed since the date when the impairment loss was recorded. However, impairment losses are not reversed beyond the carrying amount of the asset exclusive of impairment losses. Impairment losses on goodwill are never reversed.

## Employee benefits

### Pension liabilities

The Group has different defined contribution and defined benefit pension plans in its business territories. The local regulations and practices of the countries in question are applied in these plans. Contributions to defined contribution pension plans are entered in the income statement in the financial period during which the charge applies. In defined benefit pension plans, the present value of future pension payments on the closing date is presented less the fair value of the plan-related assets on the closing date and adjusted with the actuarial profits and losses and retroactive labour costs. Pension liabilities are calculated by independent actuaries. Pension expenditure is expensed in the income statement, periodizing the costs over the time in employment of the employees. Actuarial profits and losses in excess of a certain range of variation are entered for the average remaining time in employment of the employees.

All occupational pensions accrued in Finland have been treated as a defined contribution plan due to the reform of the occupational pension system approved by the Ministry of Social Affairs and Health on December 22, 2004. Supplementary pension insurance liabilities in Finland are recorded on a defined benefit basis. Occupational pensions in Sweden have been insured under a pension scheme shared with numerous employers. It has not been possible to acquire sufficient information about these pension liabilities to divide liabilities and assets by employer. Occupational pensions in Sweden have been treated on a defined contribution basis. An unemployment pension debt has been recorded for persons dismissed in connection with corporate arrangements. This liability has been estimated to be payable by the employer in accordance with the future pension.

**Share options**

The YIT Group has applied IFRS 2 Share-based Payment to all share option schemes in which options have been granted after November 7, 2002, and to which rights have not vested before January 1, 2005. No expenses on prior share option schemes have been presented in the income statement. The fair value of share options is determined as at the time granted and expensed in even instalments in the income statement over the vesting period of the rights. The expense determined at the time of granting the option is based on the Group's estimate of the number of options to which it is assumed that rights will vest by the end of the vesting period. The fair value is determined using the Black-Scholes pricing model. When share options are exercised, the cash payments (adjusted for any transaction costs) received on the basis of share subscriptions are entered in the share capital (nominal value) and the share premium fund.

**Provisions**

Provisions are recorded when the Group has a legal or constructive obligation on the basis of a prior event, the materialization of the payment obligation is probable and the size of the obligation can be reliably estimated. If compensation for a share of the obligation can be received from a third party, the compensation is recorded as a separate asset item, but only when it is practically certain that said compensation will be received.

Provisions are booked for loss-making agreements when the obligatory expenditure required to meet obligations exceeds the benefits yielded by the agreement.

A guarantee provision is recorded when a completed project is recognized in the income statement. The amount of the guarantee provision is set on the basis of experience of the materialization of warranty costs.

The amount of 10-year provisions for commitments in the construction industry is set on the basis of experience of the materialization of commitments.

**Income taxes**

Tax expenses in the income statement comprise taxes on the taxable income for the financial period and the deferred tax liabilities. Taxes on the taxable income for the financial period are calculated on the taxable income on the basis of the tax base in force in the country in question. Taxes are adjusted for the taxes of previous financial periods, if applicable.

Deferred taxes are calculated on all temporary differences between the carrying amount and taxable value. The largest temporary differences arise from the depreciation differences of property, plant and equipment, voluntary provisions in Sweden, defined benefit pension plans, provisions deductible at a later date, unused tax losses and measurement at fair value in connection with acquisitions.

No deferred taxes are calculated on goodwill impairment that is not deductible in taxation and no deferred taxes are recognized on the undistributed profits of subsidiaries to the extent that the difference is unlikely to be discharged in the foreseeable future.

Deferred taxes have been calculated using the statutory tax bases or the tax bases whose confirmed content has been announced by the closing date.

Deferred tax assets have been recognized to the extent that it is probable that taxable income against which the temporary difference can be applied will materialize in the future.

**INCOME RECOGNITION**

**Services provided**

Income from services is recognized when the service has been performed.

**Construction contracts**

The income and costs of construction contracts are recorded as revenue and expenses on the basis of the degree of completion when the end result of the project can be estimated reliably. The degree of completion is calculated on the basis of the share of the estimated total cost of a contract represented by the costs realized at the time of assessment. If it is probable that the total expenditure required to complete a contract will exceed the total income from the project, the expected loss is expensed immediately.

The income and costs from developer contracting are recognized as revenue on the basis of the percentage of degree of completion and the degree of sale. Costs in excess of the degree of completion are capitalized in incomplete construction contracts.

Income from construction projects including leasing liabilities is recognized as revenue on the basis of the percentage of degree of completion and the degree of lease income. Leasing liabilities are treated as contract expenses. A provision for leasing liabilities is made if the remaining margin of the construction project is lower than the amount of the remaining leasing liability.

**FINANCIAL ASSETS AND LIABILITIES**

The YIT Group has broken down its financial assets into the following categories in accordance with IAS 39: held for trading financial assets, loans and receivables, and available-for-sale financial assets. Financial assets are classified in accordance with the purpose underlying the acquisition of the financial asset. The assets are categorized on initial recognition. The Group records financial assets and liabilities in the balance sheet when it becomes party to the contractual terms of the instrument. Transaction costs are included in the original carrying amount of financial assets when the item in question is not measured at fair value through profit or loss. All acquisitions and sales of financial assets are booked on the clearing day.

Financial assets are derecognized from the balance sheet when the contractual right to cash flows from an item included in financial assets ends or when control over said cash flows has been assigned to the transferee in connection with the transfer of trade receivables. Financial liabilities are derecognized from the balance sheet when the obligation itemized in the contract has been fulfilled, cancelled or has ceased to exist.

**Financial assets**

Only derivatives that do not meet the criteria for hedge accounting have been classified as being held for trading. The items in this group are measured at fair value. Both realized and unrealized gains and losses due to changes in fair value are recorded in the income statement in the financial period in which they were incurred.

"Loans and receivables" (excluding derivative assets) are assets whose related payments are fixed or definable. They are not quoted in well-functioning markets; and the company's primary intention is not to sell them in the short term. Loans and receivables are included in current and non-current financial assets and they are measured at the periodized acquisition cost. Trade receivables are measured at the invoiced amount.

Available-for-sale financial assets primarily comprise shares and participations that are measured at fair value or at cost. Changes in the fair value of available-for-sale financial assets are entered in the fair value reserves in shareholders' equity. Changes in fair value are transferred from shareholders' equity to the income statement when the investment is sold or its value has declined such that an impairment loss must be recognized on it.

Liquid funds comprise cash, bank deposits withdrawable on demand and liquid short-term investments. The maturity of items classified into liquid funds is no more than three months from the date of acquisition. Liquid funds are recorded in the balance sheet at the original amount.

**Financial liabilities**

Financial liabilities are originally booked at their fair value on the basis of the consideration received. Transaction costs have been included in the original carrying amount of financial liabilities. Non-current financial liabilities are later valued at the periodized acquisition cost using the effective interest rate method.

The financial liabilities that are recognized in the income statement at their fair value are derivative contract-based liabilities. Realized and unrealized gains and losses on fair value changes are recognized in financial income and expenses in the income statement in the financial period when they occur.

Debts due to developer contracting have been presented in interest-bearing current liabilities in accordance with their nature. In the case of unsold shares, contract receivables sold to financing companies are recognized as liabilities in their entirety and, in the case of sold shares, to the extent that they exceed the debt outstanding on the sold shares in accordance with the degree of completion. Loans from external financial institutions drawn down by housing corporations have been accounted for as liabilities to the extent that they apply to unsold shares.

**Derivative contracts and hedge accounting**

The YIT Group treats derivative contracts in accordance with IAS 39 Financial Instruments: Recognition and Measurement. All derivatives are initially measured at cost, which is their fair value on the transaction date, and they are later measured at fair value. Gains and losses arising from measurement at fair value are treated in accounting as dictated by the purpose of the derivative contract.

The Group treats derivative contracts either as hedges of cash flows from variable-interest liabilities, hedges for net investment in a foreign unit, or as derivative contracts that do not meet hedge accounting criteria under IAS 39.

When hedge accounting is initiated, the Group documents the relationship between the hedged item and the hedging instruments as well as the Group's risk management objectives and hedging strategy as required under IAS 39. Both when hedging is initiated, and before and after the drafting of each of its financial statements, the Group keeps a record of its estimates of whether changes in the fair value of the hedging instrument or the cash flows will reverse the fair value of the hedged item or changes in the cash flows highly effectively.

The Group applies cash flow hedge accounting to variable-interest loans. Changes in the fair value of the effective component of derivative instruments used as cash flow hedges are recorded directly in the fair value reserves in shareholders' equity and the ineffective component under financial income and expenses in the income statement. Gains and losses entered in shareholders' equity are transferred into the income statement in the financial period during which the hedged item is recorded in the income statement as an adjustment to interest expenses.

When a hedging instrument matures or is sold, or when the criteria for hedge accounting are no longer fulfilled, the gains or losses accrued from the hedging instrument are retained in shareholders' equity until the business transaction is consummated. If the transaction is no longer expected to be consummated, gains or losses accrued in shareholders' equity are immediately recognized in the income statement.

Changes in the fair value of the effective component of derivative contracts that meet the criteria for the hedging of net investment in a foreign unit are recorded directly as translation differences in the Group's shareholders' equity. Gains and losses from the hedging of a net investment are recorded in the income statement when the net investment is disposed of.

Although certain derivative contracts meet the requirements for effective hedging set by the Group's risk management, they do not in all respects meet the requirements of hedge accounting in accordance with IAS 39, even though they are effective financial hedging instruments. Revaluation of derivative contracts to which hedge accounting is not applied is recognized in profit or loss.

The fair values of derivatives are determined by comparing their carrying amount with their realizable value. Verifiable market prices or market-priced valuation by the counterparties of the derivatives are used to calculate their realizable values.

The fair values of hedge accounting derivatives with maturities in excess of a year are presented in non-current receivables or liabilities. The fair values of other derivatives are disclosed in current receivables and liabilities.

## 2 FINANCIAL RISK MANAGEMENT

The financial risks connected with the YIT Group's business operations consist of liquidity, interest rate, foreign exchange and credit risks.

The Board of Directors has approved the Corporate Finance Policy. The Group's Finance Department is responsible for the practical implementation of the policy in association with the business units.

**Liquidity risk**

The objective of managing liquidity risk is to optimize the use of liquid funds for operational financing. Furthermore the YIT Group's aim is to minimize net interest expenses and bank costs.

The YIT Group's liquidity management is based on the financial budget as well as on short-term, up-to-date cash funds planning.

The Finance Department sees to it that a sufficient number of different sources of finance are available and the maturity profile of external loans is controlled. The parent company's Finance Department handles asset management and funding on a centralized basis. YIT's internal debt relationships exist directly between the YIT Group's parent company and the subsidiaries.

The tools used in liquidity management are Group bank accounts with an overdraft, financing credit facilities and commercial paper programmes. Deposits will not be used as a liquidity buffer until the YIT Group's equity ratio exceeds the strategic target limit (35%).

**Interest rate risk**

The objective of managing interest rate risk is to optimize net interest expenses across the business cycle.

Interest rate risks are examined from the perspective of both the financial balance sheet and the entire balance sheet. The main focus in 2005 was on managing interest rate risks having an effect on earnings in the financial balance sheet.

The loan portfolio comprises the main part of the YIT Group's financial balance sheet. The interest rate risk connected with interest-bearing liabilities is regulated by changing the composition of the loan portfolio either by undertaking actual loan operations or through derivatives. The company applies cash flow hedge accounting as per IAS 39 for hedging the interest rate risk of the portfolio.

The decision on the duration target set for long-term loans is taken by the Board of Directors, upon a presentation by the Vice President, Corporate Finance. The Vice President can take decisions within the framework of the 2-year duration target with a deviation of +/- 0.5 year. A central factor affecting the YIT Group's duration target is the stock of plots, which is a highly important asset item.

Examined separately from the above-mentioned duration target is the interest rate exposure of sales receivables that have been sold to finance companies. For this exposure the duration is made up, on the one hand, of the maturities of the limits set and, on the other, of the construction time of the projects to be financed. The Group's Management Board takes hedging decisions on this exposure.

Responsibility for the Group's interest rate risk management rests with the parent company's Finance Department.

**Foreign exchange risk**

The objective of managing currency risk across YIT's units is to hedge equity and earnings generated by operations against currency movements. The currency risk to be hedged consists of foreign currency-denominated cash flows, i.e. transaction risk, and the consolidation of foreign subsidiaries, i.e. translation risk. The hedging of the effect of currency fluctuation on the company's competitiveness, i.e. economic risk, is undertaken only by separate decision of the Management Board.

The principle adhered to in managing translation risk is that the value of YIT Corporation's shareholders' equity in the home currency is hedged against changes in foreign exchange rates. Responsibility for the management of the Group's translation exposure rests with the parent company's Finance Department.

An identified and significant translation exposure shall be hedged if this is possible. The company applies hedge accounting as per IAS 39. Main currencies hedged during the year 2005 were SEK and NOK.

Subsidiaries' contractual currency flows (transaction risk) are hedged on a company-specific basis against the base currency of the company in question. According to the Corporate Finance Policy all committed items must be hedged. The business units and subsidiaries are responsible for identifying and hedging their transaction exposures.

Hedging is performed by the parent company's Finance Department, either as intra-Group or external transactions. The company does not apply hedge accounting as per IAS 39 for the transaction position. The most significant currencies hedged during the year 2005 were RUB, SEK, NOK and USD.

**Customer credit risk and counterparty risk**

Most of the Group's business activities are based on established and trustworthy customer relations and contractual terms commonly used in the Group's field of business. Invoicing is based on 14-30-day payment terms as a rule. New customers are thoroughly evaluated via e.g. credit agencies. The Group has no significant concentrations of credit risk as the range of customers is wide and geographically spread out in the Group's operating countries.

Most of the housing projects and business premises in Finland are not paid up until the handling-over of the project. These receivables and the related credit risks are transferred to banks and finance companies. Transfers qualify for IAS 39 derecognition.

Responsibility for the credit risk related to trade receivables rests with the business units.

According to the Corporate Finance Policy only short term, liquidity management investments are made. YIT Corporation's Board of Directors approves the counterparties and their limits for short term investments. Responsibility for counterparty risk related to financial instruments rests with the parent company's Finance Department.

The maximum credit risk of the Group on December 31, 2005 was the carrying amount of financial assets.

## 3 SEGMENT INFORMATION

Segment information is given by business segments and by geographical segments determined. YIT group's primary reporting format is a business segment. The business segments follow the structure of YIT group organization and financial reporting.

Pricing of transactions between the business segments equals with the common price list in force.

Segment assets are those operating assets that are employed by a segment in its operating activities or can be allocated to the segment on a reasonable basis. The unallocated items include tax assets, financial assets and group level assets. Capital expenditures include increases of tangible and intangible assets to be employed longer than one financial period.

**Business segments**

YIT Group is organised into the following business segments:

| | |
|---|---|
| Building Systems: | Servicing, repairs, renovation and modernization works required in homes, servicing and maintenance of the building equipment systems of properties as well as property management, refurbishing, modernization and new HEPAC, electrical and automation systems and individual contracted maintenance and servicing works. |
| Construction Services: | Residences: blocks of flats, single-family houses, leisure solutions, maintenance of roads, streets and properties, small-scale construction carried out under service agreements, project development, construction investments, renovation and property development projects, as well as infrastructure construction and development projects. |
| Industrial and Network Services: | IT helpdesk services, terminal device installation, household data network installation, updates and servicing, maintenance, installation and small-scale construction services for industrial plants and processes as well as data networks, industrial investments in electrical, automation and ventilation systems, piping and tanks, data network construction and installation projects. |

In 2004 identified business segments Services for Industry and Data Network Services have been combined to one business segment named Industrial and Network Services as at June 1, 2005.The segment information of the years 2005 and 2004 have been disclosed accordingly for the combined Industrial and Network Services - segment.

| 1,000 EUR 2005 | Building Systems | Construction Services | Industrial and Network Services | Other and eliminations | Group |
|---|---|---|---|---|---|
| External sales | 1,336,433 | 1,295,614 | 390,750 | 963 | 3,023,760 |
| Inter-segment sales | 61,987 | 2,702 | 8,028 | -72,717 | - |
| Sales | 1,398,420 | 1,298,316 | 398,778 | -71,754 | 3,023,760 |
| Share of results of associated companies | 11 | 704 | - | - | 715 |
| Segment's operating profit | 56,812 | 143,147 | 39,058 | -11,314 | 227,703 |
| Unallocated items | - | - | - | - | - |
| Operating profit | | | | | 227,703 |
| Unallocated items 1) | | | | | -72,222 |
| Net profit for the year | | | | | 155,481 |
| Segment's assets | 669,182 | 960,691 | 200,832 | -166,158 | 1,664,547 |
| Unallocated assets 2) | | | | | 23,558 |
| Total assets | 669,182 | 960,691 | 200,832 | -166,158 | 1,688,105 |
| Segment's liabilities | 519,954 | 586,338 | 165,932 | -184,101 | 1,088,123 |
| Unallocated liabilities 3) | | | | | 36,463 |
| Total liabilities | 519,954 | 586,338 | 165,932 | -184,101 | 1,124,586 |
| Gross capital expenditures | 6,763 | 3,444 | 2,736 | 15,679 | 28,622 |
| Depreciation | 6,923 | 1,816 | 3,584 | 11,597 | 23,920 |
| Impairments | - | - | - | - | - |
| Other accrued charges to P/L | | | | | |
| Change in provisions | 1,375 | -3,776 | 20 | -22 | -2,403 |

The unallocated items are the following:
1) Financial income and expenses and taxes
2) Deferred tax receivables
3) Deferred tax liabilities

| 1,000 EUR<br>2004 | Building Systems | Construction Services | Industrial and Network Services | Other and eliminations | Group |
|---|---|---|---|---|---|
| External sales | 1,285,208 | 1,143,255 | 350,696 | 901 | 2,780,060 |
| Inter-segment sales | 35,974 | 3,906 | 8,339 | -48,219 | - |
| Sales | 1,321,182 | 1,147,161 | 359,035 | -47,318 | 2,780,060 |
| Share of results of associated companies | 5 | 283 | - | - | 288 |
| Segment's operating profit | 34,103 | 102,173 | 27,512 | -6,404 | 157,384 |
| Unallocated items | | | | | - |
| Operating profit | | | | | 157,384 |
| Unallocated items 1) | | | | | -58,280 |
| Net profit for the year | | | | | 99,104 |
| Segments assets | 659,821 | 791,073 | 161,094 | -121,811 | 1,490,177 |
| Unallocated assets 2) | | | | | 26,060 |
| Total assets | 659,821 | 791,073 | 161,094 | -121,811 | 1,516,237 |
| Segment's liabilities | 558,127 | 484,271 | 111,762 | -103,216 | 1,050,944 |
| Unallocated liabilities 3) | | | | | 19,897 |
| Total liabilities | 558,127 | 484,271 | 111,762 | -103,216 | 1,070,841 |
| Gross capital expenditures | 8,169 | 6,181 | 3,310 | 17,933 | 35,593 |
| Depreciation | 6,089 | 1,794 | 3,507 | 10,942 | 22,332 |
| Impairments | - | - | - | - | - |
| Other accrued charges to Income Statement | | | | | |
| Change in provisions | -3,391 | 6,125 | 1,485 | 5 | 4,224 |

The unallocated items are the following:
1) Financial income and expenses and taxes
2) Deferred tax receivables
3) Deferred tax liabilities

## Geographical segments, 1,000 EUR

YIT Group's geographical segments are Finland, Scandinavia (Sweden, Denmark and Norway), Russia, Baltic countries and other countries. Revenue is presented by location of customers and assets are presented by location of assets.

| **2005** | Finland | Scandinavia | Russia | Baltic countries | Other countries | Eliminations | Group |
|---|---|---|---|---|---|---|---|
| Revenue | 1,697,123 | 977,523 | 131,618 | 198,833 | 18,663 | - | 3,023,760 |
| Segment's asset | 1,374,248 | 440,848 | 121,242 | 129,857 | 48 | -401,696 | 1,664,547 |
| Gross capital expenditures | 19,055 | 5,889 | 2,206 | 1,472 | - | - | 28,622 |

| **2005** | Finland | Scandinavia | Russia | Baltic countries | Other countries | Eliminations | Group |
|---|---|---|---|---|---|---|---|
| Revenue | 1,596,862 | 898,489 | 85,302 | 163,476 | 35,931 | - | 2,780,060 |
| Segment's asset | 1,251,955 | 417,766 | 58,860 | 71,562 | 45 | -310,011 | 1,490,177 |
| Gross capital expenditures | 22,609 | 7,020 | 1,541 | 4,423 | - | - | 35,593 |

## 4 ACQUISITIONS

**Acquisitions in 2005**

In 2005 YIT Group made only minor acquisitions of companies and businesses. The acquisitions in 2005 were made by Industrial and Network segment in Finland and by Building Systems segment in Sweden, Norway and Estonia. The acquistions made strenghten the existing local operations. In December 2005 YIT Group acquired the 6.6% minority share of YIT Ehitus AS and owns 100% share of the company.

The most significant acquisitions were the acquisitions of 81.67% share of Emico AS and 100% share of Nortelco System-Teknikk AS in August 2005, of which the total consideration paid was EUR 3.2 million. The consolidated revenue for four months of these companies amounted to EUR 3.3 million. If these acquired companies had been consolidated from the beginning of the financial year 2005, the YIT group's revenue would have increased by EUR 5.7 million.

**Specification of the effect of acquired net assets**

| 1,000 EUR | Fair value | Seller's carrying amount |
|---|---|---|
| Cash and cash equivalents | 263 | 263 |
| Tangible assets | 644 | 644 |
| Intangible assets | 3,556 | 268 |
| Inventories | 588 | 536 |
| Receivables | 2,034 | 2,034 |
| Interest-bearing liabilities | -24 | -24 |
| Other liabilities | -2,104 | -2,104 |
| Acquired net assets | 4,957 | 1,617 |

**Cost of business combination**

| 1,000 EUR | |
|---|---|
| Paid in cash | 4,902 |
| Direct costs related to acquisition | 55 |
| Total consideration | 4,957 |
| Acquired net assets | 4, 957 |
| Goodwill | 0 |

**Cash outflow on the acquisition**

| 1,000 EUR | |
|---|---|
| Paid in cash | 4,902 |
| Direct costs related to acquisition | 55 |
| Cash and cash equivalents in acquired entity | 246 |
| Cash outflow on the acquisition | -4,711 |
| Acquisition of minority interest | -1,352 |
| **Total cash flow on the acquisition** | -6,063 |

**Acquisitions in 2004**

In 2004 YIT group made minor acquisitions in Finland, Estonia and Russia. The acquisitions were made by Construction Services segment and Building Systems segment. The unallocated goodwill provided by the acquisitions amounted to EUR 6.4 million.

The most significant acquisitions were the acquisition of 51% share of ZAO YIT Ramenje in May 2004 and 40% additional share of Shipins Oy in July 2004. The consolidated revenue in 2004 of these companies amounted to EUR 11.3 million.

**Specification of the effect of acquired net assets**

| 1,000 EUR | Fair value | Seller's carrying amount |
|---|---|---|
| Cash and cash equivalents | 131 | 131 |
| Tangible assets | 3 | 3 |
| Intangible assets | 1 | 1 |
| Inventories | 187 | 187 |
| Receivables | 1,221 | 1,221 |
| Other liabilities | -842 | -842 |
| Acquired net assets | 701 | 701 |

**Cost of business combinations**

| 1,000 EUR | |
|---|---|
| Paid in cash | 7,102 |
| Direct costs related to acquisition | 18 |
| Total consideration | 7,120 |
| Acquired net assets | 701 |
| Goodwill | 6,419 |

**Cash outflow on the acquisitions**

| 1,000 EUR | |
|---|---|
| Paid in cash | 7,102 |
| Direct costs related to acquisition | 18 |
| Cash and cash equivalents in acquired entity | -131 |
| Cash outflow on the acquisition | 6,989 |

## 5 DISPOSALS

**Disposals in 2005**

In 2005 the Group sold it's interests in companies OU FKSM Haidus 100%, OU Hermastu 50% and OU Vorepuu 100% and business operations of Tampereen Terästyö and property maintenance in Helsinki suburb area.

**The effect of disposed companies and businesses on the revenue, net profit for the year and cash flow was the following:**

| 1,000 EUR | 1.1.-31.12.2005 |
|---|---|
| Revenue | 7,507 |
| Operating expenses | -8,450 |
| Profit before taxes | -943 |
| Taxes | 0 |
| Net profit | -943 |
| | |
| Received in cash | 1,930 |
| Direct cost related to disposals | 30 |
| Cash in disposed entity | 4 |
| Cash flow effect | 1,896 |

**Net assets of the disposed subsidiaries and businesses**

| 1,000 EUR | 2005 |
|---|---|
| Property, plant and equipment | 210 |
| Intangible assets | 8 |
| Trade receivables | 54 |
| Cash and cash equivalents | 4 |
| Total assets | 276 |
| Trade payables and other liabilities | 50 |
| Total liabilities | 50 |
| Net assets | 226 |

The total consideration received from the disposals amounted to 1.930 thousand euro and the net disposed assets amounted to 266 thousand euro, accordingly the gain on disposals before taxes amounted to 1.704 thousand euro. The tax effect is 409 thousand euro and the gain on the disposals after taxes is 1.295 thousand euro.

YIT Group did not have any material disposals in 2004.

## 6 LONG -TERM CONSTRUCTION CONTRACTS

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| Contract revenue recognized as revenue in the period | 1,998,348 | 1,757,003 |
| Contract costs incurred and recognized profits less recognized losses to date for work in progress | 1,430,461 | 1,295,674 |
| Gross amount due from customers | 115,471 | 82,883 |
| Gross amount due to customers | 101,919 | 72,310 |

The expenditure incurred and the profits recognized for the long-term projects, that exceed the amount invoiced for the project, the difference is disclosed in “Trade and other receivebles” in the balance sheet. If the expenditure incurred and the profits recognized are lower than the amount invoiced for the project, the difference is disclosed in “Trade and other payables”

## 7 OTHER OPERATING INCOME

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| Gains on the sale of tangible assets | 1,314 | 1,600 |
| Rent income | 965 | 598 |
| Other income | 3,570 | 2,006 |
| Total | 5,849 | 4,204 |

## 8 OTHER OPERATING EXPENSES

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| Losses on the sale of tangible and intangible assets | **650** | 152 |
| Rent expenses | **79,072** | 77,589 |
| Voluntary indirect personnel expenses | **12,948** | 12,447 |
| Other variable expenses for work in progress | **218,347** | 218,739 |
| Other fixed expenses | **65,283** | 64,568 |
| Total | **376,300** | 373,495 |

## 9 DEPRECIATIONS AND IMPAIRMENTS

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| **Depreciations** | | |
| Intangible assets | | |
| on intangible rights | **4,462** | 2,952 |
| on other intangible assets | **334** | 431 |
| Tangible assets | | |
| on buildings and structures | **999** | 937 |
| on machinery and equipment | **14,400** | 13,249 |
| on machinery and equipment, finance lease | **3,093** | 4,234 |
| on other tangible assets | **632** | 529 |
| Total | **23,920** | 22,332 |
| **Impairments** | | |
| on goodwill | **0** | 0 |
| on other tangible assets | **0** | 0 |
| on machinery and equipment | **0** | 0 |
| Total | **0** | 0 |

## 10 EMPLOYEE BENEFIT EXPENSES

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| Wages and salaries | **720,264** | 698,815 |
| Pension costs - defined contribution plan | **82,712** | 88,559 |
| Pension costs- defined benefit plan | **1,551** | 1,549 |
| Other post-employment benefits | **1,613** | 788 |
| Share options granted to employees | **940** | 1,149 |
| Other indirect employee costs | **101,987** | 82,249 |
| Total | **909,068** | 873,109 |

| **Average number of personnel by business segment** | 2005 | 2004 |
|---|---|---|
| Building Systems | **11,899** | 12,417 |
| Construction Services | **4,776** | 4,926 |
| Industrial and Network Services | **4,211** | 4,251 |
| Other | **308** | 290 |
| Total | **21,194** | 21,884 |

The key management compensation in total is dislosed in Note 34 Related party transactions.

## 11 RESEARCH AND DEVELOPMENT EXPENSES

YIT Group's research and development expenses amounted to about EUR 19.0 million in 2005 and EUR 18.0 million in 2004. The research and development expenses have been mainly recognized as a part of the costs of long-term projects and have been recorded as a project costs.

## 12 FINANCIAL INCOME AND EXPENSES

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| Dividend income | 39 | 35 |
| Interest income | 1,183 | 1,510 |
| Changes in fair values on financial instruments at fair value through profit and loss account | 125 | - |
| Other financial income | 520 | 301 |
| Total | 1,867 | 1,846 |
| | | |
| Interest expenses | | |
| Current and non-current loans | -11,044 | -11,899 |
| Receivables sold to financing companies | -5,257 | -5,700 |
| Finance leases | -484 | -500 |
| Total | -16,785 | -18,099 |
| | | |
| Exchange rate gains | 22,154 | 1,763 |
| Exchange rate losses | -20,152 | -2,856 |
| Exchange rate differences, net | 2,002 | -1,093 |
| | | |
| Financial expenses, net | -12,916 | -17,346 |

The comparative figures for the year 2004 have been calculated according to Finnish Acounting Standards. Foreign exchange gains amounting to EUR 2.0 million are included in the net financial expenses. Foreign exchange gains on evaluating EUR and USD denominated loans of subsidiaries operating in Russia, and derivative instruments linked to these loans, amounted to EUR 2.2 million. This item is due to currency rate fluctuation before hedging these loans in December 2005.

## 13 INCOME TAXES

**Income taxes in the income statement**

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| Current taxes | 38,755 | 32,393 |
| Taxes for prior years | 104 | -3 |
| Deferred taxes | 19,058 | 7,096 |
| Total income taxes | 57,917 | 39,486 |

The reconciliation between income taxes in the consolidated income statement and income taxes at the statutory tax rate in Finland (26% in 2005 and 29% in 2004) is as follows:

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| **Consolidated profit before taxes** | 214,788 | 140,037 |
| Income taxes at the tax rate in Finland (26% / 29%) | 55,845 | 40,611 |
| Effect of different tax rates outside Finland | -1,468 | -810 |
| Tax exempt income | -3,384 | -4,470 |
| Non-deductible expenses | 7,106 | 14,253 |
| Net results of associated companies | -186 | -84 |
| Impact of the changes in the tax rates on deferred taxes | 90 | 503 |
| Impact of losses for which deferred tax asset is regocnized | -189 | -9,982 |
| Taxes for prior years | 104 | -3 |
| Other items | -1 | -532 |
| Income taxes in the income statement | 57,917 | 39,486 |

## 14 EARNINGS PER SHARE

| | 2005 | 2004 |
|---|---|---|
| Profit attributable to the equity holders of the Company, EUR 1,000 | **155,481** | 99,104 |
| Weighted average number of shares, 1,000 | **61,772** | 61,123 |
| Earnings per share, EUR | **2.52** | 1.62 |

Diluted earnings per share is calculated by adjusting number of shares to assume conversion of all dilutive potential shares. YIT Corporation has share options, which increase the number of potential dilutive ordinary shares, when the exercise price with an option is lower than the market value of the Company share. The diluting effect is the number of shares that the Company has to issue gratuitously because the received funds from the exercised options do not cover the fair value of the shares. The fair value of the Company share is the average market price of the shares during the period.

| | 2005 | 2004 |
|---|---|---|
| Profit attributable to the equity holders of the Company, EUR 1,000 | **155,481** | 99,104 |
| Weighted average number of shares, 1,000 | **61,772** | 61,123 |
| Effect of the option warrants, EUR 1,000 | **1,489** | 700 |
| Diluted average number of shares, 1,000 | **63,261** | 61,823 |
| Diluted earnings per share, EUR | **2.46** | 1.60 |

## 15 TANGIBLE ASSETS

| 2005<br>1,000 EUR | Land and Water areas | Buildings and Structures | Machinery and Equipment | Other tangible assets | Advance payments | Total |
|---|---|---|---|---|---|---|
| Historical cost on January 1 | 2,889 | 28,462 | 117,697 | 5,703 | 4,001 | 158,752 |
| Increases | - | 1,439 | 21,263 | 819 | 109 | 23,630 |
| Acquisition of subsidiaries | - | - | 104 | - | - | 104 |
| Decreases | -23 | -545 | -3,983 | -65 | -7 | -4,623 |
| Reclassifications | - | 198 | 7 | -369 | -3,877 | -4,041 |
| Translation differences | -11 | -19 | -395 | - | - | -425 |
| Historical cost on December 31 | 2,855 | 29,535 | 134,693 | 6,088 | 226 | 173,397 |
| | | | | | | |
| Accumulated depreciations and value adjustments on January 1 | - | -14,895 | -59,928 | -2,802 | - | -77,625 |
| Depreciation | - | -998 | -17,494 | -632 | - | -19,124 |
| Accumulated depreciation of decreases | - | - | 260 | - | - | 260 |
| Accumulated depreciation of reclassifications | - | - | - | -4 | - | -4 |
| Translation differences | - | 11 | 183 | - | - | 194 |
| Accumulated depreciation and value adjustements on December 31 | - | -15,882 | -76,979 | -3,438 | - | -96,299 |
| | | | | | | |
| Carrying value on January 1 | 2,889 | 13,567 | 57,769 | 2,901 | 4,001 | 81,127 |
| Carrying value on December 31 | 2,855 | 13,653 | 57,714 | 2,650 | 226 | 77,098 |

| 2004<br>1,000 EUR | Land and Water areas | Buildings and Structures | Machinery and Equipment | Other tangible assets | Advance payments | Total |
|---|---|---|---|---|---|---|
| Historical cost on January 1 | 2,951 | 28,012 | 127,131 | 4,911 | 3,062 | 166,067 |
| Increases | - | 1,578 | 20,749 | 1,161 | 3,108 | 26,596 |
| Decreases | -58 | -1,006 | -30,254 | -516 | -9 | -31,843 |
| Reclassifications | -4 | -122 | 71 | 147 | -2,160 | -2,068 |
| Historical cost at December 31 | 2,889 | 28,462 | 117,697 | 5,703 | 4,001 | 158,752 |
| | | | | | | |
| Accumulated depreciation and value adjustments on January 1 | - | -13,676 | -42,827 | -2,285 | - | -58,788 |
| Depreciation | - | -937 | -17,483 | -529 | - | -18,949 |
| Accumulated depreciation of reclassifications | - | 3 | - | 12 | - | 15 |
| Accumulated depreciation and value adjustments on December 31 | - | -14,610 | -60,310 | -2,802 | - | -77,722 |
| | | | | | | |
| Carrying value on January 1 | 2,951 | 14,336 | 84,304 | 2,626 | 3,062 | 107,279 |
| Carrying value on December 31 | 2,889 | 13,852 | 57,387 | 2,901 | 4,001 | 81,030 |

### Finance lease agreements

Tangible assets include assets leased by finance lease agreements as follows:

| | Machinery and Equipment |
|---|---|
| **2005** | |
| Historical cost on January 1 | 13,645 |
| Increases | 564 |
| Decreases | -829 |
| Reclassifications | 698 |
| Accumulated depreciations | -7,834 |
| Carrying value on December 31 | 6,244 |
| **2004** | |
| Historical cost on January 1 | 37,599 |
| Increases | 4,445 |
| Decreases | -28,223 |
| Accumulated depreciations | -4,208 |
| Carrying value on December 31 | 9,613 |

No impairment losses have been recognized in the years 2005 and 2004.

The government grant received are not material. The received government grants have been deducted from the carrying value.

## 16 INTANGIBLE ASSETS

| 2005<br>1,000 EUR | Intangible assets | Goodwill | Other capitalized expenses | Advance payments | Total |
|---|---|---|---|---|---|
| Historical cost on January 1 | 21,471 | 325,818 | 8,627 | 352 | 356,268 |
| Increases | 1,539 | - | 146 | 567 | 2,252 |
| Acquisition of subsidiaries | 3,072 | - | - | - | 3,072 |
| Decreases | -146 | - | -131 | 0 | -277 |
| Reclassifications | 906 | - | 71 | -906 | 71 |
| Translation differences | 4 | 49 | 18 | 0 | 71 |
| Historical cost at on December 31 | 26,846 | 325,867 | 8,731 | 13 | 361,457 |
| Accumulated depreciation on January 1 | -9,766 | -77,010 | -7,619 | - | -94,395 |
| Depreciations | -4,462 | - | -334 | - | -4,796 |
| Translation differences | 17 | -49 | -8 | - | -40 |
| Accumulated depreciation of reclassifications | 10 | - | 9 | - | 19 |
| Accumulated depreciation on December 31 | -14,201 | -77,059 | -7,952 | - | -99,212 |
| Carrying value on January 1 | 11,705 | 248,808 | 1,008 | 352 | 261,873 |
| Carrying value on December 31 | 12,645 | 248,808 | 779 | 13 | 262,245 |

| 2004<br>1,000 EUR | Intangible assets | Goodwill | Other capitalized expenses | Advance payments | Total |
|---|---|---|---|---|---|
| Historical cost on January 1 | 3,430 | 319,397 | 22,641 | 16 | 345,484 |
| Increases | 1,930 | - | 1,266 | 570 | 3,766 |
| Acquisition of subsidiaries | 1,444 | 6,419 | - | - | 7,863 |
| Decreases | -1 | - | -791 | - | -792 |
| Reclassifications | 14,668 | - | -14,489 | -234 | -55 |
| Historical cost on December 31 | 21,471 | 325,816 | 8,627 | 352 | 356,266 |
| Accumulated depreciation on January 1 | -486 | -77,008 | -13,495 | - | -90,989 |
| Accumulated depreciation of reclassifications | -6,328 | - | 6,338 | - | 10 |
| Accumulated depreciation on December 31 | -2,952 | - | -462 | - | -3,414 |
| | | | | | |
| Carrying value on January 1 | 2,944 | 242,389 | 9,146 | 16 | 254,495 |
| Carrying value on December 31 | 11,705 | 248,808 | 1,008 | 352 | 261,873 |

YIT Group's goodwill is allocated to the business segments and to the cash generating units (CGU) as follows:

| | 2005 | 2004 |
|---|---|---|
| Building Systems | | |
| Finland | **91,067** | 91,067 |
| Sweden | **41,805** | 41,805 |
| Denmark | **7,600** | 7,600 |
| Norway | **69,698** | 69,698 |
| Russia and Baltic countries | **-** | - |
| | | |
| Construction Services | | |
| Building and Residential construction | **-** | - |
| Business premises | **-** | - |
| Infraservices | **-** | - |
| International operations | **10,861** | 10,861 |
| | | |
| Industrial and Network Services | **27,777** | 27,777 |
| Total goodwill | **248,808** | 248,808 |

The recoverable amount of all cash generating units (CGU) is based on the value in use calculations. The recoverable cash flows are based on three-year projections and on cash flows growing at a standard rate in line with these projections. In the impairment testing on September 2005 a growth rate of 2% has been used and the factor does not exceed the long-term actual growth of the business segments in question. The discount factor employed is YIT's latest confirmed pre-tax WACC (Weighted Average Cost of Capital), which is increased by an additional risk factor that is defined by CGU. A WACC of 8% was used in the testing. The risk factors used for the business segments were: Network Services 2%, Building Systems 2% and International operations in Construction Services 3%. The risk factors are always reassessed during testing and can vary between 1-3%.

**The goodwill test results are evaluated by comparing the recoverable amount ( E ) with the carrying amount of the CGU ( T ), as follows:**

| | Ratio | | | Estimate |
|---|---|---|---|---|
| E | | < | T | Impairment |
| E | 0 - 20% | > | T | Slightly above |
| E | 20 - 50% | > | T | Clearly above |
| E | 50% - | | T | Substantially above |

The recoverable amount exceed the carrying amount substantially in all cash generating units that have goodwill.

## 17 INVESTMENTS IN ASSOCIATED COMPANIES

| 1,000 EUR | **2005** | 2004 |
|---|---|---|
| Historical costs on January 1 | **1,166** | 900 |
| Share of the profit | **715** | 288 |
| Increases | **-** | - |
| Disposals | **-1** | -22 |
| Dividend | **-96** | - |
| Historical costs on December 31 | **1,784** | 1,166 |

The carrying amounts of the shares in associated companies does not include goodwill in 2005 and 2004.

**YIT Group's associated companies**

| 1,000 EUR | Domicile | Assets | Liabilities | Revenue | Profit/ loss | Ownership % |
|---|---|---|---|---|---|---|
| Kiinteistö Oy Juronaki | Rovaniemi | 7 | 2 | 53 | 9 | 24.18% |
| Arabian Finnish Contracting and Maintenance Co Ltd | Saudi Arabia | - | - | - | - | 49.00% |
| Haapaveden Puhdistamo Oy | Haapavesi | 1,573 | 1,487 | 85 | 29 | 40.50% |
| Arandur Oy | Vantaa | 1,113 | 1,002 | 4,806 | 32 | 33.30% |
| AS Normanni Linnagrupp | Tallinn | 352 | 302 | 8,207 | - | 50.00% |
| AS Tartu Maja Betoontooted | Tartu | 15,667 | 9,230 | 15,978 | 2,684 | 25.00% |
| OOO Euroeni | St Petersburg | 1 | - | - | - | 25.00% |
| OOO Eurostroi | St Petersburg | 1 | - | - | - | 25.00% |

## 18 OTHER INVESTMENTS

Other investments include quoted an unquoted investments, that have been classified available-for-sale investments. The quoted equity investments have been valued at fair value at closing date. For the unquoted investments the fair value can not be reliably determined. The unquoted investments have been valued at cost less possible impairments.

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| **Carrying value on December 31, 2004** | 2,921 | - |
| The effect of transition to IAS 32 and 39 | 24 | - |
| **Carrying value on January 1** | 2,945 | 3,015 |
| Increases | 334 | 1 |
| Decreases | -269 | -95 |
| Changes in fair values | - | - |
| **Carrying value on December 31** | 3,009 | 2,921 |
| | | |
| Non-current | 3,009 | 2,921 |
| Current | - | - |
| | | |
| Quoted | 37 | 37 |
| Unquoted | 2,972 | 2,884 |

## 19 NON-CURRENT RECEIVABLES

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| Trade receivables | 503 | 833 |
| Loan receivables | 155 | 511 |
| Other receivables | 44 | 87 |
| Defined benefit pension assets *) | 8,115 | 6,339 |
| Accrued receivables of derivatives *) | 596 | - |
| Total non-current receivables | 9,413 | 7,770 |

*) Non-current receivables valued at fair value, other items' carrying value equals with the fair value.

## 20 DEFERRED TAX RECEIVABLES AND LIABILITIES

**Changes in deferred tax receivables and liabilities**

| 2005<br>1,000 EUR | Jan 1 | Recognized in the income statement | Recognized in equity | Dec 31 |
|---|---|---|---|---|
| **Deferred tax receivables:** | | | | |
| Provisions | 13,081 | 183 | - | 13,264 |
| Tax losses carried forward | 4,021 | 1,277 | - | 5,298 |
| Fair value adjustments of derivatives | 237 | -41 | -99 | 97 |
| Pension obligations | 2,078 | -50 | - | 2,028 |
| Percentage of completion method | 3,097 | -2,932 | - | 165 |
| Consolidation and eliminations | 404 | -226 | - | 178 |
| Other items | 3,380 | -852 | - | 2,528 |
| Translation differences | | -86 | - | |
| Total deferred tax receivables | 26,297 | -2,726 | -99 | 23,558 |
| | | | | |
| **Deferred tax liabilities:** | | | | |
| Allocation of intangible assets | 3,636 | -12,202 | - | 15,838 |
| Fair value adjustments of tangible and intangible assets | 39 | 11 | - | 28 |
| Accumulated depreciation differences | 553 | -2,224 | - | 2,777 |
| Percentage of completion method | 3,938 | -2,717 | - | 6,655 |
| Fixed production overheads to WIP | 1,563 | -1,174 | - | 2,737 |
| Consolidation and eliminations | 28 | 4 | - | 24 |
| Other items | 10,121 | -1,717 | - | 8,404 |
| Translation differences | | 253 | - | 0 |
| Total deferred tax liabilities | 19,879 | -16,331 | - | 36,463 |
| | | | | |
| **Deferred tax receivables, net** | 6,418 | -19,057 | -99 | -12,905 |

| 2004<br>1,000 EUR | Jan 1 | Recognized in the income statement | Recognized in equity | Dec 31 |
|---|---|---|---|---|
| **Deferred tax receivables:** | | | | |
| Provisions | 10,264 | 2,817 | - | 13,081 |
| Tax losses carried forward | 4,572 | -551 | - | 4,021 |
| Pension obligations | 1,153 | 925 | - | 2,078 |
| Percentage of completion method | 3,991 | -894 | - | 3,097 |
| Consolidation and eliminations | 430 | -27 | - | 403 |
| Other items | 4,022 | -642 | - | 3,380 |
| Total deferred tax receivables | 24,432 | 1,628 | - | 26,060 |
| | | | | |
| **Deferred tax liabilities:** | | | | |
| Allocation of intangible assets | 931 | -2,705 | - | 3,636 |
| Fair value adjustments of tangible and intangible assets | 66 | 27 | - | 39 |
| Accumulated depreciation differences | 2,699 | -651 | - | 3,350 |
| Percentage of completion method | 398 | -3,540 | - | 3,938 |
| Fixed production overheads to WIP | 1,063 | -500 | - | 1,563 |
| Consolidation and eliminations | - | -28 | - | 28 |
| Other items | 5,886 | -1,438 | - | 7,324 |
| Total deferred tax liabilities | 11,043 | -8,836 | - | 19,879 |
| | | | | |
| Deferred tax receivables, net | 13,389 | -7,096 | - | 6,181 |

The deferred tax asset of EUR 6.645 thousand has not been included in the financial statements. The deferred tax receivable of EUR 6.394 thousand is related to untaxed losses of YIT Sverige AB, which will be deductible in taxation from the year 2009. The rest of the unrecognized tax assets relate to untaxed losses in companies, where the realisation of the tax benefit is not seen probable.

Deferred tax liability on undistributed earnings of subsidiaries has not been recognized in the consolidated balance sheet because distribution of the earnings is in the control of the Group and it is not probable in the near future.

## 21 INVENTORIES

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| Raw materials and consumables | **17,191** | 16,763 |
| Work in progress | **272,536** | 260,038 |
| Land areas and plot-owing companies | **326,970** | 291,676 |
| Shares in completed housing and real estate companies | **42,079** | 46,866 |
| Advance payments | **21,904** | 8,701 |
| Other inventories | **4,563** | 5,317 |
| Total inventories | **685,243** | 629,361 |

The write-downs of inventories to net realisable value amounted to EUR 2.267 thousand in 2005 and EUR 557 thousand in 2004.

## 22 TRADE AND OTHER RECEIVABLES

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| Trade receivables | **360,087** | 339,130 |
| Loan receivables | **5,903** | 1,388 |
| Loan receivables from associated companies | **1,868** | 1,880 |
| Accrued income from long-term projects | **115,471** | 82,883 |
| Accrued income | **42,684** | 28,183 |
| Accrued income taxes | **1,905** | 3,562 |
| Other receivables | **17,247** | 12,924 |
| Total | **545,165** | 469,950 |
| | | |
| Interest bearing receivables | **7,771** | 3,268 |
| Non-interest bearing receivables | **537,394** | 466,682 |

The YIT Group's average trade receivables in 2005 amounted to 349.609 thousands euro. The write-downs in 2005 were 507 thousand euro.

## 23 CASH AND CASH EQUIVALENTS

| 1,000 EUR | 2005 | 2 004 |
|---|---|---|
| Cash and cash equivalents | **80,583** | 35,406 |
| Current investments | **7** | 700 |
| Total | **80,590** | 36,106 |

## 24 EQUITY

**Share capital and share premium reserve**

| 1,000 EUR | Number of shares, 1,000 | Share capital | Share premium reserve | Treasury shares | Total |
|---|---|---|---|---|---|
| Jan 1, 2004 | 30,523,375 | 61,047 | 70,184 | | 131,231 |
| Split 1:2 | 30,523,375 | - | - | | - |
| Share offering | - | | - | | - |
| Shares subscribed with options | 246,104 | 246 | 1,365 | | 1,611 |
| Purchase of treasury shares | - | - | - | | |
| Dec 31, 2004 | 61,292,854 | 61,293 | 71,549 | | 132,842 |
| | | | | | |
| Jan 1, 2005 | 61,292,854 | 61,293 | 71,549 | | 132,842 |
| Share offering | - | - | - | | - |
| Shares subscribed with options | 1,104,498 | 1,104 | 5,647 | | 6,751 |
| Purchase of treasury shares | -200 | - | - | -7 | -7 |
| Dec 31, 2005 | 62,397,152 | 62,397 | 77,196 | -7 | 139,586 |
| Treasury shares | 200 | | | | |
| Total number of shares Dec 31, 2005 | 62,397,352 | | | | |

The number of YIT Corporation's shares was 62,397,352 and the share capital amounted to EUR 62,397,352 on December 31, 2005. According to Articles of Associations the company's minimum share capital is EUR 50 million and the maximum share capital is EUR 200 million. The nominal value of the share is one euro per share.
All the issued and subscribed shares have been fully paid to the company. The increases in share capital in 2005 and 2004 resulted from share subscriptions carried out on the basis of share options.

**Treasury shares**
Treasury shares include the historical cost of acquired treasury shares. YIT Group bought in Helsinki stock exchange 200 YIT shares at the price of EUR 7.050. The consideration paid has been deducted from the equity.

**Legal and other reserves**
Legal reserves include the distributable earnings that have been booked to legal reserve based on the rule of Articles of Associations or by decision of Annual General Meeting. Other reserves include other equity reserves based on the regulation of local Group companies.

**Translation differences**
Translation differences include the exchange rate differences recognized in Group consolidation. Also, on the net investment in foreign subsidiaries, which are hedged with currency forwards, the portion of the gains and losses of effective hedges is recognized in equity.

**Fair value reserves**
Fair value reserves include changes in the fair value of the available-for-sale financial assets and the derivative instruments used for cash flow hedging.

**Dividends**
After the balance sheet date the Board has proposed to Annual General meeting a dividend of EUR 1.10 per share.

**Share options**
Group has got share option schemes since March 7, 2002. The options, which have been granted after November 7, 2002 and to which rights have not vested before January 1, 2005 have been recognized according to IFRS 2. No expenses on the prior share option schemes have been charged to profit and loss account.

Group's share option schemes and principal terms are the following:

| Grant year | Ratio | Excercise price, EUR | Subscription periods |
|---|---|---|---|
| 2002C 1) | 1:2 | 6,545 | Apr 1 - Nov 30 in years 2004-2006 |
| 2002D 2) | 1:2 | 5,845 | Apr 1 - Nov 30 in years 2005-2006 |
| 2004E 3) | 1:1 | 14,700 | Apr 1 - Nov 30 in years 2006-2007 |
| 2004F 4) | 1:1 | 14,700 | Apr 1 - Nov 30 in year 2007 |

1) Granted in 2002 to Group's management and key employees.
2) Granted to Group's management and key employees during the years 2003-2005, provided the profitability and growth target laid out in the option scheme are met.
3) Granted in 2004 to the management and key employees of Building Systems business segment.
4) Will be granted to the management and key employees of Building Systems business segment in the years 2005-2007, if the objectives for the business segment's result (EBITA %) are achieved. The option rights will be lapsed when leaving YIT Group before the option rights have been vested.

Changes in the number of share options outstanding and their related weighted average excercise prices are as follows:

| | **2005 Average excercise price EUR/share** | **2005 Options 1,000** | 2004 Average excercise price EUR/share | 2004 Options 1,000 |
|---|---|---|---|---|
| January 1 | **8.27** | **678,428** | 6.40 | 540,216 |
| New options granted | **6.65** | **535,260** | 11.62 | 267,876 |
| Options excercised | **6.11** | **552,249** | 6.55 | 123,052 |
| Options lapsed | **14.70** | **18,160** | 5.85 | 6,612 |
| December 31 | **8.63** | **643,279** | 8.44 | 678,428 |

The average price of the options excercised during the year 2005 was EUR 6.11 and during the year 2004 EUR 6.55.

Share options outstanding at the end of year have the following expiry date and excercise prices:

| Expiry | Excercise price | 2005 | 2004 |
|---|---|---|---|
| 2006 | 5.99 | **450,959** | 516,428 |
| 2007 | 14.70 | **195,920** | 162,000 |

Based on the outstanding share options at the year-end the potential maximum increase in share capital is 1,094,238 euro and 1,094,238 shares.

The fair value of options granted during the period determined using the Black & Scholes valuation model was EUR 4.430 per share in 2004. In 2005 no new option schemes were declared. The key factors used in the valuation are:

| | 2005 | 2004 |
|---|---|---|
| Average weighted price of share (EUR) | **-** | 16.33 |
| Average weighted excercise price (EUR) | **-** | 15.4 |
| Expected volatility | **-** | 26.80% |
| Expected duration | **-** | 3.5 |
| Risk free interest | **-** | 3.25% |
| Expected dividends | **-** | 0% |

The expected volatility has been determined on the basis of the actual volatility of YIT share for the period before the granting date corresponding the duration of option schemes.

| YIT Group's distributable earnings | 2005 |
|---|---|
| Retained earnings | **264,533** |
| Profit for the financial year | **155,481** |
| Increase in share capital | **-109** |
| Transfer to legal reserve in Sweden | **-8,443** |
| Treasury shares | **-7** |
| Non-distributable earnings in local companies | **-9,669** |
| Portion of accumulated depreciation difference and untaxed reserves transferred to shareholder's equity | **-8,892** |
| Total distributable earnings | **392,894** |

The distributable earnings calculation has been prepared on the basis of retained earnings of IFRS financial statements.

## 25 EMPLOYEE BENEFIT OBLIGATIONS

YIT Group's subsidiary YIT Building Systems AS in Norway has a pension arrangement determined to be a defined benefit plan. The employees employed before September 1, 2003 were entitled to joint the defined benefit plan. The number of those people at the year-end 2005 was 2.780. The employees employed after the September 1, 2003 are entitled to joint the defined contribution plan. The pension obligation for the defined benefit plan has been calculated based on the number of years employed and the salary level at the retirement age. The voluntary pension arrangements in Finland have been determined to be a defined benefit plan.

Unemployment pension liabilities have been recognized for employees made redundant in connection with corporate rearrangements. These liabilities have been estimated to be payable by the employer in accordance with future pensions.

Expenses recognized in income statement:

| | Defined benefit pension plans | | Other post-employment benefits | |
|---|---|---|---|---|
| 1,000 EUR | **2005** | 2004 | **2005** | 2004 |
| Current service cost | **2,176** | 2,476 | **-** | - |
| Interest cost | **2,741** | 2,512 | **-** | - |
| Expected return on plan assets | **-3,735** | -3,439 | **-** | - |
| Past service cost | **369** | - | **1,613** | 788 |
| Total defined benefit plan expenses | **1,551** | 1,549 | **-** | - |
| Total other post-employment benefit expenses | **-** | - | **1,613** | 788 |

Employee benefit liabilities in the balance sheet:

| | Defined benefit pension plans | | Other post-employment benefits | |
|---|---|---|---|---|
| 1,000 EUR | **2005** | 2004 | **2005** | 2004 |
| Present value of unfunded obligations | **4,332** | 4,111 | **7,097** | 5 ,484 |
| Present value of funded obligations | **51,443** | 46,914 | **-** | - |
| Fair value of plan assets | **-59,311** | -55,349 | **-** | - |
| Deficit+/Surplus- | **-3,536** | -4,324 | **-** | - |
| Unrecognized actuarial gains ( + ) and losses ( - ) | **-224** | 1,865 | **-** | - |
| Unrecognized past service cost | **422** | 400 | **-** | - |
| Net liability | **-3,338** | -2,059 | **7,097** | 5,484 |
| Defined benefit pension assets (Note 19) | **7,868** | 6,326 | **-** | - |
| Employee benefit liability at the balance sheet | **4,530** | 4,267 | **7,097** | 5,484 |

Balance sheet reconciliation

| 1,000 EUR | **2005** | 2004 | **2005** | 2004 |
|---|---|---|---|---|
| January 1 | **4,267** | 3,680 | **5,484** | 4,696 |
| Employer contributions | **-1,288** | -962 | **-** | - |
| Pension expenses in income statement | **1,551** | 1,549 | **1,613** | 788 |
| December 31 | **4,530** | 4,267 | **7,097** | 5,484 |

Principal actuarial assumptions

| | **2005** | 2004 |
|---|---|---|
| Discount rate | **4.3%** | 5.5% |
| Expected return on plan assets | **5.3%** | 6.5% |
| Future salary increase expectations | **2.5%** | 2.5% |

## 26 PROVISIONS

| 1,000 EUR | Provisions for long-term projects | Provisions for loss making projects | Other provisions | Total |
|---|---|---|---|---|
| January 1, 2005 | 29,857 | 2,752 | 17,504 | 50,113 |
| Translation difference | 30 | -52 | - | -22 |
| Provision additions | 4,211 | 35 | 2,246 | 6,492 |
| Released during the period (+) | -231 | -1,753 | -3,657 | -5,641 |
| Reversals of unused provisions (-) | -326 | - | -4,781 | -5,107 |
| December 31, 2005 | 33,541 | 982 | 11,312 | 45,835 |
| | | | | |
| Non-current | 23,019 | - | 7,041 | 30,060 |
| Current | 10,521 | 982 | 4,272 | 15,775 |
| Total | 33,540 | 982 | 11,313 | 45,835 |

Provisions for long-term projects include provisions for contractual guarantees and for 10-year commitments in construction industry. The amount to 10-year commitments in construction industry is determined on the basis of experience of the realization of commitments. Other provisions include the provision for rental guarantees and provisions for restructuring.

## 27 INTEREST-BEARING LIABILITIES

| 1,000 EUR | 2005 Fair value | 2005 Carrying value | 2004 Carrying value |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Bonds | **102,183** | **100,235** | 140,000 |
| Loans from credit institutions | **61,077** | **60,233** | 62,160 |
| Pension loans | **7,018** | **6,883** | 12,299 |
| Other loans | **538** | **538** | 686 |
| Finance lease liabilities | **4,565** | **4,565** | 8,877 |
| **Total** | **175,381** | **172,454** | 224,022 |

| | 2005 Carrying value | 2004 Carrying value |
|---|---|---|
| **Current liabilities** | | |
| Bonds | **30,000** | 15,000 |
| Loans from credit institutions | **1,868** | 2,697 |
| Pension loans | **5,416** | 5,416 |
| Commercial papers | **-** | 23,496 |
| Developer contracting liabilities | | |
| Receivables sold to financing companies *) | **109,420** | 101,566 |
| Liabilities in housing corporation loans **) | **15,262** | 16,820 |
| Other loans | **100** | 5,234 |
| Finance lease liabilities | **494** | 1,276 |
| Loans from associated companies | **1** | - |
| **Total** | **162,561** | 171,505 |

The fair values of bonds are based on the market price of the bonds at the balance sheet date. The fair values for all other loans are determined by using a discounted cash flow analysis. The discount rate is defined to be the interest rate YIT Group would be paying for an equivalent external loan at the balance sheet date. It is composed of the riskfree market rate and a company- and maturity-based riskpremium of 0.25-1.25% pa.

*) The receivables from construction-stage contracts sold to financing companies totalled EUR 268.2 million (EUR 199.7 million) at the balance sheet date. Of this amount, EUR 109.4 million (EUR 101.6 million) is included in interest-bearing liabilities on the balance sheet and the remainder comprises receivables which qualify for derecognition according to IAS39. The interest paid on sold receivables to the financing companies, EUR 5.3 million (EUR 5.7 million), is all included in net financial expenses.

**) Shares in the housing corporation loans of unsold completed residences, are also included in the interest bearing liabilities. Their interest is recognized in project expenses,because it is included in housing corporation maintenance charges.

**Repayment schedule of long-term debts**

| Year of maturity | Bonds | Loans from credit institutions | Pension Loans | Other loans | Total |
|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR |
| 2006 *) | 30,000 | 1,841 | 5,416 | 79 | 37,336 |
| 2007 | 49,968 | 13,911 | 5,415 | - | 69,294 |
| 2008 | - | 3,920 | 1,047 | - | 4,967 |
| 2009 | 50,267 | 6,579 | 421 | - | 57,267 |
| 2010 | - | 9,079 | - | - | 9,079 |
| 2010 | - | 26,744 | - | 525 | 27,269 |
| **Total** | 130,235 | 62,074 | 12,299 | 604 | 205,212 |

*) Repayments in 2006 are disclosed in current liabilities

**Bonds**

| 1,000 EUR | Interest rate, % | Currency | 2005 | 2004 |
|---|---|---|---|---|
| Fixed-rate bonds | | | | |
| 1/2001-2006 1) | 5.750 | EUR | **30,000** | 40,000 |
| 1/2003-2005 2) | 3.750 | EUR | **-** | 15,000 |
| 3/2003-2009 3) | 4.750 | EUR | **50,000** | 50,000 |
| Floating-rate bonds | | | | |
| 2/2003-2007 4) | 2.799 | EUR | **50,000** | 50,000 |
| | | | **130,000** | 155,000 |

Weighted average rate of the bonds was 4.199%.

Terms of the bonds in brief:

1) Loan-period Apr 3, 2001 - Apr 3, 2006, interest payments annually, afterwards at April 3. The loan has no collateral. ISIN code FI0003009845.
EUR 40 million is legally outstanding, but YIT Corporation holds Notes to the value of EUR 10 million leaving EUR 30 million held externally.
2) Loan -period Jan 21, 2003 - Jul 21, 2005, interest payments annually, afterwards at July 21.
The loan has no collateral. ISIN code FI0003012880.
3) Loan-period Oct 1, 2003 - Oct 1, 2009, interest payments annually, afterwards at October 1.
The loan has no collateral. ISIN code FI0003014142.
4) Loan-period Oct 1, 2003-Oct 1, .2007, interest payments afterwards at January 2nd, at April 1, at July 1st and at October 1st. Interest rate is 3 months Euribor + 0,65%.
The loan has no collateral . ISIN code FI0003014134.

**Interest rate risk management connected to loans**

The proportion of loans with fixed-interest in the Group´s total loan portfolio was 49 percent (77%) at the balance sheet date and the corresponding weighted average interest rate 4.21% (4.259%).

The weighted average interest rate of floating-rate loans was 2.885% (3.274%). The weighted average interest rate of the total loan portfolio was 3.534% (4.032%). These figures include the effect of interest rate swaps.

Interest rate swaps are designated as hedges of floating-rate loans: loan linked to 3 month euribor with the carrying value of EUR 50 million; and loan linked to 6 month euribor with the carrying value of EUR 10 million. These hedges qualify as effective hedges according to IAS 39 and changes in fair value are, according to company accounting principles, recognized in the fair value reserve in equity. The weighted average rate of the total loan portfolio is increased by 0.15 percentage points because of the interest rate swaps .

The duration of long term loans and derivative instruments hedging these loans was 1.61 years (2.19 years) at the end of 2005. A change of one percentage point in the level of interest rates would have affected the annual net financial expenses by EUR 2.4 million (EUR 2.2 million) at the balance sheet date.

**Finance lease liabilities**

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| Maturity of finance lease liabilities: | | |
| Less than 1 year | 2,888 | 1,276 |
| 1-5 years | 2,591 | 9,090 |
| More than 5 years | - | - |
| Total minimum lease payments | 5,479 | 10,366 |
| | | |
| Present value of minimum lease payments | | |
| Less than 1 year | 2,951 | 1,276 |
| 1-5 years | 2,108 | 8,877 |
| Later than 5 years | - | - |
| Total present value of minimum lease payments | 5,059 | 10,153 |
| | | |
| Future finance charges | 420 | 213 |
| Finance expenses charged to income statement | 484 | 500 |

YIT Group's main finance liabilities are the lease agreements of cars, machinery and equipment both in production and offices.

## 28 TRADE AND OTHER PAYABLES

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| **Non-current liabilities** | | |
| Trade payables | 4,275 | 1,343 |
| Liabilities of derivative instruments | 150 | - |
| Other liabilities | 11 | 2,376 |
| Total non-current payables | 4,436 | 3,719 |
| | | |
| **Current liabilities** | | |
| Trade payables | 156,960 | 138,395 |
| Accrued expenses | 191,184 | 193,184 |
| Liabilities of derivative instruments | 818 | - |
| Accrued expenses in work in progress | 103,353 | 82,651 |
| Advances received | 134,898 | 77,468 |
| Other payables | 98,768 | 94,246 |
| Total current payables | 685,981 | 585,944 |

| **Accrued expenses** | 2005 | 2004 |
|---|---|---|
| Accrued employee-related liabilities | 133,423 | 128,728 |
| Other accrued expenses | 57,761 | 64,456 |

## 29 FAIR VALUES OF DERIVATIVE INSTRUMENTS

| NOMINAL AMOUNTS | 2005 | 2004 |
|---|---|---|
| 1,000 EUR | | |
| Foreign exchange forward contracts | 70,539 | 56,730 |
| Interest rate swaps | 60,000 | 70,000 |
| Interest rate options bought | 28,362 | - |

| FAIR VALUES | 2005 | 2005 | 2005 | 2004 |
|---|---|---|---|---|
| 1,000 EUR | Positive fair value (carrying value) | Negative fair value (carrying value) | Net fair value | Net fair value |
| Foreign exchange forward contracts | | | | |
| Hedge accounting applied | - | -322 | -322 | - |
| Hedge accounting not applied | 720 | -1,222 | -502 | - |
| Total | 720 | -1,544 | -824 | -2,296 |
| Interest rate swaps | | | | |
| Hedge accounting applied | - | -150 | -150 | - |
| Hedge accounting not applied | - | - | - | - |
| Total | | -150 | -150 | -799 |
| Interest rate options bought | | | | |
| Hedge accounting applied | - | - | - | - |
| Hedge accounting not applied | 597 | 0 | 597 | - |
| Total | 597 | 0 | 597 | - |

All derivatives are hedges according to the Group´s financial risk management policy, but hedge accounting, as defined in IAS 39, is applied only to certain derivative contracts.

Foreign exchange forward contracts for which hedge accounting is applied are designated as a hedge for net investments in foreign subsidiaries. Changes in fair values are recognized in cumulative translation differences according to accounting principles.

Foreign exchange forward contracts for which hedge accounting is not applied are mainly used to hedge financial items. Changes in fair values have been recognized in the income statement.

The duration of the Group´s long-term loans has been increased by interest rate swaps. Changes in fair values have been recognized in the fair value reserves in equity.

Interest rate options are designated as hedges of rental agreements linked to floating interest rates. Changes in fair values have been recognized in the income statement.

## 30 OPERATING LEASES

**Group as a lessee**

The future minimum lease payments under non-cancellable operating leases:

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| Less than 1 year | 35,663 | 33,116 |
| 1 - 5 years | 76,566 | 66,598 |
| Later than 5 years | 76,962 | 58,522 |
| | 189,191 | 158,236 |

The operating lease payments charged to income statement in 2005 amounted to EUR 39.347 thousand. (in 2004 EUR 38.302 thousand). The YIT Group has leased the office facilities in use. The operating lease agreements of office facilities have period of validity up to fifteen years. Most of the agreements include the possibility of continuing after the initial expiry date. The index, renewal and other terms of the lease agreements of office facilities are dissimilar to each other.

Operating leases include also the liabilities of operating lease agreements of employee cars, which have the average duration of three years.

## 31 COMMITMENTS AND CONTINGENT LIABILITIES

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| Collateral given for own liabilities | | |
| Corporate mortgages | 29,265 | 29,272 |
| Pledged shares | 1,585 | 2,479 |
| Other commitments | | |
| Rental guarantees for clients | 3,758 | 7,148 |
| Other contingent liabilities | 445 | 875 |
| Investment commitments | | |
| Repurchase commitments | 266,760 | 178,992 |

## 32 SUBSIDIARIES

| Name | Domicile | Holding, % |
|---|---|---|
| **Shares in subsidiaries, owned by the parent company** | | |
| YIT Construction Ltd | Helsinki | 100.00 |
| YIT Building Systems Ltd | Helsinki | 100.00 |
| YIT Industry and Network Ltd | Vantaa | 100.00 |
| YIT Primatel Ltd | Helsinki | 100.00 |
| YIT Kalusto Oy | Urjala | 100.00 |
| YIT Information Technology Ltd | Helsinki | 100.00 |
| YIT Building Systems AB | Västerås | 100.00 |
| **Shares in subsidiaries, owned by YIT Construction Ltd** | | |
| YIT Tolonen Oy | Hämeenlinna | 100.00 |
| YIT Concept Project Management Services Ltd | Helsinki | 100.00 |
| AS YIT Ehitus (Group) | Tallinn | 100.00 |
| AS Keskkonnaehitus | Tallinn | 100.00 |
| AS Koidu Kinnisvara | Tallinn | 100.00 |
| OÜ Plasma Project | Tallinn | 100.00 |
| OÜ FKSM KE | Tallinn | 100.00 |
| OÜ Servituudihaldus | Tallinn | 100.00 |
| OÜ Polaron Holding | Tallinn | 100.00 |
| SIA YIT Celtnieciba | Riga | 100.00 |
| SIA Ebelmuiza Ligzda | Riga | 100.00 |
| YIT Vatten & Miljöteknik AB | Landskrona | 100.00 |
| ZAO YIT-Genstroi | Moscow | 100.00 |
| YIT Invest Export Oy | Helsinki | 100.00 |
| ZAO YIT Ramenje | Moscow | 51.00 |
| YIT Environment Oy | Helsinki | 100.00 |
| YIT Project Invest Oy | Helsinki | 100.00 |
| ZAO YIT Lentek | St Petersburg | 100.00 |

| Name | Domicile | Holding, % |
|---|---|---|
| **Shares in subsidiaries, owned by YIT Construction Ltd** | | |
| ZAO YIT Saint-Petersburg | St Petersburg | 100.00 |
| Urepol Oy | Helsinki | 100.00 |
| YIT Polska Sp zo.o | Cracow | 100.00 |
| AB YIT Kausta (Group) | Kaunas | 85.71 |
| UAB Kausta Guder | Kaunas | 51.00 |
| UAB YIT Kausta Bustas | Kaunas | 100.00 |
| UAB Kausta Guder | Kaunas | 20.00 |
| YIT Salym Development Oy | Helsinki | 100.00 |
| Tortum Oy Ab | Helsinki | 100.00 |
| Finn-Stroi Oy | Helsinki | 100.00 |
| ZAO YIT CityStroi | Moscow | 65.00 |
| ZAO TPK Strojmaterialy | Moscow | 100.00 |
| **Shares in subsidiaries, owned by YIT Building Systems Ltd** | | |
| YIT Sverige AB (Group) | Solna | 100.00 |
| Calor Fastigheter AB | Solna | 100.00 |
| Calor AB | Solna | 100.00 |
| Calor nr 1 AB | Solna | 100.00 |
| Carlsson & Myrberg AB | Solna | 100.00 |
| Teknisk Klimatservice Norr AB | Solna | 100.00 |
| Värmebolaget i Västerås AB | Solna | 100.00 |
| YIT Kiinteistötekniikka Oy | Helsinki | 100.00 |
| YIT-Huber East Oy | Helsinki | 100.00 |
| YIT-Huber Invest Oy | Helsinki | 100.00 |
| ZAO YIT-Peter | St Petersburg | 100.00 |
| YIT Elmek Ltd | Moscow | 100.00 |
| YIT Building Systems AS | Austrheim | 100.00 |

| Name | Domicile | Holding, % |
|---|---|---|
| **Shares in subsidiaries, ownwed by YIT Building Systems Ltd** | | |
| | | |
| AS YIT Emico | Tallinn | 81.67 |
| YIT BS Estonia AS | Tallinn | 100.00 |
| YIT Tehsistem SIA | Riga | 100.00 |
| YIT A/S | Fredericia | 100.00 |
| YIT Technika UAB | Vilnius | 100.00 |
| | | |
| **Shares in subsidiaries, owned by YIT Industry and Network Ltd** | | |
| | | |
| YIT Service Oy, Helsinki | Helsinki | 100.00 |
| Oy Botnia Mill Service Ab | Kemi | 49.83 |
| YIT Industria Oy, Helsinki | Helsinki | 100.00 |
| Kiinteistö Oy Leppävirran Teollisuustie 1 | Leppävirta | 60.00 |

## 33 JOINT VENTURES

Group has a joint control of 33.3% in a company SWTP Construction Oy.
The following assets, liabilities, revenues and expenses of the joint venture company are included into consolidated balance sheet and income statement.

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| Non-current assets | - | 142 |
| Current assets | 2,607 | 6,993 |
| Non-current liabilities | - | - |
| Current liabilities | 1,520 | 4,685 |
| | | |
| Revenues | 11,605 | 13,389 |
| Expenses | 10,521 | 11,914 |

## 34 RELATED PARTY TRANSACTIONS

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| **Sales of goods and services** | 1,143 | 1,205 |
| | | |
| **Purchases of goods and services** | 839 | 1,409 |

Goods and services to associated companies are sold on the basis of price lists in force with non-related parties.

| **Key management compensation** | | |
|---|---|---|
| Salaries and other short-term employee benefits | 2,493 | 1,961 |
| Termination benefits | 510 | - |
| Share-based payments, options | 95,825 | 69,944 |
| | | |
| **Loans to related parties** | | |
| Loans to associated companies | 1,868 | 1,880 |
| Loans to key management | - | - |

## 35 EVENTS AFTER THE BALANCE SHEET DATE

YIT Construction Ltd's Lithuanian subsidiary AB YIT Kausta sold its structural steel plant in Kaunas to the Finnish company Peikko Group. The ship electrification operations of the Telesilta business unit, part of YIT Industrial and Network Services, was sold to a soon-to-be-formed company that will be named Telesilta Oy.

## 36 TRANSITION TO IFRS

YIT Group converted from Finnish Accounting Standards, FAS to International Financial Reporting Standards, IFRS on January 1, 2005. The transition date to IFRS was January 1, 2004. However, the transition date of adopting the standard IAS 32 and IAS 39 was January 1, 2005. The interim reports and year-end financial statements for the year 2004 have been initially prepared according to FAS. YIT has released on April 6, 2005 the IFRS comparative figures and notes for the periods January 1, - March 30, 2004; January 1, - June 30, 2004; January 1, - September 30, 2004 and January 1, - December 31, 2004. The comparative figures were unaudited and minor corrections to them have been made in preparing the financial statements for the year 2005.

YIT Group has adopted IAS 1 and used the exemptions from the requirements of IFRS 3 Business Combinations, IAS 39 Financial Instruments: Recognition and Measurement and IAS 32 Financial Instruments: Disclosure and Presentation, IAS 38 Intangible assets, IAS 16 Property, Plant and Equipment, IAS 21 Effects of Changes in Foreign Exchange Rates and IFRS 2 Share -based payments

For YIT Group, the major effects of the transition to IFRS are related to the recognition method employed in the treatment of developer contracting and the reversal of depreciations for goodwill and consolidation goodwill. YIT Group's IFRS accounting principles in full are disclosed in the Note 1.

In this Note is disclosed the reconciliations between IFRS - and FAS- financial statements in 2004 and the supplementary notes thereto. The effect of transition to IAS 32 and IAS 39 on January 1, 2005 and the reconciliation of the equity as at December 31, 2004 and as at January 1, 2005 has been disclosed separately hereafter.

**Reconciliation of income statement**

| 1,000 EUR | IFRS Jan-Dec/2004 | FAS Jan-Dec/2004 | Note | Difference |
|---|---|---|---|---|
| **Revenue** | 2,780.1 | 3,033.4 | 1 | -253.3 |
| - of which international activities | 1,183.2 | 1,212.7 | | -29.5 |
| - double net sales | - | 203.1 | | -203.1 |
| Operating income and expenses | -2,602.1 | -2,850.6 | 2 | 248.5 |
| Depreciation and write-downs excluding goodwill amortization | -22.3 | -17.1 | | -5.2 |
| **Operating profit before amortization of goodwill and goodwill of consolidation** | 155.7 | 165.7 | | -10.0 |
| % of revenue | 5.6% | 5.5% | | |
| Amortization of goodwill and goodwill of consolidation | - | -30.6 | 3 | 30.6 |
| **Operating profit (EBIT)** | 155.7 | 135.1 | | 20.6 |
| % of revenue | 5.6% | 4.5% | | |
| Financial income | 3.9 | 3.5 | | 0.4 |
| Financial expenses | -20.9 | -20.4 | | -0.5 |
| **Profit before taxes** | 138.7 | 118.2 | | 20.5 |
| Income taxes | -39.5 | -32.8 | 4 | -6.7 |
| Minority interests | 0.0 | -1.4 | | 1.4 |
| **Profit for the report period** | 99.2 | 84.0 | 5 | 15.2 |
| % of revenue | 3.6% | 2.8% | | |
| **Attributable to:** | | | | |
| Equity holders of the company | 97.8 | 84.0 | | 13.8 |
| Minority interest | 1.4 | 0.0 | | 1.4 |

**Earnings per share for profit attributable to the equity holders of the Company**

| | | |
|---|---|---|
| Basic earnings per share, EUR | 1.60 | 1.37 |
| Diluted earnings per share, EUR | 1.58 | 1.36 |

**Reconciliation of balance sheet**

| Assets<br>1,000 EUR | IFRS Jan-Dec/2004 | FAS Jan-Dec/2004 | Note | Difference |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Tangible assets | 81.0 | 68.4 | 6 | 12.6 |
| Goodwill | 248.8 | 224.2 | 7 | 24.6 |
| Other intangible assets | 13.1 | 12.3 | | 0.8 |
| Other Investments | 4.1 | 6.7 | | -2.6 |
| Receivables | 7.8 | 7.8 | | 0.0 |
| Deferred tax receivables | 26.1 | 12.2 | 4 | 13.9 |
| **Current assets** | | | | |
| Inventories | 629.3 | 421.6 | 8 | 207.7 |
| Trade and other receivables | 469.9 | 802.2 | | -332.3 |
| Cash and cash equivalents | 36.1 | 34.9 | | 1.2 |
| **Total assets** | 1,516.2 | 1,590.3 | | -74.1 |

| Equity and liabilities<br>1,000 EUR | IFRS Jan-Dec/2004 | FAS Jan-Dec/2004 | Note | Difference |
|---|---|---|---|---|
| **Equity attributable to the equity holders of the Company** | | | | |
| Share capital | 61.3 | 61.3 | | 0.0 |
| Other equity | 380.0 | 395.9 | | -15.9 |
| Minority interest | 4.1 | 3.5 | | 0.6 |
| **Total equity** | 445.4 | 460.7 | 9 | -15.3 |
| **Non-current liabilities** | | | | |
| Deferred tax liabilities | 19.9 | 12.9 | 4 | 7.0 |
| Pension obligations | 9.8 | - | 10 | 9.8 |
| Provisions | 26.5 | 12.4 | | 14.1 |
| Interest-bearing liabilities | 224.0 | 214.0 | | 10.0 |
| Other liabilities | 3.7 | 2.9 | | 0.8 |
| **Current liabilities** | | | 8 | |
| Trade and other liabilities | 601.9 | 826.3 | | -224.4 |
| Provisions | 23.6 | 13.6 | | 10.0 |
| Current interest-bearing liabilities | 161.4 | 47.5 | | 113.9 |
| **Total equity and liabilities** | 1,516.2 | 1,590.3 | | -74.1 |

**EFFECTS OF ADOPTING IAS 32 AND IAS 39 (EUR million)**

| | |
|---|---|
| **Equity according to IFRS, Dec 31, 2004** | 445.4 |
| Effects of the transition to IAS 32 and IAS 39 | |
| Measurement of loans (IAS 39) | -0.7 |
| Total adjustments | -0.7 |
| **Equity according to IFRS, Jan 1, 2005** | 444.7 |

## Supplementary notes to the income statement and balance sheet

### 1. NET SALES

Developer contracting is treated in accordance with IAS 11 Construction contracts. Founded housing and property companies are treated as part of the consolidated balance sheet and income statement. Accordingly, income is in no respects booked twice; rather, developer contracting comprises a single entity as part of construction operations.

Income from developer contracting comprises the selling prices free from debts of shares and the expenses comprise the acquisition cost of plots and the actual costs of construction. Developer contracting will be recognized as revenue on the basis of the percentage of completion as set forth in IAS 11. The percentage of completion is derived from the formula: degree of the completion of construction multiplied by the degree of sale.

The change in the recognition practice will slow down the income recognition of the revenue and profit in the developer contracting in the early stage of the project. As the degree of completion increases, income recognition will be focused on the latter half of the project.

### 2. OTHER OPERATING INCOME AND EXPENSES

See note 1 regarding developer contracting.

**10-year commitments**
10 -year commitments in the construction industry are recognized as provisions that are charged to earnings in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets. 10-year provisions for commitments are calculated on the basis of experience of the materialization of commitments.

**Shares in the results of affiliates and joint ventures**
The affiliates Oy Botnia Mill Service Ab and Kiinteistö Oy Leppävirta have been defined as subsidiaries in accordance with IFRS, because the YIT Group holds responsibility for their business operations. Participations in excess of YIT's holding are entered in minority interest, with the exception of the external share in Oy Botnia Mill Service Ab's shareholders equity, which has been entered in interest-bearing non-current liabilities

In IFRS reporting, the results of other affiliates are reported in financial items and the share of taxation is presented under taxes

### 3. AMORTIZATION OF GOODWILL

The amortization according to plan of goodwill and goodwill on consolidation has been discontinued after 2003 and replaced with impairment testing. Goodwill and goodwill on consolidation have been tested for the opening balance sheet and the situation as at September 30, 2004. In the future testing will be carried out annually in September-November.

**Testing principles:**
In accordance with IAS 36 Impairment of Assets, the carrying amounts of asset items are evaluated for indications of impairment. If the impairment of an asset item is indicated, the recoverable amount of said asset is estimated. The recoverable amount is the net selling price of the asset item or its value in use based on estimated future cash flow, whichever is higher.

**The YIT Group's goodwill has been allocated to cash-generating units:**

Building Systems' operating countries
Construction Services' divisions
Services for Industry
Data Network Services

The recoverable cash flows are based on three-year projections and on cash flows growing at a standard rate in line with these projections. A growth factor of 2% has been used in the goodwill impairment testing of the opening balance sheet dated January 1, 2004, and the situation as at September 30, 2004; the factor does not exceed the long-term actual growth of the business segments in question.

The discount factor employed is YIT's latest confirmed pre-tax WACC (Weighted Average Cost of Capital), which is increased by additional risk factor that is defined on a unit-by-unit basis. A WACC of 9% was used in the periods tested. The additional risk factors have amounted to: Data Network Services 1%, Building Systems 2%, and International Operations in Construction Services 3%. The risk factors are always reassessed during testing and can vary between 1-3%.

The goodwill test results are evaluated by comparing the recoverable amount (E) with the carrying amount of the cash-generating unit (T), as follows:

| | Ratio | | | Estimate |
|---|---|---|---|---|
| E | | < | T | Impairment |
| E | 0 - 20 % | > | T | Slightly above |
| E | 20 - 50 % | > | T | Clearly above |
| E | 50 % - | > | T | Substantially above |

Both on January 1, 2004, and September 30, 2004, the recoverable amount exceeded the carrying amount substantially in all cash-generating units that have goodwill.

### 4. INCOME TAXES

In accordance with IAS 12 Income Taxes, deferred taxes are calculated on all temporary differences between the carrying amount and taxation value. The largest temporary differences arise from the depreciation differences of fixed assets, provisions deductible at a later date, voluntary provisions in Sweden and unused tax losses. No deferred tax assets have been recognized on the confirmed losses in Sweden, which will become effective after 2007. In Finland, the imputed tax rate in the opening balance sheet dated January 1, 2004, was 29% and it was 26% as from June 30, 2004. In other countries, deferred tax have been calculated in accordance with the rate in force on the closing date.

### 5. PROFIT FOR THE PERIOD

**Reconciliation of profit for the period (EUR million)**

| | Jan-Dec/2004 |
|---|---|
| Profit for the period according to FAS | 84.0 |
| IFRS adjustments | |
| Minority interests | 1.4 |
| Recognition of revenue by reference to the stage of completion (IAS 11) | -2.9 |
| Deferred taxes (IAS 12) | -6.4 |
| Provisions (IAS 37) | -6.8 |
| Goodwill amortization (IAS 38) | 30.4 |
| Other items *) | -0.5 |
| Total IFRS adjustments | 15.2 |
| Profit for the period according to IFRS | 99.2 |

*) Other items affecting the determination of net profit include finance leasing, options and affiliates that become subsidiaries.

### 6. TANGIBLE NON-CURRENT ASSETS

Lease agreements in which the Group holds a material share of the risks and benefits of ownership are classified as financial lease agreements. A financial lease agreement is entered in the balance sheet at either the fair value of the leased asset on the starting date of the lease agreement or the current value of the minimum rents, whichever is lower. The assets are depreciated over their economic lifetime or the lease period, whichever is shorter. Lease commitments are included in interest-bearing liabilities.

### 7. GOODWILL

See note 3.

### 8. TREATMENT OF DEVELOPER CONTRACTING IN THE BALANCE SHEET

The change in the treatment of long-term projects in accordance with IAS 11 affects the opening balance sheet as follows:

a) Retained earnings will decline due to the slower rate of partial recognition of revenue.
b) The sum of the incomplete long-term projects included in inventories will grow, because the acquisition cost of plots is included in developer contracting expenditure that is partially recognized as revenue.
c) Debts to construction fund, a portion of advances received and current receivables are eliminated due to the change in the treatment of housing and property corporations. Debts to construction fund will be discontinued in the balance sheet and the contract receivables sold to finance companies will be reversed as interest-bearing current liabilities, fully in the case of unsold shares, and, in the case of sold shares, to the extent that they exceed the stage of completion portion of the liability for the shares sold.

### 9. SHAREHOLDERS' EQUITY

**Reconciliation of shareholders' equity (EUR million)**

| | Jan 1, 2004 IFRS opening balance | Dec 31, 2004 |
|---|---|---|
| Shareholders' equity according to FAS | 408.3 | 457.2 |
| IFRS adjustments | | |
| Minority interests | 3.9 | 4.1 |
| Recognition of revenue by reference to the stage of completion (IAS 11) | -14.9 | -17.8 |
| Deferred taxes (IAS 12) | 13.5 | 7.1 |
| Provisions (IAS 37) | -27.0 | -33.8 |
| Goodwill amortization (IAS 38) | -4.8 | 25.6 |
| Other items *) | 2.7 | 3.0 |
| Total IFRS adjustments | -26.6 | -11.8 |
| Shareholders' equity according to IFRS | 381.7 | 445.4 |

*) Other items affecting the determination of shareholders' equity include finance leasing, options and pension liabilities.

SHARE REWARDS
Share options granted after November 7, 2002, have been entered in the balance sheet at fair value at the time granted and expensed in even installments in the income statement over the vesting period of the rights.

### 10. PENSION OBLIGATIONS

Due to the amendment of the Finnish occupational pension system on December 22, 2004, the occupational disability portion of statutory entitlement pensions has not been recorded as pension liabilities in the opening balance sheet dated January 1, 2004. The net amount of pension liabilities and the deferred tax asset calculated therefrom would have been about EUR 37 million. In the case of supplementary pension insurance policies, liabilities are recorded in pension liabilities and the share of deferred taxes is entered in tax receivables. Their effect is not material in amount.

# Parent company's financial statements, FAS

## INCOME STATEMENT

| 1,000 EUR | Note | 2005 | 2004 |
|---|---|---|---|
| **REVENUE** | 1 | **196** | 751 |
| Other operating income | 2 | **10,864** | 6,778 |
| Personnel expenses | 3 | **6,488** | 5,398 |
| Depreciation and value adjustments | 4 | **787** | 631 |
| Other operating expenses | | **18,209** | 13,931 |
| | | **25,484** | 19,960 |
| **OPERATING PROFIT** | | **-14,424** | -12,431 |
| Financial income and expenses | 5 | **-5,241** | -2,038 |
| **PROFIT BEFORE EXTRAORDINARY ITEMS** | | **-19,665** | -14,469 |
| Extraordinary items | 6 | **105,042** | 80,322 |
| **PROFIT BEFORE TAXES** | | **85,377** | 65,853 |
| Change in depreciation difference | 7 | **-124** | |
| Income taxes | 8 | **-22,162** | -18,933 |
| **NET PROFIT FOR THE FINANCIAL PERIOD** | | **63,091** | 46,920 |

# Parent company's financial statements, FAS

## BALANCE SHEET

| 1,000 EUR | Note | 2005 | 2004 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | | |
| Intangible assets | 9 | | |
| Intangible rights | | **144** | 144 |
| Other capitalized expenditure | | **799** | 704 |
| | | **943** | 848 |
| Tangible assets | 9 | | |
| Land and water areas | | **1,019** | 1,019 |
| Buildings and structures | | **3,055** | 2,624 |
| Machinery and equipment | | **1,640** | 964 |
| Other tangible assets | | **247** | 283 |
| | | **5,961** | 4,890 |
| Investments | 10 | | |
| Shares in Group companies | | **359,708** | 359,708 |
| Other shares and holdings | | **253** | 255 |
| | | **359,961** | 359,963 |
| **TOTAL NON-CURRENT ASSETS** | | **366,865** | 365,701 |
| **CURRENT ASSETS** | | | |
| Receivables | 11 | | |
| Trade receivables | | **1,464** | 532 |
| Loan receivables | | **309,386** | 257,587 |
| Other receivables | | **105,223** | 138,441 |
| Accrued income | | **683** | 861 |
| | | **416,756** | 397,421 |
| Treasury shares | | **7** | - |
| Current investments | 12 | **4,424** | 24 |
| Cash and cash equivalents | | **4,102** | 376 |
| **TOTAL CURRENT ASSETS** | | **425,289** | 397,821 |
| **TOTAL ASSETS** | | **792,154** | 763,522 |

| 1,000 EUR | Note | 2005 | 2004 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | 13 | | |
| Share capital | | **62,397** | 61,293 |
| Share premium reserve | | **77,196** | 71,549 |
| Treasury shares | | **7** | - |
| Retained earnings | | **167,707** | 163,699 |
| Net profit for the financial year | | **63,091** | 46,920 |
| **TOTAL EQUITY** | | **370,398** | 343,461 |
| **APPROPRIATIONS** | | | |
| Accumulated depreciation difference | 14 | **124** | - |
| **LIABILITIES** | | | |
| Non-current liabilities | 15 | | |
| Bonds | | **100,000** | 140,000 |
| Loans from credit institutions | | **59,682** | 61,523 |
| Pension loans | | **7,169** | 12,590 |
| Accrued expenses | | **11** | 913 |
| | | **166,862** | 215,026 |
| Current liabilities | 16 | | |
| Bonds | | **30,000** | 15,000 |
| Loans from credit institutions | | **1,841** | 1,841 |
| Pension loans | | **5,416** | 5,416 |
| Advances received | | **26** | - |
| Trade payables | | **1,837** | 880 |
| Other current liabilities | | **210,176** | 175,418 |
| Accrued expenses | | **5,474** | 6,481 |
| | | **254,770** | 205,035 |
| **TOTAL LIABILITIES** | | **421,632** | 420,061 |
| **TOTAL EQUITY AND LIABILITIES** | | **792,154** | 763,522 |

# Parent company's financial statements, FAS

## CASH FLOW STATEMENT

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit before extraordinary items | **-19,665** | -14,469 |
| Adjustments for | | |
| Depreciations | **787** | 631 |
| Non-cash transactions | **-908** | 900 |
| Gains on the sale of tangible and intangible assets | **-46** | -771 |
| Financial income and expenses | **5,241** | 2,038 |
| **Cash flow before change in working capital** | **-14,591** | -11,671 |
| Change in working capital | | |
| Change in trade and other receivables | **57,039** | -53,142 |
| Change in trade and other payables | **2,168** | -32,784 |
| **Net cash flow from operating activities before financial items and taxes** | **44,616** | -97,597 |
| Interest paid | **-28,888** | -14,666 |
| Dividends received | **11** | 3,296 |
| Interest received and financial income | **23,165** | 9,270 |
| Taxes paid | **-22,865** | -21,030 |
| **Cash flow from operating activities** | **16,039** | -120,727 |

| 1,000 EUR | 2005 | 2004 |
|---|---|---|
| **Cash flow from investing activities** | | |
| Purchases of tangible and intangible assets | **-1,953** | -1,607 |
| Proceeds from sale of tangible and intangible assets | **46** | 15 |
| Increases in other investments | **-** | 64 |
| Proceeds from sale of other investments | **3** | 58,616 |
| **Net cash used in investing activities** | **-1,904** | 57,088 |
| **Cash flow from financing activities** | | |
| Proceeds from share issues | **6,752** | 1,611 |
| Purchase of treasury shares | **-7** | - |
| Decrease/increase in loan receivables | **-51,800** | 28,313 |
| Decrease /increase in current receivables | **33,885** | -37,208 |
| Proceeds from borrowings | **-** | 35,000 |
| Repayment of borrowings | **-32,257** | -37,477 |
| Dividends paid | **-42,905** | -36,628 |
| Group contributions received | **80,322** | 82,758 |
| **Net cash used in financing activities** | **-6,010** | 36,369 |
| **Net change in cash and cash equivalents** | **8,125** | -27,270 |
| Cash and cash equivalents at the beginning of the financial year | **400** | 27,670 |
| Cash and cash equivalents at the end of the financial year | **8,525** | 400 |

Parent company's financial statements, FAS | Notes to the financial statements, EUR thousands |

## 1 REVENUE

| | 2005 | 2004 |
|---|---|---|
| Revenue by business segment | | |
| Other items | **196** | 751 |
| Total | **196** | 751 |
| Revenue by geographical area | | |
| Finland | **196** | 751 |
| Total | **196** | 751 |

## 2 OTHER OPERATING INCOME

| | | |
|---|---|---|
| Capital gains on disposal of fixed assets | **46** | 771 |
| Other | **10,818** | 6,007 |
| Total | **10,864** | 6,778 |

## 3 INFORMATION CONCERNING PERSONNEL AND KEY MANAGEMENT

| | | |
|---|---|---|
| **Personnel expenses** | | |
| Wages, salaries and fees | **5,161** | 4,239 |
| Pension expenses | **807** | 651 |
| Other indirect personnel costs | **520** | 508 |
| Total | **6,488** | 5,398 |
| **Salaries and fees to the management** | | |
| President and Executive Vice President | **1,145** | 889 |
| Members of the Board of Directors, cash | **106** | 129 |
| Members of the Board of Directors: shares 3.870 x 16.00 | **-** | 62 |
| shares 2.420 x 23.30 | **163** | - |
| Total | **1,414** | 1,080 |
| **Average personnel in 2005** | **76** | 72 |
| **The fees for the auditors** | | |
| PriceWaterhouseCoopers Oy, Authorised Public Accountants | | |
| Statutory audit | **152** | 140 |
| Other audit services | **65** | 213 |
| Total | **217** | 353 |

## 4 DEPRECIATION AND VALUE ADJUSTMENTS

| | 2005 | 2004 |
|---|---|---|
| Depreciation on other capitalized expenditures | **176** | 49 |
| Depreciation on buildings and structures | **188** | 162 |
| Depreciation on machinery and equipment | **387** | 377 |
| Depreciation on other tangible assets | **36** | 43 |
| Total | **787** | 631 |

## 5 FINANCIAL INCOME AND EXPENSES

| | | |
|---|---|---|
| **Dividend income** | | |
| From Group companies | **-** | 3,280 |
| From other companies | **11** | 24 |
| Total | **11** | 3,304 |
| **Other interest and financial income** | | |
| From Group companies | **6,145** | 6,596 |
| From other companies | **3** | 55 |
| Total | **6,148** | 6,651 |
| **Other interest and financial income** | | |
| From Group companies | **2,746** | 1,380 |
| From other companies | **169** | 321 |
| Total | **2,915** | 1,701 |
| **Other interest and financial expenses** | | |
| To Group companies | **-3,059** | -2,945 |
| To other companies | **-11,256** | -10,749 |
| Total | **-14,315** | -13,694 |
| **Total financial income and expenses** | **-5,241** | -2,038 |
| Exchange rate differences included in financial income and expenses | **-816** | -67 |

Parent company's financial statements, FAS | Notes to the financial statements, EUR thousands |

| 6 EXTRAORDINARY ITEMS | 2005 | 2004 |
|---|---|---|
| **Extraordinary income** | | |
| Group contributions | **105,042** | 80,322 |
| **Total** | **105,042** | 80,322 |

## 7 APPROPRIATIONS

| | | |
|---|---|---|
| The accumulated difference between the depreciation according to plan and depreciation in taxation | **-124** | - |

## 8 INCOME TAXES

| | | |
|---|---|---|
| Income taxes on extraordinary items | **-27,310** | -23,293 |
| Income taxes on operating activities | **5,099** | 5,151 |
| Income taxes on previous years | **49** | -791 |
| Total | **-22,162** | -18,933 |

## 9 CHANGES IN FIXED ASSETS

| | 2005 | 2004 |
|---|---|---|
| **Intangible assets** | | |
| **Intangible rights** | | |
| Historical cost on January 1 | **144** | 144 |
| Historical cost on December 31 | **144** | 144 |
| Accumulated depreciation and value adjustments on January 1 | **0** | 0 |
| Accumulated depreciation and value adjustments on December 31 | **0** | 0 |
| **Book value on December 31** | **144** | 144 |
| **Other capitalized expenditures** | | |
| Historical cost on January 1 | **6,129** | 5,492 |
| Increases | **271** | 637 |
| **Historical cost on December 31** | **6,400** | 6,129 |
| Accumulated depreciation and value adjustments on January 1 | **5,425** | 5,376 |
| Depreciation for the period | **176** | 49 |
| Accumulated depreciation and value adjustments on December 31 | **5,601** | 5,425 |
| **Book value on December 31** | **799** | 704 |
| **Total intangible assets** | **943** | 848 |
| **Tangible assets** | | |
| **Land and water areas** | | |
| Historical cost on January 1 | **1,019** | 1,024 |
| Decreases | **-** | 5 |
| Historical cost on December 31 | **1,019** | 1,019 |
| **Book value on December 31** | **1,019** | 1,019 |
| **Buildings and structures** | | |
| Historical cost on January 1 | **5,667** | 5,047 |
| Increases | **620** | 620 |
| **Historical cost on December 31** | **6,287** | 5,667 |
| Accumulated depreciation and value adjustments on January 1 | **3,043** | 2,881 |
| Depreciation for the period | **188** | 162 |
| Accumulated depreciation and value adjustments on December 31 | **3,231** | 3,043 |
| **Book value on December 31** | **3,055** | 2,624 |
| **Machinery and equipment** | | |
| Historical cost on January 1 | **5,625** | 5,291 |
| Increases | **1,062** | 339 |
| Decreases | **-** | 5 |
| Historical cost on December 31 | **6,687** | 5,625 |

Parent company's financial statements, FAS | Notes to the financial statements, EUR thousands |

| | 2005 | 2004 |
|---|---|---|
| Accumulated depreciation and value adjustments on January 1 | **4,661** | 4,284 |
| Depreciations for the period | **387** | 377 |
| Accumulated depreciation and value adjustments on December 31 | **5,048** | 4,661 |
| **Book value on December 31** | **1,640** | 964 |
| | | |
| **Other tangible assets** | | |
| Historical cost on January 1 | **848** | 839 |
| Increases | **-** | 9 |
| **Historiacl cost on December 31** | **848** | 848 |
| Accumulated depreciation and value adjustments on January 1 | **565** | 522 |
| Depreciation for the period | **36** | 43 |
| Accumulated depreciation and value adjustments on December 31 | **601** | 565 |
| **Book value on December 31** | **247** | 283 |
| **Total tangible assets** | **5,961** | 4,889 |

## 10 INVESTMENTS

| | 2005 | 2004 |
|---|---|---|
| **Shares in Group companies** | | |
| Historical cost on January 1 | **359,708** | 417,593 |
| Decreases | **0** | 57,885 |
| Historical cost on December 31 | **359,708** | 359,708 |
| **Other shares and holdings** | | |
| Historical cost on January 1 | **255** | 284 |
| Decreases | **2** | 29 |
| Historical cost on December 31 | **253** | 255 |
| **Total investments** | **359,961** | 359,963 |

## 11 RECEIVABLES

| | 2005 | 2004 |
|---|---|---|
| **Non-current receivables** | | |
| Receivables from Group companies | | |
| Loan receivables | **122,178** | 181,362 |
| Total | **122,178** | 181,362 |
| Loan receivables | **54** | 54 |
| **Non-current receivables** | **122,232** | 181,416 |
| **Current receivables** | | |
| Trade receivables | **3** | 1 |
| Receivables from Group companies | | |
| Trade receivables | **1,462** | 529 |
| Loan receivables | **187,154** | 76,171 |
| Other receivables | **105,042** | 138,143 |
| Accrued income | **606** | 744 |
| Total | **294,264** | 215,587 |
| Receivables from associated companies | | |
| Trade receivables | **-** | 2 |
| Total | **-** | 2 |
| Other receivables | 181 | 298 |
| Accrued income | 77 | 117 |
| Total current receivables | 294,525 | 216,005 |

| | 2005 | 2004 |
|---|---|---|
| **Total receivables** | **416,757** | 397,421 |
| **Accrued income** | | |
| Other items | **683** | 861 |
| Total | **683** | 861 |

## 12 CASH AND CASH EQUIVALENTS

| | 2005 | 2004 |
|---|---|---|
| **Current investments** | | |
| Treasury shares | **7** | |
| Current investments | **4,424** | 24 |
| Market value | **4,431** | 24 |
| Difference | **-** | - |

Parent company's financial statements, FAS | Notes to the financial statements, EUR thousands |

## 13 EQUITY

| | 2005 | 2004 |
|---|---|---|
| Share capital on January 1 | **61,293** | 61,047 |
| Subscriptions with share options | **1,104** | 246 |
| **Share capital on December 31** | **62,397** | 61,293 |
| | | |
| Share premium fund reserve on January 1 | **71,549** | 70,184 |
| Issue premium from share options | **5,647** | 1,365 |
| **Share premium reserve on December 31** | **77,196** | 71,549 |
| | | |
| Treasury share reserve on January 1 | **-** | - |
| Transfer from retained earnings | **7** | - |
| **Treasury share reserve on December 31** | **7** | - |
| | | |
| **Reserves** | **77,203** | 71,549 |
| | | |
| Retained earnings on January 1 | **210,619** | 200,327 |
| Dividends paid | **-42,905** | -36,628 |
| Transfer to treasury share reserve | **-7** | - |
| **Retained earnings on December 31** | **167,707** | 163,699 |
| | | |
| Net profit for the financial period | **63,091** | 46,920 |
| | **230,798** | 210,619 |
| | | |
| **Total equity** | **370,398** | 343,461 |
| | | |
| Distributable funds on December 31 | | |
| Retained earnings | **167,707** | 163,699 |
| Net profit for the financial period | **63,091** | 46,920 |
| **Distributable fund from shareholders' equity** | **230,798** | 210,619 |

## 14 APPROPRIATIONS

| | 2005 | 2004 |
|---|---|---|
| Accumulated depreciation difference on January 1 | **-** | - |
| Increase | **124** | - |
| Accumulated depreciation difference on December 31 | **124** | - |

## 15 NON-CURRENT LIABILITIES

| | 2005 | 2004 |
|---|---|---|
| **Liabilities falling due after five years** | | |
| Loans from credit institutions | **35,500** | 35,500 |
| **Total** | **35,500** | 35,500 |
| | | |
| **Bonds** | | |
| Fixed-rate bond Jan/2001 | **-** | 40,000 |
| 2001-2006, interest 5.75% | | |
| Floating-rate bond Feb/2003 | **50,000** | 50,000 |
| 2003-2007, interest 3 month Euribor + 0.65% | | |
| Fixed-rate bond Mar/2003 | **50,000** | 50,000 |
| 2003-2009, interest 4.75% | | |
| **Total** | **100,000** | 140,000 |

## 16 CURRENT LIABILITIES

| | 2005 | 2004 |
|---|---|---|
| **Liabilities to Group companies** | | |
| Trade payables | **1,368** | 602 |
| Other liabilities | **209,119** | 150,937 |
| Accrued expenses | **268** | 136 |
| **Total** | **210,755** | 151,675 |
| | | |
| **Accrued expenses** | | |
| Personnel expenses | **1,419** | 1,120 |
| Other items | **4,055** | 5,361 |
| **Total** | **5,474** | 6,481 |

Parent company's financial statements, FAS | Notes to the financial statements, EUR thousands |

## 17 COMMITMENTS AND CONTINGENT LIABILITIES

| | | |
|---|---|---|
| **Mortgages given as security for loans** | **29,265** | 29,265 |
| **Pension liabilities are entered in the balance sheet under non-current pension loans.** | | |
| **Non-cancellable operating lease liabilities** | **115,231** | 88,171 |
| **Leasing commitments** | | |
| Payable during the current financial year | **2** | 21 |
| Payable in subsequent years | **-** | 2 |
| **Total** | **2** | 23 |
| **Other commitments** | | |
| The Group's share of external debts of companies held in inventories | **-** | 1 850 |
| Other commitments | **250** | 266 |
| **Total** | **250** | 2 116 |
| **Guarantees** | | |
| On behalf of Group companies | **722,231** | 468,457 |
| On behalf of associated companies | **-** | 717 |
| On behalf of other companies | **-** | 2,518 |
| **Total** | **722,231** | 471,692 |
| **Derivative contracts** | | |
| Foreign currency forward contracts | | |
| Fair value | **69,715** | 54,434 |
| Value of underlying instruments | **70,539** | 56,730 |
| Interest rate swaps | | |
| Fair value | **59,850** | 69,201 |
| Value of underlying instruments | **60,000** | 70,000 |

## 18 SALARIES AND FEES TO THE MANAGEMENT

**Remuneration of Board members**

The Annual General Meeting held on March 16, 2005, decided to pay those members of the Board of Directors who are not in the employ of the Group remuneration for the entire term of office such that the annual remuneration of the chairman is EUR 39,600 per year, or EUR 3,300 per month, that of the vice chairman EUR 36,000 per year, or EUR 3,000 per month, and that of members EUR 33,000 per year, or EUR 2,750 per month.

It was decided that the remuneration would be paid in its entirety as one sum such that about 40 per cent of the remuneration will be used to acquire YIT Corporation shares on the Helsinki Stock Exchange on behalf and in the name of each Board member, with the remainder being paid in cash and used for withholding tax. Furthermore, it was decided that a meeting fee of EUR 500 per meeting will be paid to the members of the Board of Directors and the Audit Committee. A decision was made that per diems for trips in Finland and abroad will be paid in accordance with the State's travelling compensation regulations.

On May 4 and 9, 2005, YIT shares were purchased for the Board members: 670 for the chairman, 610 for the vice chairman and 570 for the members. The average share price was EUR 23.30.

In 2005, YIT Corporation's Board members were paid a total of EUR 170,050 in remuneration. Members of the Board of Directors who are not employed by YIT are not covered by the company's share option programmes.

**Remuneration paid to and the terms of the employment of the President and CEO and his deputy**

The Board of Directors decides on the president's and his deputy's salary, remuneration and other terms of employment. The bonuses paid to management are determined on the basis of the realization of the Group's strategic profitability, growth and development objectives and personal objectives.

In 2005, the regular salary paid to President and CEO Hanhinen, inclusive of fringe benefits, amounted to EUR 506,824, and the bonuses paid to him amounted to EUR 321,179, to a total of EUR 828,003. In 2005, 18,212 Series D share options from the 2002 share option programme were granted to the president and CEO. He did not subscribe for any YIT shares with options in 2005.

In 2005, the regular salary paid to the deputy to the CEO, Mäkelä, inclusive of fringe benefits, amounted to EUR 258,624, and the bonuses paid to him amounted to EUR 58,000, to a total of EUR 316,624. He was granted 9,106 Series D share options. The deputy to the CEO did not subscribe for YIT shares with options in 2005.

The retirement age of President and CEO Reino Hanhinen has been set at 62. Hanhinen retired on December 31, 2005. The retirement age of Executive Vice President Esko Mäkelä has been set at 63. The retirement age of Hannu Leinonen, who started out as CEO in January 2006, and that of Sakari Toikkanen, the new deputy to the CEO, has been set at 62.

The president and CEO, his deputy and the members of the Board of Directors did not have cash loans from the company or its subsidiaries on December 31, 2005.

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