ANNUAL REPORT 2017

A living city is built together.

yitgroup.com

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#LIVINGCITY

"We will also remember 2017 for the merger of YIT and Lemminkäinen, which was announced in the summer. The merger is a strategically important step for YIT on its path to becoming one of the leading urban developers in the Northern European construction market."

KARI KAUNISKANGAS, PRESIDENT AND CEO

ON THE COVER: WEST TERMINAL 2, HELSINKI

YIT in 2017

YIT creates better living environments by developing and constructing housing, business premises, infrastructure and entire areas. Our vision is to bring more life in sustainable cities.

We want to focus on caring for our customers, visionary urban development, passionate execution and inspiring leadership.

Our growth engine is urban development involving partners. Our operating area covered Finland, Russia, the Baltic countries, the Czech Republic, Slovakia and Poland.

In 2017, we operated in eight countries: Finland, Russia, the Baltic countries, the Czech Republic, Slovakia and Poland.

Year 2017

BRATISLAVA, SLOVAKIA

Key figures

POC	1–12/17	1–12/16	Change
Revenue, EUR million	1,908.6	1,783.6	7%
Operating profit, EUR million	102.3	52.9	93%
Operating profit margin, %	5.4	3.0	
Adjusted profit, EUR million	122.3	79.9	53%
Adjusted profit margin, %	6.4	4.5	
Profit before taxes, EUR million	81.2	13.8	489%
Profit for the review period (attributable to equity holders of the parent company), EUR million	62.8	7.4	748%
Earnings per share, EUR	0.50	0.06	747%
Dividend/share[1], EUR	0.25	0.22	14%
Operating cash flow after investments, EUR million	164.5	-43.1	
Return on investment (last 12 months), %	8.8	4.7	
Equity ratio at end of period, %	35.1	35.1	
Order backlog at end of period, EUR million	2,568.5	2,613.1	-2%
Personnel at end of period	5,427	5,261	3%

[1] The figure for 2017 is the Board of Directors' proposal to the AGM

IFRS	12/17	12/16	Change
Gearing, %	88.7	112.3	
Equity ratio, %	33.2	31.2	
Net interest-bearing debt, EUR million	455.0	598.6	-24%
Balance sheet total, EUR million	2,193.3	2,284.0	-4%
Invested capital, EUR million	1,155.4	1,263.4	-9%

DIVIDEND PROPOSAL (PER SHARE)

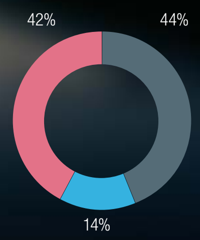
0.25 €

REVENUE, POC

1,909

EUR MILLION

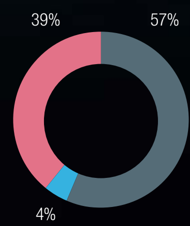
REVENUE BY SEGMENT, POC[1]



- Housing Finland and CEE, EUR 835.2 million
- Housing Russia, EUR 268.3 million
- Business Premises and Infrastructure, EUR 814.7 million

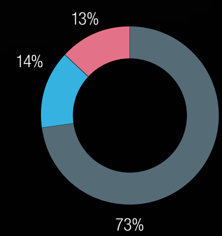
[1] %-shares excluding other items

ADJUSTED OPERATING PROFIT BY SEGMENT, POC



- Housing Finland and CEE, EUR 81.7 million
- Housing Russia, EUR 6.3 million
- Business Premises and Infrastructure, EUR 56.3 million

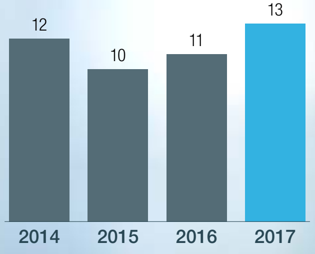
REVENUE BY GEOGRAPHICAL AREA, POC



- Finland EUR 1,399.2 million
- Russia EUR 270.3 million
- CEE EUR 239.1 million

Indicators

LOST TIME INJURY FREQUENCY (LTIF)



No. of reportable accidents at work per million working hours, last 12 months. Our goal is 0 accidents.

NUMBER OF EMPLOYEES AT THE END OF THE YEAR

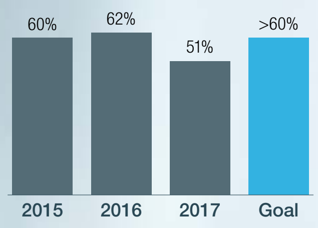
5,427

NUMBER OF TRAINEES AND THESIS WORKERS DURING 2017 OVER

800

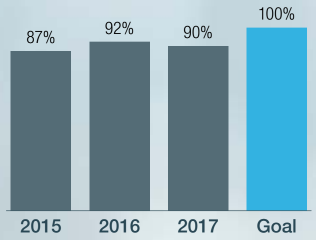
YIT'S QUALITY INDICATORS

WEIGHTED NPS



NPS, or Net Promoter Score (scale -100% – 100%), reflects the degree to which customers are prepared to recommend the company in question. The score is affected by the proportion of Promoters and Detractors among all respondents. Weighted NPS has been calculated from segment spesific results weighted by revenue volumes.

Q-FACTOR

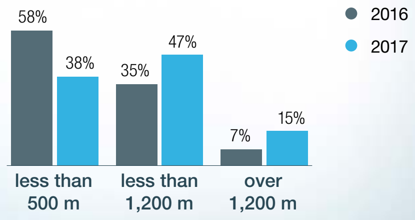


Q-factor reflects the proportion of consumer customers who have no complaints when the apartment is handed over. Flawless handovers are a strategic objective for us.

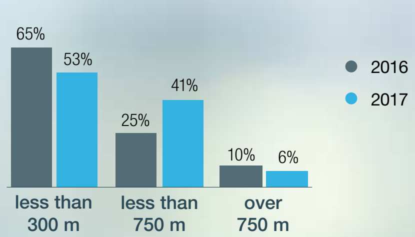
YIT'S SUSTAINABLE URBAN ENVIRONMENTS INDICATORS

ACCESSIBILITY OF SERVICES FROM OUR APARTMENTS

DISTANCE FROM A GROCERY SHOP



DISTANCE FROM PUBLIC TRANSPORTATION



Our biggest impact on the society comes from our products, or apartments, business premises and infrastructure creating urban environment. We follow Sustainable Urban Environments indicators in self-developed residential production. The figures include all the self-developed apartment bulding projects in all of our operative countries that has received a start-up decision during the year.

Financial targets in 2017

In conjunction with revising the strategy in autumn 2016, YIT's Board of Directors decided on the Group's financial targets. The cash flow target was specified as having sufficient operating cash flow after investments to pay dividends. The aim is to not increase net debt, and the investment reserve will be used to accelerate growth. It has been estimated that key indicators will be improved primarily by improving the company's profitability and operative results. Other long-term targets have remained unchanged.

New preliminary financial targets were set for the merged company along with the merger. Read more.

Long-term target	Target level	Outcome 2017	
Revenue growth	5–10% annually on average	7%	
Return on investment	15%	8.8%	
Operating cash flow after investments[1]	Sufficient for dividend payout	EUR 164.5 million	
Equity ratio	40%	35.1%	
Dividend payout	40–60% of the net profit for the period	50.0%[2]	

All figures are based on the percentage of completion segment reporting method (POC).

[1] Excluding discontinued operations

[2] The Board of Directors' proposal to the Annual General Meeting

REVENUE GROWTH IN THE CEE COUNTRIES

In accordance with our strategy, we are pursuing growth in the CEE countries, which are seeing strong growth in demand. We have increased our revenue in the CEE countries for several consecutive years and, in 2017, they already accounted for 22% of the Housing Finland and CEE segment's revenue. Profitability in the CEE countries has also been higher than the industry average. We have also been involved in establishing YCE Housing I fund, that invests in housing projects in the CEE countries. To date, we have sold 10 projects to the fund.

AS. OY VANTAAN PILETTI, TIKKURILA, VANTAA

President and CEO's review

The year 2017 was a success for YIT in many ways. All of the Group's business segments achieved positive development, and earnings per share more than tripled compared to the previous year. The year 2017 will also be remembered for the merger of YIT and Lemminkäinen, which was announced in the summer and completed at the beginning of February.

The year as a whole was excellent, and we improved our performance further towards the end of the year. In terms of the Group's profitability, the final quarter was one of the best in YIT's entire history. With respect to our strategic objectives, we achieved the targets set for our revenue growth and cash flow. We also took large strides towards our long-term target for return on investment.

"I am confident that our customers will also benefit from our increasingly diverse expertise and our desire to develop industry-wide practices while also developing our competitiveness, our products and our services."

The revenue of the Housing Finland and CEE segment increased by 15 per cent and its adjusted operating profit grew by 37 per cent year-on-year. The operating profit margin was close to 10 per cent and exceeded 12 per cent in the final quarter. We improved profitability by increasing consumer sales and responding to consumer demand by building affordable and flexible apartments in growth centres. Housing demand and YIT's growth continued to be strong in the CEE countries, with profitability remaining at a good level. We have already established a significant foothold in the Czech Republic and Slovakia, as exemplified by our position as the largest housing developer in Bratislava.

The Russian economy returned to growth after several years of recession, and residential sales picked up late in the year. However, we anticipate that the growth in housing demand will be slow and that prices will remain moderate. Our euro-denominated revenue was on a par with the previous year and our adjusted operating profit margin was 2.4 per cent for the full year. We also reduced our capital tied up in Russia by selling roughly half of the Novo-Orlovsky plot in St. Petersburg.

In the Business Premises and Infrastructure segment, the highlight of the year was the successful completion and sale of the Kasarmikatu 21 office building in cooperation with our partners. In the spring, we signed a significant agreement on the lease and sale of the Tripla project's hotel, which will be one of Helsinki's largest. We also completed all of our other pending property transactions in December. Our order backlog has remained strong, and the major projects, such as Tripla, progressed according to plan.

During the year, we prepared the launch of the new Partnership Properties segment. The new segment became operational on January 1, 2018. The new segment focuses on financing the development phases of major development projects and on the ownership and subsequent realisation of plots and developed properties at the right moment. This improves our capacity to carry out large and diverse projects and enhances the transparency of our reporting.

We will also remember 2017 for the merger of YIT and Lemminkäinen, which was announced in the summer. The merger is a strategically important step for YIT on its path to becoming one of the leading urban developers in the Northern European construction market. The merger significantly strengthens our balance sheet, increases and diversifies our resources, and improves our tolerance for cyclicality. I believe the merger will create significant value for our shareholders by opening up diverse growth and development opportunities and supporting increased dividend expectations. I am confident that our customers will also benefit from our increasingly diverse expertise and our desire to develop industry-wide practices while also developing our competitiveness, our products and our services.

Two large corporations coming together in a merger means many changes and the need to harmonise operating methods. Our aim is to carry out the internal integration processes gradually and minimise disruptions to our customer service, as well as to the day-to-day operations at our offices and construction sites. Despite the internal changes taking place, it is extremely important to us that our customers and partners can continue to count on our skilled professionals and excellent quality.

The shared journey of the new YIT began on February 1, 2018. We are tremendously excited by the opportunities the merger presents for our personnel and the Group as a whole. Our ways of working are very alike, and we have more similarities than differences. This is an excellent foundation on which we can build a common corporate culture and our future.

I would like to take this opportunity to express my warmest thanks to our customers for their trust and cooperation, as well as to our personnel and partners for working with such commitment and enthusiasm to achieve our goals.

KARI KAUNISKANGAS
PRESIDENT AND CEO

More life in sustainable cities.

OUR PRINCIPLES

- SAFETY FIRST
- QUALITY IS EVERYTHING
- UNDERSTANDING AND FULFILLING CUSTOMER NEEDS
- EMBEDDED SUSTAINABILITY
- OPEN MINDSET AND SMART WAYS OF WORKING

STRATEGY

Creating better living environments

We revised our strategy in autumn 2016, highlighting project development in growth centres, in collaboration with partners, as the engine of growth and profitability improvement. We want to focus on caring for our customers, visionary urban development, passionate execution and inspiring leadership. Our vision is to bring more life in sustainable cities.

SOLUTIONS FOR URBAN LIVING

We develop and construct self-developed residential projects in cities and other growth centres. We improve profitability in our housing segments by increasing consumer sales and using new product concepts to respond to customer demand even better than before. We have introduced flexible innovations from the Smartti residential concept into traditional residential production as well. We believe that housing will become more service-oriented in the future, and we develop related new concepts in our Living Services development programme. Read more about the development programme.

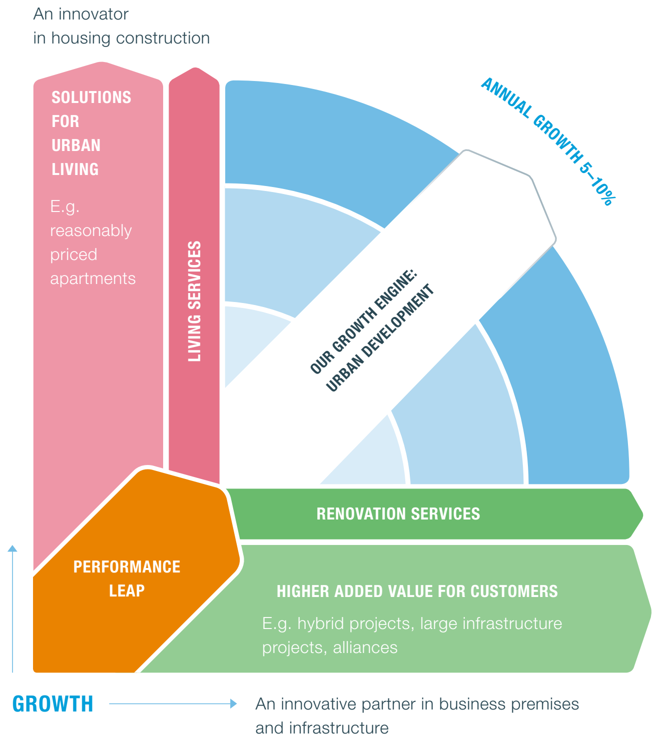
HIGHER ADDED VALUE FOR CUSTOMERS

We will further enhance project development in growth centres and expand co-operation with partners to innovate, finance and execute projects. We have a strong track record of investing resources in innovating long-term development projects. At the beginning of 2018, we established a new Partnership Properties segment. The properties and projects we own together with partners will be centralised in the new segment.

We will improve the profitability of the Business Premises and Infrastructure segment by increasing the number of projects with longer value chains, both in self-developed and tender-based business. Our Renovation Services development programme is aimed at growing our service offering. In late 2017, we acquired a majority stake in Talon Tekniikka Oy to strengthen our position in renovation services. Read more about the development programme.

PERFORMANCE LEAP

We are aiming to achieve a significant reduction in production costs through closer co-operation between design management, procurement and production. The Performance Leap development programme aims to reduce waste in current processes and ways of working. Improving capital efficiency is an important aspect of our business. Read more about the development programme.



STRATEGY

The new Partnership Properties segment supports growth in urban project development

Strengthening our project development competence is an important strategic goal for us. Among other things, this requires higher investment capacity and risk-carrying capacity. Our aim is to continue to make the majority of our large and long-term investments with partners. On June 19, 2017, we announced a significant step towards achieving this goal: establishing a new Partnership Properties segment effective from the beginning of 2018.

NEW BUSINESS MODEL – GETTING OUT MORE OF URBAN DEVELOPMENT

STRATEGY

Partnership Properties segment focuses on creating financing structures and ownership

The Partnership Properties segment began its operations on January 1, 2018. The segment focuses on financing the initial phases of major development projects and on the ownership and subsequent realisation of plots and developed properties at the right moment. From the perspective of capital efficiency and risk management, it iis justified to carry out large development projects through financial partnership models and YIT's own property management unit.

The new segment enables YIT to increase its investment capacity and manage risks more effectively. The purpose of the segment is to improve the Group's growth capabilities, clarify the execution and reporting of partnership projects and enable the creation of a project portfolio that generates stable cash flows.

We estimate that the total value of project development investments may increase from the current level of EUR 1 billion to exceed EUR 2 billion by the end of 2020. YIT's current investments and commitments in joint ventures amount to approximately EUR 180 million, and the goal is to increase this figure to approximately EUR 300–400 million by the end of 2020 within the framework of the Group's financial targets.

YCE HOUSING I FUND SUPPORTS GROWTH IN THE CEE COUNTRIES

We were involved in establishing YCE Housing I, a fund that invests in residential development projects in the CEE countries. We are an investor in the fund, with a 40% stake. We also sell projects we have developed to the fund, we build the projects and we also act as an intermediary. In over a year of co-operation to date, we have sold a total of 10 projects to the fund. This speeds up capital turnover, significantly reduces the need for financing and reduces sales risk.

THE GOALS OF THE NEW BUSINESS AREA

1 IMPROVE GROWTH POTENTIAL

- Participating in sizable urban development projects
- Significant investment capacity through partnerships

2 IMPROVE THE TRANSPARENCY OF THE PROJECT DEVELOPMENT PORTFOLIO'S VALUE

- Important information on projects
- Clearer earnings model
- Fair value measurement

3 CREATE A PROJECT PORTFOLIO THAT GENERATES A STABLE CASH FLOW

- Diverse portfolio of property and area development projects
- Long-term customer relationships and living services

INCREASING INVESTMENT CAPACITY FROM EUR 1,000 MILLION (3/2017) TO MORE THAN EUR 2,000 MILLION (12/2020)

Including the equity of YIT and its partners and the share of debt in joint ventures, the share of YIT's equity will increase from EUR 180 million to EUR 300–400 million

ALL INVESTMENTS IN LARGE AND LONG-TERM PROJECTS WILL BE MADE WITH PARTNERS

Share of equity on YIT's balance sheet

STRATEGY

Merger of YIT and Lemminkäinen

The most significant strategic step in 2017 was the announcement of the merger between YIT and Lemminkäinen. The merger was completed on February 1, 2018.

On June 19, 2017, we announced the merger of YIT and Lemminkäinen. The merger was implemented as a statutory absorption merger, whereby Lemminkäinen was merged into YIT. The name of the combined company is YIT. As merger consideration, Lemminkäinen's shareholders received 3.6146 new shares in YIT for each share in Lemminkäinen owned by them, corresponding to an ownership in the combined company post-completion of 60 per cent for YIT shareholders and 40 per cent for Lemminkäinen shareholders.

As a merged company, our goal is to become a leading player in urban development in Northern Europe. Our aim is to create a financially strong company with urban development as the engine for growth and profitability. The companies' business areas complement and balance each other and decrease sensitivity to economic cycles. Our reporting segments are Housing Finland and CEE, Housing Russia, Paving, Infrastructure projects, Business premises, and Partnership properties.

The total synergies from the merger are estimated to be approximately EUR 40 million annually, and we expect them to materialise in full by the end of 2020. The costs of integration are expected to amount to approximately EUR 40 million in total.

THE PRELIMINARY FINANCIAL TARGETS OF THE MERGED COMPANY:

- Return on capital employed over 12 per cent (ROCE >12%)
- Equity ratio above 40 percent
- Positive cash flow after dividends
- Annual growth in dividends per share

MERGER TIMELINE

June 19, 2017	Announcement
August 25, 2017	Publication of Offering Circular
September 12, 2017	Extraordinary General Meetings of both companies approve the merger
January 26, 2018	The Finnish Competition and Consumer Authority approves the merger
February 1, 2018	The combined YIT begins its operations
March 16, 2018	Annual General Meeting

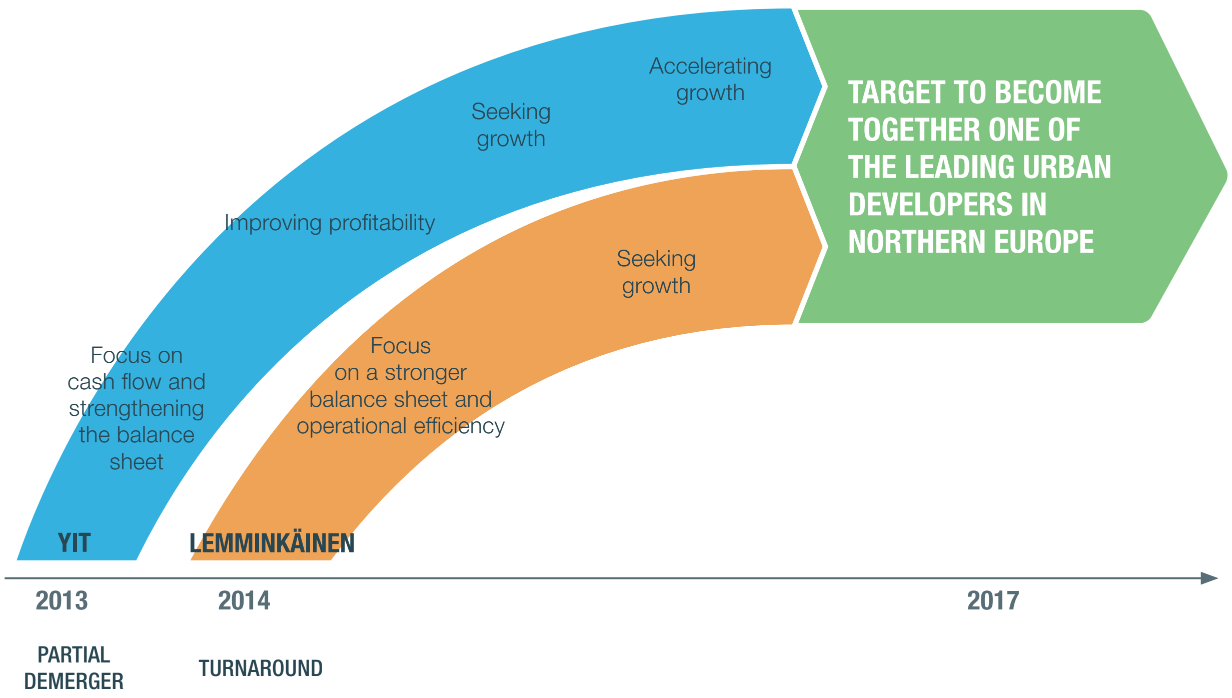
Prior to the merger, both YIT and Lemminkäinen were construction companies operating in the Northern European market, with a significant foothold in Finland and operations in the Nordic countries, Russia and Eastern Europe. In recent years, both companies have streamlined their operations with a focus on profitability and strengthening the balance sheet. The enhanced efficiency of their operations has put the two companies in a good position to take advantage of the improved market situation and strengthen their market position, thereby increasing their profitability. With improved operating capabilities, the companies are seeking new opportunities for growth and new ways to create a stronger company.

The merger creates a strong foundation for future growth in many ways, including a stronger balance sheet, improved business balance and geographical expansion. It opens up new markets and the opportunity to carry out new projects. The combined company has an extensive presence in several economic areas, enabling the company to accelerate its growth while reducing its sensitivity to country-specific construction cycles. The businesses complement and balance each other, and there are ultimately very few overlapping operations.

The increased size and strengthened capital base of the combined company is also expected to improve financing options and reduce financial costs. The larger size enables specialisation and agility, as a large organisation can contain small specialised units or start-up hubs. The availability of resources has been a bottleneck in recent times, and the competition for competent professionals is intense. We believe that together we are an even more attractive employer.

The merger also sees YIT's shareholder base complemented by strong new Finnish shareholders, such as members of the Pentti family and their investment companies, as well as the family-owned investment company Onvest Sijoitus Oy.

THE PAST FEW YEARS OF YIT AND LEMMINKÄINEN IN BRIEF

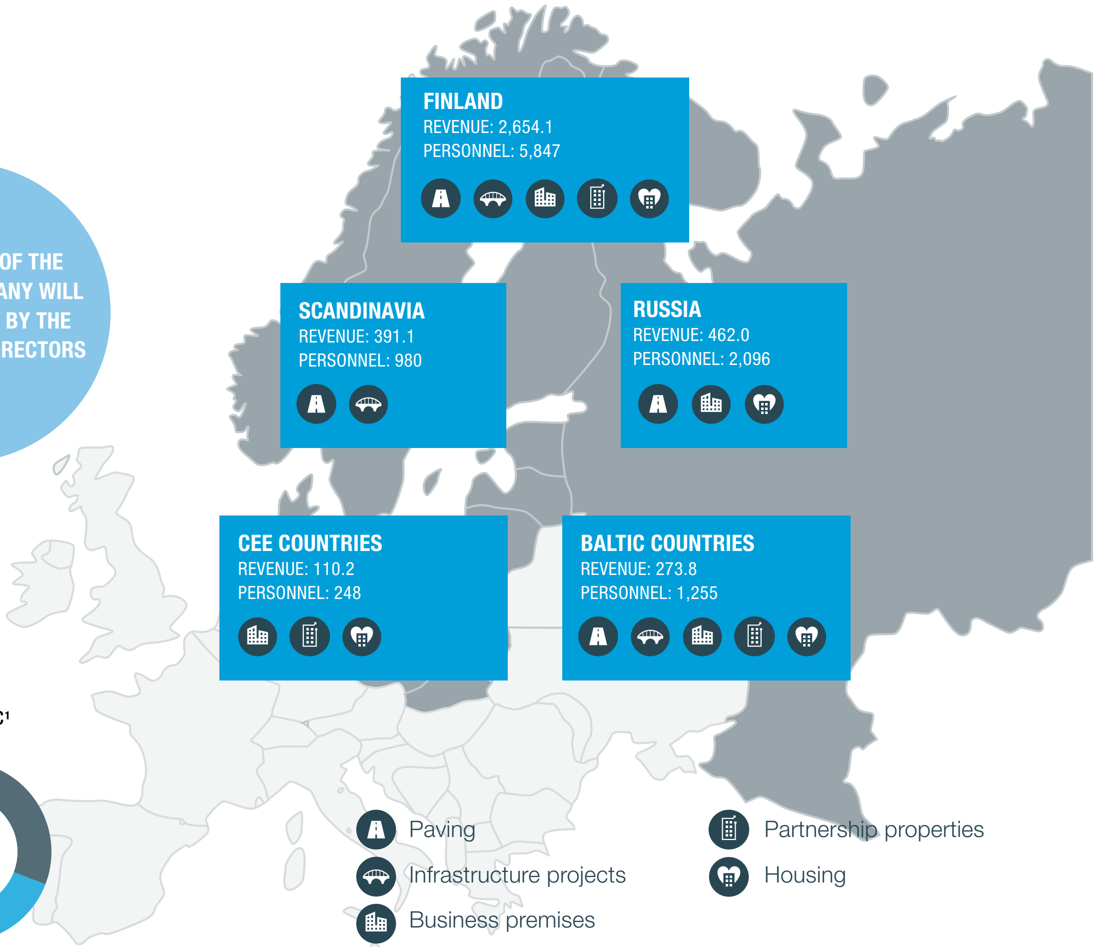


The combined portfolio of YIT and Lemminkäinen in 2017

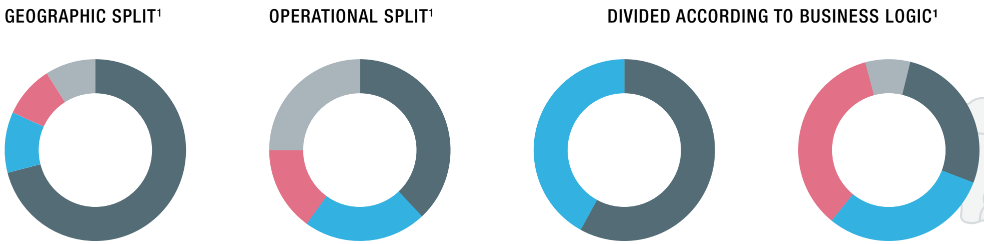
The merger is a strategically important step that will create the foundation for growing into one of the leading urban developers in the Northern European construction market. The annual revenue[1] of the combined company was over EUR 3.8 billion and adjusted operating profit[1] approximately EUR 152 million in 2017. The combined company operates in 11 countries (Finland, Russia, Sweden, Norway, Denmark, Estonia, Latvia, Lithuania, the Czech Republic, Slovakia and Poland) and has a strong position in its business areas. The even more balanced product and service offering and the wider geographical reach are expected to present new growth opportunities and provide stability against cyclicality.

THE STRATEGY OF THE COMBINED COMPANY WILL BE DETERMINED BY THE NEW BOARD OF DIRECTORS IN 2018.

GEOGRAPHIC REVENUE SPLIT, 2017[1] (EUR MILLION)



ILLUSTRATIVE COMBINED REVENUE SPLITS IN 2017[1]



GEOGRAPHIC SPLIT[1]
- Finland
- Scandinavia
- Russia
- Baltics, CEE and others

OPERATIONAL SPLIT[1]
- Housing
- Businesspremises
- Infraprojects
- Paving and maintenance

DIVIDED ACCORDING TO BUSINESS LOGIC[1]
- Contracting-based
- Own based

- New contracting
- Maintenance, renovation and paving
- Residential development
- Real estate development

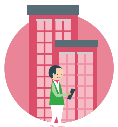
[1] Preliminary combined high level illustrative estimates for the geographical, operational and business logic splits reflect the external and internal reporting of YIT and Lemminkäinen prepared under IFRS principles for the year 2017. Illustrative high level estimates of splits presented are based on a hypothetical situation and are not intended to project the revenue split of the Combined entity in the future. The illustrative information should not be viewed as pro forma information.

SEGMENT REVIEWS

Operating environment

HOUSING FINLAND AND CEE

- Consumer confidence continued to pick up in Finland, which was reflected in good consumer demand. In addition to the demand focusing on affordable apartments in growth centres, the demand for bigger apartments improved. Residential investors were more selective.
- In the CEE countries, consumer confidence was at a good level, and residential demand was mainly brisk. The prices of new apartments increased slightly on average.
- Mortgage interest rates were at a low level in all operating countries and the availability of financing was good. In Finland, the volume of new mortgages increased slightly from the previous year.



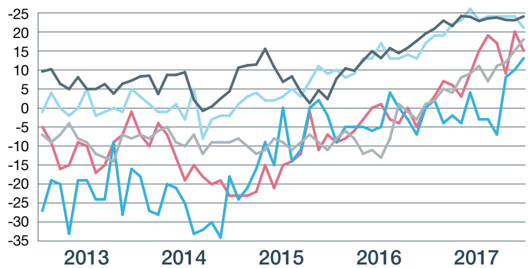
HOUSING RUSSIA

- The decline in consumer purchasing power levelled off during the year and consumption turned to slight growth late in the year. Russian consumers were cautious in their apartment purchasing decisions in spite of the economy improving.
- Residential demand was moderate but started to improve during the year in the Moscow region and, towards the end of the year, also in St. Petersburg.
- The Russian Central Bank lowered its key rate several times during the year and may lower it further in the early part of 2018, which was partly reflected in the residential demand. The interest rates for mortgages for new apartments fell below 10 per cent. Residential prices remained stable on average and supply remained high.

BUSINESS PREMISES AND INFRASTRUCTURE

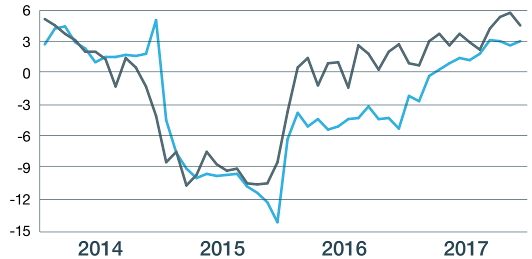
- Investor interest in business premises located in the most central growth centres stayed in good level. The yield requirements of office and retail properties decreased in the Helsinki metropolitan area, and the rental levels for prime properties increased in central Helsinki.
- The favourable market climate in Finland supported private investments. The business premise contracting market and the infrastructure construction market were active especially in the Helsinki metropolitan area and other Finnish growth centres.
- In the Baltic countries and Slovakia, investor demand for business premises was strong and rental levels remained stable. The contracting market has remained stable in the Baltic countries.

CONSUMER AND BUSINESS CONFIDENCE IN FINLAND, BALANCE



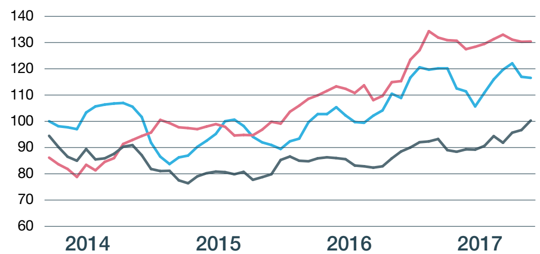
Source: Statistics Finland

RETAIL SALES AND REAL WAGES, ANNUAL CHANGE BY MONTH, %



Source: Bloomberg

VOLUME OF NEW CONSTRUCTION IN FINLAND, INDEX 2010=100



Source: Statistics Finland

SEGMENT REVIEWS

Housing Finland and CEE

BUSINESS OPERATIONS
We construct and develop apartments and entire residential areas

OPERATING COUNTRIES
Finland, Estonia, Latvia, Lithuania, the Czech Republic, Slovakia, Poland

MARKET POSITION
Market leader in Finland, one of the major operators in the CEE countries, excluding Poland, where operations began in 2016

CUSTOMERS
Households, private and institutional investors

MAIN COMPETITORS
SRV, Skanska, Bonava, Lehto Group, Lapti, JM, Lujatalo, Hartela, Merko, Nordecon, Central Group, Finep, Dom Development, Robyg and smaller local operators in different cities, (Lemminkäinen)

MARKET SIZES

Housing start-ups, units (2017 estimate):
Finland 40,500
Czech Republic 31,200
Slovakia 21,300
Poland 206,000

Completed apartments, units (2017 forecast):
Estonia 5,700
Latvia 2,200
Lithuania 11,900

FINNISH BRAND HELD IN HIGH REGARD IN PRAGUE, THE CZECH REPUBLIC

In Prague, the Czech Republic we have developed the Suomi Hloubětin area development project, consisting of sub-projects named after Finnish towns. Finnishness is an asset in the CEE housing markets. Finland is associated with the welfare society, reliability, high quality and caring about the environment, among other things.

THE NEW RANTA-TAMPELLA – ONE STEP FROM THE SHORE, TWO STEPS FROM THE CITY CENTRE

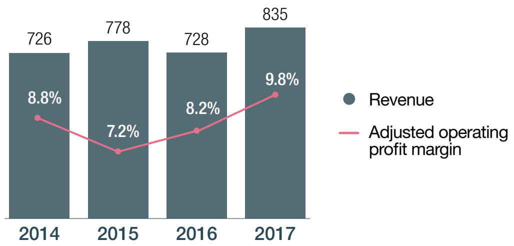
The construction of the new Ranta-Tampella residential area as an extension of Tampere's city centre, by the shore of Lake Näsijärvi, began in 2016. We have started several new projects in the area that have seen strong demand. When completed in just over 15 years' time, the area will be home to 3,500 people.

SEGMENT REVIEWS

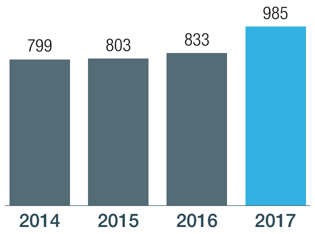
Housing Finland and CEE

- The segment's revenue increased 15% year-on-year thanks to good consumer sales and plot sales.
- The segment's adjusted operating profit increased 37% year-on-year, and the adjusted operating profit margin was 9.8%. The operating profit increased thanks to strong residential sales, especially consumer sales were good.
- According to its strategy, YIT increased consumer sales in Finland, and they represented 65% of total sales. Start-ups directed to consumers were increased by 30% year-on-year and unit sales to consumers grew by 21%
- CEE countries had a strong impact on revenue growth with high profitability. In the end of 2016, YIT involved in establishing the YCE Housing I fund that supports the company's growth strategy in the CEE countries by investing in housing development in the area. In 2017, YIT has sold eight projects to the fund in total.
- The solutions and innovations of Smartti residential concept were started to be implemented in other residential production as well. YIT presented new living services, such as Smartpost lockers for food and e-commerce deliveries in connection with the new YIT Homes.

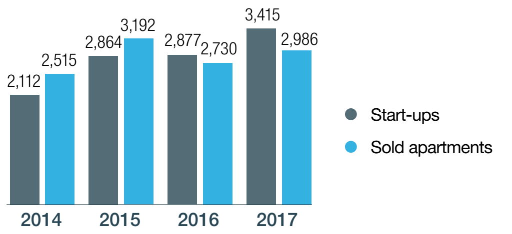
REVENUE AND ADJUSTED OPERATING PROFIT MARGIN, EUR MILLION, %



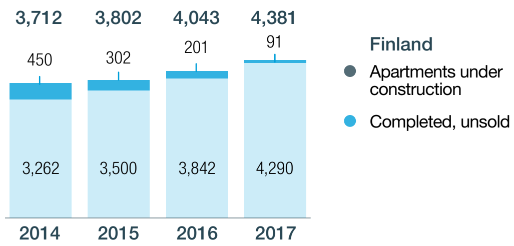
ORDER BACKLOG, EUR MILLION



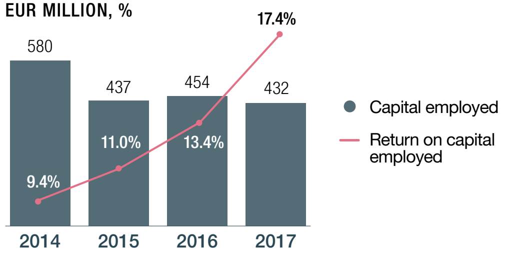
RESIDENTIAL CONSTRUCTION IN FINLAND, UNITS



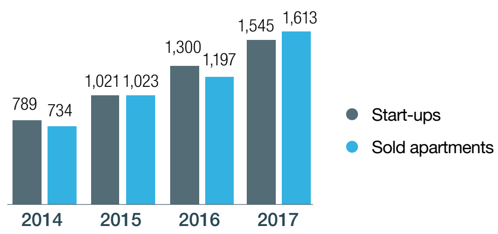
APARTMENTS UNDER CONSTRUCTION AND COMPLETED, UNSOLD, UNITS



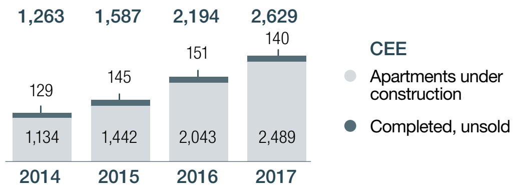
CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED, EUR MILLION, %



RESIDENTIAL CONSTRUCTION IN THE CEE COUNTRIES, UNITS



APARTMENTS UNDER CONSTRUCTION AND COMPLETED, UNSOLD, UNITS



SEGMENT REVIEWS

Housing Russia

BUSINESS OPERATIONS

We construct and develop apartments and entire residential areas, and we operate in the maintenance and service business

OPERATING COUNTRIES

Seven regions in Russia: Rostov-on-Don, Yekaterinburg, Kazan, Moscow, Moscow region, St. Petersburg, Tyumen

MARKET POSITION

Largest foreign housing developer

CUSTOMERS

Primarily households

MAIN COMPETITORS

PIK Group, LSR Group, Etalon Group and local operators in different cities

MARKET SIZES

Completed apartments, units (2017 forecast):

Moscow 48,000

Moscow region 125,000

St. Petersburg 57,000

Russia 1,120,000

FUNCTIONAL AND EFFICIENT SPACE IN THE MOSCOW REGION

The first phase of the Novyi Noginsk apartment building project in the Moscow region has been completed. Special attention has been paid to functional and efficient layouts in the project. The area represents YIT's first foray into the newly developed, modern and energy-efficient batch production of housing.

MOSCOW REGION

SEGMENT REVIEWS

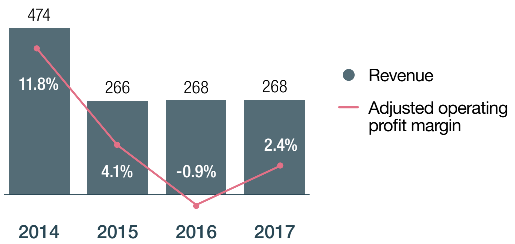
Housing Russia

- The segment's revenue remained stable year-on-year. At comparable exchange rates, revenue decreased by 11%.
- The adjusted operating profit was EUR 6.3 million and the adjusted operating profit margin was 2.4%. Improved gross margins of projects has a positive impact on the development of the segment's adjusted operating profit, however the result was weighed down by weak residential sales and low revenue recognition.
- Housing sales decreased by 18% year-on-year, but improved towards the year-end. The ending of the mortgage subsidy programme at the end of 2016 increased the expectations of a decreased in interest rates, which was reflected in residential demand. In 2017, the share of residential deals financed with mortgages was 51%.
- YIT continued its target of releasing approximately RUB 6 billion worth of capital invested in Russia by the end of 2018 by selling apartments and plots. In December, YIT sold a part of a plot in Novo Orlovsky in St. Peterburg. Half of the total price of approximately EUR 36 million was recognised as revenue in 2017.
- At the end of the year, YIT was responsible for the service and maintenance of over 34,000 apartments, 5,500 parking spaces and 2,000 business premises in Russia, totalling almost 42,000 clients.

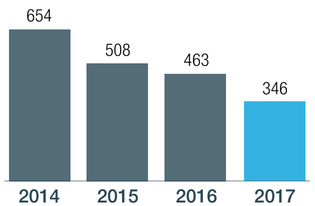
SEASONS PROJECT IN ROSTOV-ON-DON SHINES IN THE COLOURS OF THE FOUR SEASONS

We started a residential project in 2017 in the Leninsky district of Rostov-on-Don, Russia. Built in four phases, the Seasons project will comprise almost 1,100 apartments to be completed by the end of 2021. The colour design of each phase represents one of the four seasons.

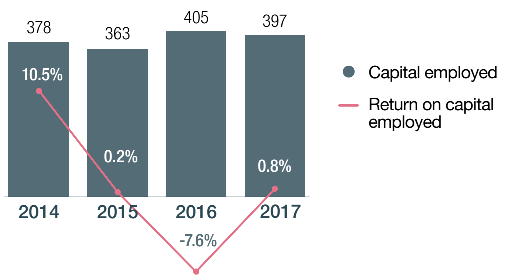
REVENUE AND ADJUSTED OPERATING PROFIT MARGIN, EUR MILLION, %



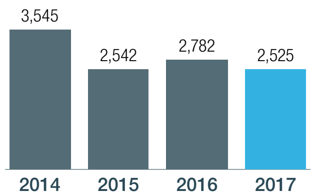
ORDER BACKLOG, EUR MILLION



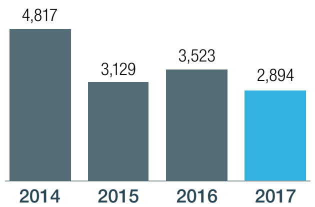
CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED, EUR MILLION, %



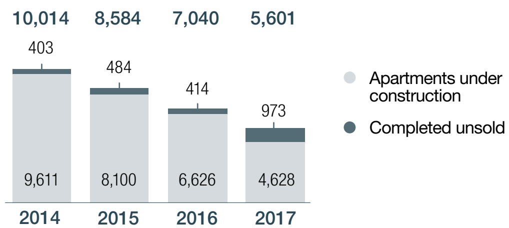
RESIDENTIAL CONSTRUCTION, START-UPS, UNITS



RESIDENTIAL CONSTRUCTION, SOLD APARTMENTS, UNITS



APARTMENTS UNDER CONSTRUCTION AND COMPLETED, UNSOLD, UNITS



SEGMENT REVIEWS

Business Premises and Infrastructure

BUSINESS OPERATIONS
We build offices, shopping centres, care facilities, roads, bridges, rail and metro stations, harbours and more. We also operate in the area of road and street maintenance.

OPERATING COUNTRIES
Business premises: Finland, Estonia, Latvia, Lithuania, Slovakia
Infra: Finland

MARKET POSITION:
One of the major operators in Finland, strong foothold in the Baltic business premises market. A small but growing business premises constructor in Slovakia and the Czech Republic.

CUSTOMERS
Businesses, the public sector and institutional investors

MAIN COMPETITORS
NCC, Skanska, Destia, VR Track, Peab, Graniittirakennus Kallio, Kreate, Jatke, SRV, Lehto Group and local operators in different countries, (Lemminkäinen)

MARKET SIZES
Business premises construction, EUR million (2017 estimate):
Finland 12,100
Baltic countries 4,100
Slovakia 2,100

Infrastructure construction, EUR million (2017 estimate):
Finland 6,500

SUCCESSFUL NAANTALI MULTI-FUEL POWER PLANT (CHP) INAUGURATED

The Naantali multi-fuel power plant built by an alliance consisting of YIT, Turun Seudun Energiatuotanto Oy, A-Insinöörit Suunnittelu Oy and Insinööritoimisto AX-LVI Oy was inaugurated in December. The project, which previously won the Construction Site of the Year award, was Finland's first industrial project implemented using the alliance model.


NAANTALI CHP

SEGMENT REVIEWS

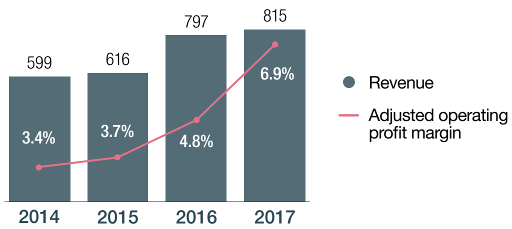
Business Premises and Infrastructure

- The segment's revenue remained stable year-on-year.
- Adjusted operating profit grew by 48% and the adjusted operating profit margin rose to 6.9%. The profitability was boosted especially by the completion of Kasarmikatu 21 office property sales transaction.
- The Tripla project progressed as planned and in the end of the year, the occupancy rate of Mall of Tripla was approximately 63%. In spring, the agreement on the implementation of the Tripla hotel was signed. In addition, the first significant long-term tenancy of the Tripla office spaces was signed in autumn.
- In October, the candidate coalition consisting of YIT and VR Track was selected as the construction contractor for the Jokeri Light Rail. The project partners have signed an alliance contract on the development stage.
- YIT and HGR Property Partners' joint venture Regenero acquired properties at the end of the year in Keilaniemi, Espoo, Finland for a development project.
- YIT announced to have signed a set of agreements of the acquisition of Projektipalvelu Talon Tekniikka Oy to strengthen its position in renovation services. The acquisition will be implemented during the first quarter of 2018.

TÖÖLÖNKADUN PYSÄKÖINTILAITOS

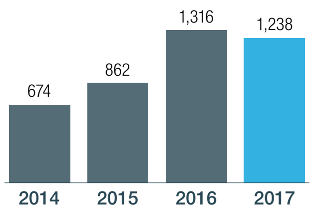
We have been developing the Töölönkadun Pysäköintilaitos parking facility since late 2015. Estimated to be completed in spring 2019, the parking facility will be located underground in the middle of a vibrant urban environment. Broad-based project management expertise has made it possible to implement this challenging project in accordance with the targets set for it.

REVENUE AND ADJUSTED OPERATING PROFIT MARGIN[1], EUR MILLION, %

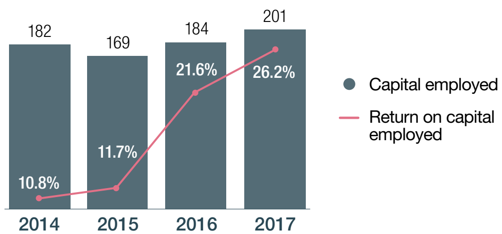


[1]2015 figures restated due to transfer of YIT's equipment business from Other items to Business Premises and Infrastructure.

ORDER BACKLOG, EUR MILLION



CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED[1], EUR MILLION, %



[1]2015 figures restated due to transfer of YIT's equipment business from Other items to Business Premises and Infrastructure.

Töölönkadun Pysäköintilaitos will provide about 800 heated, supervised and ecological parking spaces in a prime location in Helsinki.

POINT OF VIEW

Urbanising Finland needs urban design

The father of urban design, Professor **Kim Dovey** from the University of Melbourne, visited Finland in early November to deliver the keynote address at our Sustainable Urban Environments event.

Over the course of his long career, Dovey has created a theoretical framework of urban design that he refers to as DMA: density, mix and access.

"DMA is like DNA. It does not determine outcomes, whether we are talking about a person or a city, but it creates a framework for what is possible and impossible. As the deep underlying structure of urban districts and cities, DMA influences things on many levels: the density of the city, how we move around it, and what functions are available in different districts," Dovey says.

"Public discussion is important for ensuring that the local residents accept the changes. There is less resistance to new ideas when the local residents participate in the planning process," Dovey adds.

With Finland undergoing a rapid process of urbanisation, Finnish cities are in urgent need of the principles of urban design. It is not enough to simply fit homes and workplaces into cities. Moving between these places must be efficient. At the same time, cities should strive for low emissions to mitigate climate change.

In 2017, Dovey's home city of Melbourne was rated by The Economist as the world's most liveable city for the seventh year running. We decided to find out what advice this Melbourne-based professor of urban design would give to Finnish urban developers.

YOU MUST UNEARTH THE CITY'S HIDDEN CAPACITY

"In Melbourne, we identified an opportunity in the form of suburban shopping centres. Surrounded by vast parking lots, they were not served by public transport, or at least not by anything other than buses. As we move towards a low-emission society, the old suburban shopping centres that are only accessible by cars start to look like mistakes. This is when we have to think big. We wondered whether it would be possible to build small urban centres around these shopping centres. We looked at various models of replacing parking lots by public spaces, new streets, apartments, offices and even small-scale industry. The shopping centres were left in place and they became pedestrian centres surrounded by lively urban areas. These opportunities are out there, you just have to dig them up by comparing different alternatives," Dovey explains.

"Suburban railway stations were another opportunity we found. They also had large parking lots on municipal land. We saw this as a major opportunity to build apartments with public transport just a lift ride away," Dovey adds.

MULTIPLE SCENARIOS NEEDED TO PRIME DISCUSSION

"Instead of one grand plan, you need multiple scenarios representing different alternatives. You can even gamify them and find out what types of outcomes can be achieved with different combinations. These alternatives can serve as the basis for proper public debate," Dovey says.

EXPERIMENT WITH TEMPORARY SOLUTIONS: TURN THE CITY INTO A TEST LABORATORY

"One example of an experiment done in Melbourne was when the city centre was covered with grass sod for one weekend in the 1980s. At the time, the central business district was a typical eight-to-five place

KIM DOVEY

where people came to work. The point of the experiment was not to suggest that the city centre needed to have a park. The point was that the city can be seen in a different light. People thought very differently about the city centre after that weekend. While urban design solutions have a long-term impact, temporary experimentation allows for boldness and is not met with as much resistance," Dovey explains.

THE END RESULT IS CREATED BY THE LOCAL RESIDENTS – AND THAT TAKES TIME

"Urban design is like gardening. You sow the seeds and create favourable conditions for the plants to grow. Then you just hope for the best. You never know for sure what the outcome will be. It also takes time for life to find its way into new urban areas. Politicians need to keep their hands off and not interfere with the city's organic development," Dovey concludes.

Business operations

YIT SUOMI HLOUBĚTIN, PRAGUE, CZECH REPUBLIC

Urban development trends as the starting point of our operations

MEGATRENDS

URBANISATION

SUSTAINABILITY

DIGITALISATION

URBAN DEVELOPMENT TRENDS

- Creating more compact urban structures and brownfield development
- Development of public transport
- Smart city
- Wow architecture and urban culture
- Combining housing, jobs and services – mixed use

OUR ANSWERS

Creating more compact urban structures and brownfield development

We focus on the development of growth centres in all of our operating countries

We invest in hybrid projects

Infill development and renovation

- **We build in former industrial areas within the urban structure**
  - **→ Konepaja, Helsinki**
  - **→ Fabriikki, Turku**
  - **→ Stein 2, Bratislava, Slovakia**
- **We engage in infill development in suburban areas**
  - **→ Kaukovainio, Oulu**

Development of public transport

We build our projects near public transport and services

- **We locate housing, jobs and services near good public transport connections**
  - **→ Tripla, Helsinki**
  - **→ Lauttis, Helsinki**
  - **→ Dixi, Vantaa**
- **Rail transport is growing in popularity**
  - **→ YIT is part of the Tampere light rail alliance**
  - **→ YIT is involved in the construction of the Jokeri Light Rail project**

Smart city

Smart city

- **We utilise open data in the planning of new projects**
- **We develop digital services for convenience in living**
  - **→ We work with Fortum on the development of services that make daily life easier**
  - **→ We pilot the KONE Residential Flow solution for smoother flow of people within properties**
  - **→ We bring Posti's Smartpost service to our new apartment buildings**

Wow architecture and urban culture

Wow architecture and urban culture:

- **YIT yard concept**
- **We are building Oodi, the impressive new central library in Helsinki**

Combining housing, jobs and services – mixed use

Combining housing, jobs and services – mixed use:

- **We build diverse projects where services are close to the customer:**
  - **→ Tripla, Helsinki**
  - **→ Lauttis, Helsinki**

Value creation model

OUR KEY RESOURCES

Financial resources:
Equity
Liabilities
Cash and cash equivalents

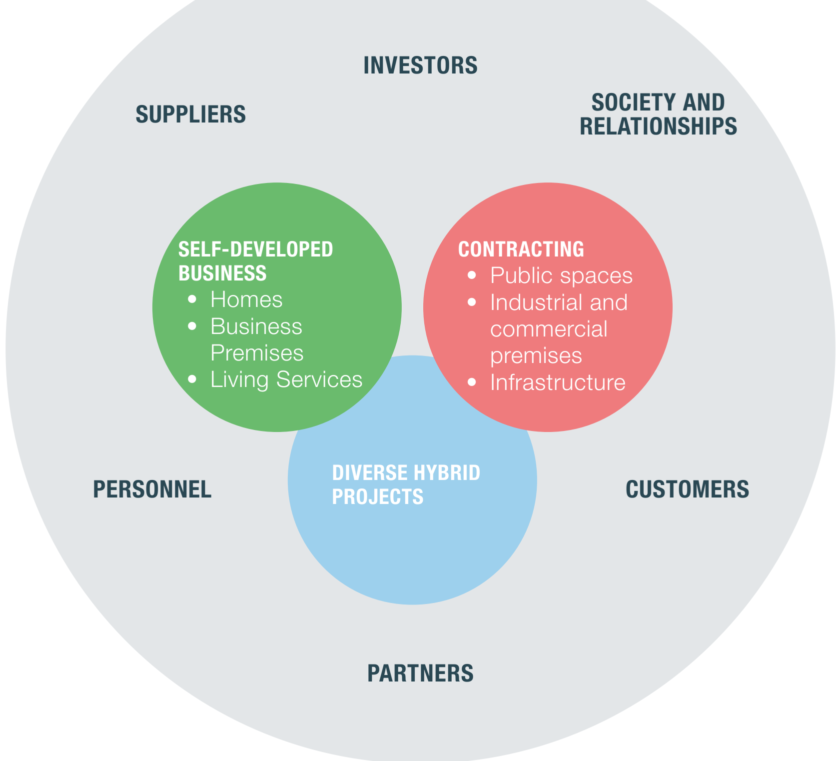
Production resources:
Materials
Equipment
IT systems
Natural resources
Offices
Construction sites
Plots

Human resources:
Personnel
Subcontractors
Investments in development and occupational health

Intangible resources:
Brand
Competence
Research and development
Product range
References

OPERATING MODEL AND STAKEHOLDERS

OUR GROWTH ENGINE: URBAN DEVELOPMENT INVOLVING PARTNERS



RESULTS AND IMPACTS IN 2017

Revenue, IFRS
EUR 1,993.8 million (1,678.3)

Customers:
Weighted NPS 51% (62%)
Apartments under construction[1]
11,407 (12,511)
The Business Premises and Infrastructure segment's order backlog[1]
EUR 1,238.0 million (1,316.3)

Investors:
Dividends EUR 52.4 million[2] (27.6)
Interest and financial costs
EUR 14.6 million (20.1)

Suppliers:
Raw materials and consumables
EUR 276.8 million (245.2)
External services
EUR 985.9 million (892.4)

Personnel:
Average number of personnel
5,533 (5,361)
Wages and salaries
EUR 223.5 million (203.8)
Pension costs EUR 3.6 million (7.5)

Society:
Income taxes EUR 14.3 million (4.7)
40 Good Deeds (over 10)
Energy consumption (MWh) / revenue, EUR million, POC, 87.8 (84.5)

Product development:
R&D expenditure EUR 18.9 million (15.8)

[1] At the year-end
[2] The Board of Directors' proposal to Annual General Meeting, considering the number of shares after the merger of YIT and Lemminkäinen

Self-developed business

In self-developed business, we are responsible for project planning, plot acquisition, construction, rental operations and/or sales. We construct apartments, business premises and various hybrid projects on a self-developed basis. Self-developed business ties up more capital than contracting and, because the value creation chain is longer, it offers higher profitability than traditional contracting. One of our most significant competitive advantages is our ability to carry out large self-developed hybrid projects, such as Tripla. These types of projects allow us to leverage our diverse expertise in residential, business premises and infrastructure construction. Our large plot portfolio provides a strong foundation for the development of new projects and entirely new residential areas in growth centres.

HOUSING

We build homes to suit various housing needs. Our flexible Smartti concept is an example of affordable housing that combines efficient layouts with smart spatial solutions. Our new philosophy is living design philosophy, which uses versatile space and smarter services to deliver greater convenience in everyday life for people who live in YIT Homes. We also offer homes of various sizes in unique locations with good transport links and services.

“We build housing, business premises and various hybrid projects on a self-developed basis.”

We provide diverse financing solutions to homebuyers in our residential projects. Flexible housing corporation loans make owner-occupied housing accessible even to those with less available capital. In addition, in certain residential developments, we offer the optional purchase right model, which allows people to either buy the apartment directly or sign a lease and then buy the apartment at a suitable later date, within five years of the project’s completion, at a fixed price.

BUSINESS PREMISES

We develop and lease business premises ranging from office properties suitable for use as company headquarters to business and logistics premises of various sizes. Our business premises projects combine versatile solutions with central locations and good transport links. We also develop day-care centres, assisted living facilities and housing solutions for senior citizens under the YIT Care concept.

K3 LOGISTICS – A LARGE LOGISTICS AREA IN VANTAA, BETWEEN RING III AND RUNWAY 3 OF HELSINKI AIRPORT

Developed by YIT, the K3 Logistics business area is located in Vantaa, between Ring III and Runway 3 of Helsinki Airport, hence the name K3. With approximately 140,000 square metres in building rights, the logistics area will provide versatile premises for users of all sizes. The tenants include Posti and Wihuri, among others.

K3 Logistics is located next to Helsinki Airport.

Contracting

Under the contracting model, the customer chooses a contractor to carry out the project for a contract price. Our contracting projects include public facilities, industrial properties, business premises and infrastructure. The typical customers of these projects are cities, municipalities and industrial enterprises. Public sector projects in Finland are governed by the Act on Public Procurement and Concession Contracts, which stipulates that contracts that exceed a certain size must be subject to competitive tendering. Contracting does not tie up large amounts of capital, the value creation chain is short and competition for projects is intense, which makes the profitability of contracting lower than that of self-developed business. Our competitive advantage in contracting stems from our strong references, competent personnel and international procurement.

DIFFERENT CONTRACTING MODELS FOR DIFFERENT NEEDS

We use different contracting models to suit the needs of different kinds of customers and projects. In **turnkey contracting**, for example, the contractor is responsible for all contract stages, starting from planning and design, under the turnkey principle. We are currently implementing the Point College project in Porvoo as a turnkey contract. In **project management contracts**, the customer is responsible for project planning, while the contractor is responsible for other project management. One recent example of our project management contracts is the West Harbour terminal in Helsinki, which was completed five weeks ahead of schedule.

The **life-cycle model** includes a commitment to maintain the property after construction has been completed. **PPP projects** (Public-Private Partnerships) are one form of the life-cycle model, with a private operator assuming responsibility for the implementation and maintenance of a public project. The life-cycle model is often used in major road construction projects, such as the E18 Hamina–Vaalimaa motorway, as well as renovation projects, including the renovation of schools in co-operation with one or more partners. The advantage of the life-cycle model is focusing on the full life cycle of the project, with a single party responsible for planning the construction, use and maintenance of the property.

In projects implemented under the **alliance model**, the client and contractor commit to shared cost and quality targets to ensure the best possible outcome for the project. The model relies on transparency, mutual trust and teamwork. Examples of our alliance projects include the Tampere light rail project, in which the alliance partners are YIT, VR Track and Pöyry, and the Jokeri Light Rail project, with YIT and VR Track as the alliance partners. Another example is the Naantali multi-fuel power plant completed in December, implemented under the alliance model in partnership with A-Insinöörit Suunnittelu Oy, AX-LVI Consulting Ltd and Turun Seudun Energiantuotanto. It was Finland's first industrial project in which the alliance model was used to carry out the engineering work.

In the alliance model, the choice of contractor is affected by factors such as references. The alliance model is best suited to large and complex projects. Our aim is to introduce the co-operative operating models created under the alliance model into other forms of contracting as well. For example, we are carrying out the Rimpi area deep tunnel construction project at the Kittilä gold mine using a co-operative form of contracting, which will be be jointly developed with the customer to establish a new operating model for the mine.

METROPOLIA'S MYLLYPURO CAMPUS IS BEING BUILT ON TOP OF THE METRO TRACK

We are implementing Metropolia University of Applied Sciences' Myllypuro campus project as a project management contract. The value of the contract is more than EUR 70 million and, when completed, the campus will provide facilities to approximately 6,000 students. The campus is being built partly on top of the metro track in the heart of Helsinki's Myllypuro district, in the vicinity of Ring 1 and the Liikuntamylly Recreation Centre.

The City of Helsinki is developing the campus for use by Metropolia University of Applied Sciences.

Financing solutions

DIVERSE FINANCING SOLUTIONS SUPPORT OUR BUSINESS

Our financing structure is guided by the financial targets set by the Board of Directors. In 2017, the equity ratio target was 40% (segment reporting, POC). During the year, YIT further improved its financial operating space by creating partnerships and diversifying its sources of financing. The most significant financing transactions during the review period included bilateral credit agreements totalling EUR 110 million with two different banks and, as part of the preparations for the merger between YIT and Lemminkäinen, an agreement for a revolving credit facility of EUR 300 million to replace a previous credit facility, and bridge financing agreements for EUR 240 million.

Debt financing plays a key role in supporting return on equity in a business that ties up significant capital. YIT's financing is managed on a centralised basis at the Group level, and a significant proportion of financing comes from the Finnish market. Short-term financing is drawn within the framework of the commercial paper programme of EUR 400 million. In addition to the issued bonds, YIT also has bilateral loans from banks and insurance companies, as well as construction stage financing in the form of receivables sold to banks and housing corporation loans. In order to ensure its liquidity, at the end of the year, YIT also had access to an undrawn revolving credit facility of EUR 200 million, EUR 73.7 million in account overdraft facilities, and EUR 89.7 million in cash reserves.

CONSTRUCTION STAGE FINANCING AND FINANCING FOR LARGE PROJECTS

In the fourth quarter, YIT changed its method of financing its housing production sold to domestic consumers in Finland. Previously, YIT has sold the project's contract receivables to the financing bank, and the contract debt was paid off with the housing corporation loan drawn when the project is completed. As this model no longer offered the same benefits as before, YIT adopted a different financing model in line with current market practices, where the housing corporation loan is drawn according to the project's percentage of completion to finance construction. As the proportion of the drawn housing corporation loan allocated to sold apartments does not burden YIT's balance sheet, this model has a positive impact on the reported net debt.

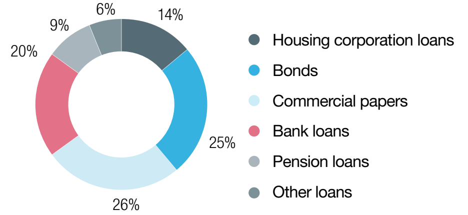
The financing of large-scale projects deviates from YIT's Group-level financing due to its independent structure. The independent financing structure means that project-specific income serves as the security for the interest and repayment of both equity financing and debt financing.

In projects implemented as joint ventures, YIT always has a dual role. We act as both one of the capital investors in the project as well as the main contractor responsible for construction work. As an implementation model, a joint venture that brings together partners serving different roles, as well as financiers, is often contractually complex and may require extended negotiations.

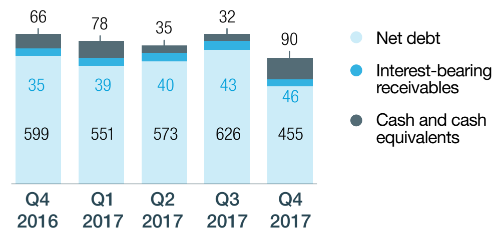
THE UNIQUE KASARMIKATU 21 OFFICE PROPERTY WAS CREATED BY CO-OPERATION

In late December, we sold the Kasarmikatu 21 office property to an international investor. This unique new building in central Helsinki was developed as a joint venture between YIT, Ahlström Capital and HGR Property Partners, dividing the risk and capital commitments between the venture partners.

DEBTS COMBINED 12/2017, EUR 591 MILLION, AVERAGE INTEREST RATE 3.15%



DEVELOPMENT OF INTEREST-BEARING NET DEBT (EUR MILLION)



Development programmes support our strategy

We launched three development programmes related to our revised strategy in autumn 2016: Performance Leap, Living Services and Renovation Services.

The development programmes expedite our renewal and adaptation to the changing market environment through internal changes in operating methods, building partnerships, deeper co-operation with customers and investments in innovations that help us increase our competitiveness.

The Performance Leap programme reduces waste in our processes and ways of working. Living Services develops new business operations to support housing and digitalises and improves the customer experience, while the Renovation Services programme strengthens our position as a renovator by utilising our extensive expertise in project development and contracting.

Read on for more information on our closer interaction with strategic partners, the results of reducing waste, services that make our customers' daily lives easier and the creation of a versatile urban environment. These were the hallmarks of our progress in our development programmes in 2017.

One of the goals of our Performance Leap development programme is to make daily life easier on our construction sites.

PERFORMANCE LEAP

The significance of co-operation is highlighted in modern construction

The Performance Leap development programme helps us reduce waste in our current operating practices and processes, thereby improving our competitiveness.

For the Performance Leap programme, 2017 was a year of closer interaction both within YIT and with our external partners.
We want to operate in a network with our strategic partners because co-operation increases and develops our expertise, opens new opportunities, improves our efficiency and creates value. Going forward, we will continue to develop and grow our strategic partnership network.

VISUAL MANAGEMENT AND CO-OPERATION AS AN OPERATING METHOD

Co-operation and interaction are key aspects of modern construction. At our construction sites, co-operation is evident in the visual management practices used. Visual management and co-operation are our current operating method and no longer dependent on the contracting model.

Kick-off events arranged at the start of projects, for example, provide an opportunity to agree on shared targets and ensure that all project parties are committed to them. Production management is enhanced by Last Planner, a scheduling technique that makes workflows more predictable. All of the project's key personnel participate in the planning.

"When all project parties are involved in the planning, it is easier to identify and eliminate bottlenecks and waste. In this context, waste refers to anything that does not create value and takes up working hours, such as waiting," says **Maarit Sääksi**, Head of the Performance Leap programme.

"When all project parties are involved in the planning, it is easier to identify and eliminate bottlenecks and waste. In this context, waste refers to anything that does not create value and takes up working hours, such as waiting."

ELECTRONIC SITE INDUCTION AND ACCESS CONTROL IMPLEMENTED FOR PROJECT SITES LOCATED IN FINLAND

One of the goals of the Performance Leap programme is to facilitate daily routines at our sites and improve their performance through the introduction of shared, clear operating models that are supported by mobile solutions and digital tools. The solutions are linked to our modern project management systems to ensure that data collected on-site is compiled and utilised as effectively as possible.

In 2017, we introduced electronic site induction and access control, as well as Tilaajavastuu Valttikortti cards, at all of our Finnish sites where it was possible. The solutions are currently being piloted in Russia and the CEE countries. Our induction practices exceed the standards required by the authorities. They cover not only occupational safety, but also quality, our values, ergonomics and our strategy.

ENSURING COMPETENCIES | DESIGN MANAGEMENT | PARTNERSHIPS AND PREFABRICATION | CONSTRUCTION SITE EFFICIENCY → 15% REDUCTION IN PRODUCTION COSTS

BETTER PRODUCTION FLOW, SHORTER TURNAROUND TIMES

In practice, eliminating waste means better production flow and shorter project turnaround times without increased resources. One practical example is an infrastructure project whose turnaround time was reduced from 20 months to 16 months with the help of the Last Planner technique. In a pilot housing project for the Performance Leap programme, the turnaround time of the interior building phase of an apartment building was reduced by nearly 50 per cent as a result of pace scheduling.

Shorter turnaround times do not mean lower quality. On the contrary, pace scheduling means more real-time quality inspections and immediate detection of possible defects.

To ensure high quality, we also invest resources in strengthening the key competencies of our personnel on a continuous basis. For example, we have enhanced moisture control by implementing the Kuivaketju10 dry chain management model developed by the Construction Quality Association. One aspect of the model is training our own moisture control co-ordinators in various units.

“Production turnaround times are also affected by the increased use of prefabricates in construction.”

THE USE OF PREFABRICATES WILL INCREASE

Production turnaround times are also affected by the increased use of prefabricates in construction. This has already been done in the Smartti housing concept developed as a response to the growing demand for affordable apartments.

The first Smartti homes with faster-than-average turnaround times were completed in summer 2017. More than 500 Smartti homes have been sold to date. Smartti innovations are now also being adopted in our traditional production models.

Read more on living design philosophy

The prefabricates we use are collected in YIT’s design library, which reduces waste in our design process. The same goal is supported by the introduction of Building Information Modelling (BIM) in all projects in the Housing Finland and CEE segment by 2019. The deployment of BIM will also be accelerated in other units.

Our Performance Leap development programme extends to the end of our current strategy period. The aim of the programme is to reduce production costs in housing by at least 15 per cent and to achieve competitive advantages of at least 10 per cent in the Business Premises and Infrastructure segment.

Our new compact yet accessible bathroom and sauna unit is manufactured entirely off-site, down to the millimetre, in dry conditions using high-quality materials, and then transported as a fully sealed and completed unit to the construction site.

LIVING SERVICES

Growing demand for services that make daily life easier

The Living Services development programme creates new business operations to support housing while also supporting the digital transformation and improvement of our customer experience.

The construction industry is undergoing a major transformation, which is reflected in housing construction developing towards the housing business. At the same time, the demand for services that make everyday life easier and more convenient is constantly increasing.

The Living Services development programme is aimed at providing digital services and solutions to our customers at every stage of the customer path, from inspiration to enthusiasm and buying a new home, and from designing the home to living in it and eventually renovating it.

Important steps taken in the development of the digital customer path included our website redesign in early 2017 and the launch of the YIT Plus service in the Russian market late in the year. Customers can now buy additional services, order maintenance services and pay for services via the YIT Plus portal in Russia.

OUR REDESIGNED WEBSITE PROVIDES ASSISTANCE AND INSPIRATION

On our new-look website at www.yit.fi, our customers can easily find information on a variety of topics, from the practical aspects of buying a home to legal issues and tips for interior decoration. The website also features a comprehensive range of images and information on all of our housing projects. A growing number of projects are also introduced with the help of videos, 3D illustrations and VR headsets. "Customers can easily get more information from our sales representatives via the chat function on our website, without having to make an appointment. We also provide peer-to-peer information on residential areas via our Neighbourly Guides service, which was expanded to cover 11 cities last autumn," says **Pekka Helin**, the Senior Vice President in charge of the Living Services development programme.

The digital YIT Plus service gives customers who have made the purchase decision the opportunity to choose materials, review and store documents and keep track of the construction of their apartment.

"For legal reasons, it is not yet possible to make the apartment buying process fully digital, but this is likely to change in the near future. YIT

DIGITAL CUSTOMER PATH	SERVICE GROWTH IN RUSSIA	SERVICE BUSINESS	BUSINESS BASED ON DATA	REVENUE GROWTH FROM THE FULL CUSTOMER LIFE CYCLE

introduced an electronic reservation system for apartments late last year. Electronic documentation is already being planned in the industry," Helin adds.

PARTNERS HELP MAKE DAILY LIFE SMOOTHER

The daily lives of our customers are also made easier by our current and future co-operation projects with partners such as Posti, Fortum and KONE.

Almost all of our future apartment building projects will feature Posti's Smartpost lockers for receiving deliveries from online retailers. The lockers are at the residents' disposal around the clock. Parcels and other items purchased from online retailers are delivered to locked cabinets, allowing the residents to pick them up when it suits them. Grocery deliveries by Kauppahalli24 are included in the service to make online grocery retail conveniently available to our customers in the Helsinki metropolitan area.

The Fortum SmartLiving cloud service being piloted at As. Oy Klovinseppä in Espoo represents the next step towards a smart home. Our YIT Plus service has already given customers the opportunity to monitor their water consumption, but this new service also allows them to monitor the energy consumption of their home in real time, adjust the room temperature and receive alerts in the event of a water leak. SmartLiving also makes it possible to adjust lighting and, in the future, it will feature other functions that increase the comfort of living.

"Our aim is that, in the future, as many YIT Homes as possible will have the capacity to implement smart services chosen by the customer to make daily life easier," Helin promises.

We are piloting the KONE Residential Flow solution in a residential building in a former paper mill in Kangas, Jyväskylä. Residential Flow makes residents' movement within their building easier by allowing them to operate the building's outer doors, lifts and apartment intercoms with their smartphones.

Our optional purchase right model represents a response to consumers' hopes for more diverse housing solutions. The model allows people to either buy the apartment right away or sign a lease and then buy the apartment later, within five years of the project's completion, at a fixed price. The first pilot site for the model is As. Oy Helsingin Agronomi in Viikki.

In Russia, the YIT Service maintenance and service concept is now available to some 40,000 customers. New housing-related services provided by partners, such as renovation services, have been introduced to complement apartment finishing services. New services are being developed continuously.

MULTIPLE PERSPECTIVES ON DAILY LIFE IN THE FUTURE

Making everyday life easier is the sum of many things. It involves everything from urbanisation, the digital transformation and a sense of community to the sharing economy and customers. The overarching goal is smooth and easy everyday life, convenient transport, flexible services, healthiness, safety and eco-friendliness. These are the keywords that our experts, along with those representing our partners Posti, KONE and Fortum, use to describe our future.

HACK THE LIVING PROMOTED THE CREATION OF INNOVATIVE NEW SOLUTIONS

In early 2017, we organised the Hack the Living innovation competition in order to find new business models, services and digital solutions to make everyday life and housing easier. The selected teams were given the opportunity to familiarise themselves with YIT's operations and participate in a two-day hackathon. The winning ideas were implemented as pilot projects with a budget of EUR 20,000.

SMARTPOST

RENOVATION SERVICES

We want to be the preferred renovation partner in the Finnish market

The Renovation Services development programme strengthens our position as a renovation company by utilising our extensive project development and contracting expertise and strong position in these areas.

Megatrends such as urbanisation, more compact urban structures and the ageing of the existing building stock constructed in the 1960s and 70s are creating a growing need for sustainable urban development and renovation under various contracting models.

"Renovation projects are carried out in co-operation with the customer. One growing part of the customer base is municipalities, which will make increasing investments in renovation projects in the future," says **Kari Alavillamo**, the Senior Vice President in charge of the Renovation Services development programme.

Our future goal is to be Finland's best-known and most sought-after partner in renovation and property development. To achieve this objective, we will continuously develop the competence of our personnel and our flexible operating models.

The target of the Renovation Services development programme is to double our renovation revenue by 2019 and to develop new business, business models and concepts for YIT.

CLOSER INVOLVEMENT IN THE RENOVATION PROJECTS OF HOUSING COMPANIES

The Renovation Services development programme consists of four components: property development, area development, renovation contracts and renovation projects for housing companies.

In December 2017, we announced the signing of a set of agreements on the acquisition of Projektipalvelu Talon Tekniikka Oy, a company specialising in apartment building pipe renovations and renovation contracting.

The acquisition forms a majority-owned subsidiary of YIT. The acquisition, which supports YIT's strategic goal of growing the renovation business, will be implemented in the first quarter of 2018.

SCHOOLS IN ESPOO RENOVATED USING THE LIFE-CYCLE MODEL

The Viherlaakso, Kirsti and Päivänkehrä schools in Espoo, Finland will be renovated using the life-cycle model. This provides a predictable and reliable solution for ensuring that the old school buildings, which are important for the local community, meet current requirements. For the municipality, the life-cycle model is a safe alternative: a single agreement covers the renovation as well as the responsibility for the maintenance period.

INCREASING THE RENOVATION PROJECT VOLUME	GROWTH FROM THE DEVELOPMENT OF EXISTING PROPERTIES	RENOVATION PROJECTS FOR HOUSING COMPANIES	INFILL DEVELOPMENT AND RENOVATION OF URBAN AREAS	NEW CONCEPTS FOR DOUBLING REVENUE

The transaction will increase our involvement in the renovation projects of housing companies. We will carry out facade and pipe renovations, roof repairs as well as zoning and supplementary construction projects.

"Our operating method in renovation projects for housing companies is based on four principles: interest, service, professionalism and responsibility. Instead of the usual two-year warranty, YIT's renovation services come with a five-year warranty," Alavillamo adds.

AREA DEVELOPMENT AND PROPERTY DEVELOPMENT CREATE VIBRANT CITIES

The Renovation Services development programme works closely with our Urban Development unit in developing our area renovation concept. The concept supports our strategy of further strengthening project development in growth centres.

Area development and property development inject new life into old areas, thereby increasing their value. This also transforms old residential areas into fixed parts of a sustainable and lively city.

In late October 2017, we announced the first significant tenancy of the office spaces at the Tripla urban centre in Pasila after Otavamedia Oy signed a long-term lease. The lease agreement covers over 6,000 square metres on four different floors of the Tripla middle block. The agreement also includes YIT purchasing two buildings owned by Otavamedia Oy in Pasila.

"Our goal is to develop and renovate the properties for new purposes and new users. The renovation is scheduled to begin in 2018 and 2020," Alavillamo explains.

CREATING A VERSATILE URBAN ENVIRONMENT IN KEILANIEMI

Another significant announcement made in late October concerned Regenero, a joint venture formed by YIT and HGR Property Partners, acquiring a property located in Espoo's Keilaniemi district for a development project. The property is Fortum's current head office, which the company will vacate. The project will give Regenero the opportunity to create a highly versatile urban environment in a location with excellent public transport links.

"Renovation projects are carried out in co-operation with the customer. One growing part of the customer base is municipalities, which will make increasing investments in renovation projects in the future."

Another good example of area development is the Siltamäki infill development game created by YIT in spring 2017 in co-operation with FCG and the City of Helsinki. The digital game gave local residents the opportunity to find out how different infill development alternatives would affect the potential development of the area.

The game was accessed from more than 2,000 terminals, and a total of 515 people submitted entries. The renovation and area development possibilities of Siltamäki are still under investigation.

KÄÄRMETALO IS A RENOVATION SHOWPIECE

Käärmetalo (English: Serpentine House) is a great example of the kind of expertise required in renovation projects. Completed in 1952, the building is located in Helsinki's Käpylä district. The apartments' bathrooms, kitchens and interior surfaces will be refitted and the building's roof structures, exterior plastering, balconies and doors renovated. Windows and doors will be refurbished and those in poor condition will be replaced in the same style. The building's common areas and HVAC systems will also be renovated.

The Käärmetalo building in Helsinki's Käpylä district is exceptional in that its interior is protected.

A living city is built together

PILIAMIESTIS, KAUNAS, LITHUANIA

PERSONNEL

The working community provides the foundation for growth, success and happiness

Our success depends on the diverse professional skills of our personnel, their desire to develop the organisation and themselves, rewarding work, shared successes and a strong corporate culture. These are the cornerstones on which we are building a working community that supports happiness. We use open dialogue and a proactive approach to ensure customer satisfaction, as well as safe, healthy and high-quality work. This is what makes YIT the most attractive employer in its industry.

Controlled resource allocation and recruitment played a significant role during the past year from the perspective of the construction industry's shortage of supervisory personnel, the special skills required for challenging projects, personnel development and project success. Our diverse projects offered new career paths and development opportunities, which are supported by various training and coaching programmes. We have invested resources in job satisfaction and created a strong foundation for our employees to be happy and to feel that their work is meaningful. We have also developed our operating methods and aimed to ensure that our professionals can use their working hours on what is truly important. In addition to an active recruitment process, we have promoted a good application experience, managerial support and co-operation with our recruitment partners.

"In accordance with our Group-level quality policy, we invest in quality management in all stages of the construction and service process."

We updated YIT Voice, the annual personnel survey we conduct in all of our operating countries, based on our revised strategy. We focused particularly on supporting dynamic teams, open and participatory dialogue, caring for people and the customer experience. The feedback showed that the elements reflecting commitment among YIT employees have strengthened further, which is a fine achievement in a rapidly growing industry. Areas highlighted for development included issues related to the sharing of information and best practices, among other things.

FOCUS ON QUALITY MANAGEMENT

Proactive measures and open dialogue are key themes in our occupational safety and health and the development of quality. The focus areas of our revised occupational safety strategy are safety management and supervisory work, proactive measures, smooth day-to-day operations and effective tools. In accordance with our Group-level quality policy, we invest in quality management in all stages of the construction and service process. We measure customer satisfaction and the rate of flawless handovers and we also utilise customer feedback surveys. In the Housing Finland and CEE segment, we introduced the Kuivaketju10 (Dry Chain 10) operating model for new projects.

We hired new professionals with different backgrounds through, among other things, international recruitment and our Employee to Supervisor training programme in Finland. With an average of 21 years of work experience at YIT, the 15 supervisors who have graduated from the training programme have brought strong practical know-how to our supervisory staff. They have continued their training in our project management coaching programme.

Educating talented young professionals to work in the construction industry has been a strategic choice for YIT for several years now. We provided a record number of trainee and summer job positions, to more than 800 young people in total.

The YIT Studies programme, an advanced study module in the field of construction, is currently offered at seven universities of applied sciences and one university in Finland. Nearly 30 new graduates completed the YIT Studies programme during the year and will join YIT as employees upon finishing their degrees. More than 150 students have already completed the YIT Studies programme.

"We provided a record number of trainee and summer job positions, to more than 800 young people in total."

YIT STILL THE MOST ATTRACTIVE EMPLOYER IN 2017

Sharing tacit knowledge and best practices ensures the increase of competence in our organisation. We invest resources in internal development paths and mentoring. Nearly 20 pairs started our mentoring programme during the past year to receive support in work-related challenges and in relation to personal development. Approximately 100 YIT employees have already participated in mentoring.

In occupational health and well-being, we focus on prevention as well as supporting the individual's work ability and health in different career stages. In addition to workplace surveys, occupational health questionnaires and inspections, we provide guidance related to ergonomics, working methods and work arrangements aimed at supporting work ability. We piloted Inject Energy into Your Life well-being paths as a new operating method in Finland: day-to-day well-being and resources at work, sleep and recovery, energy-boosting food and alertness from physical exercise. We provide rehabilitation paths related to musculoskeletal disorders, mental health issues and substance abuse problems.

Our long-term investments in students, HR development and our diverse career opportunities are reflected in our attractiveness as an employer. Students of technology ranked YIT as the most ideal employer in the construction industry for the seventh consecutive time in the Universum Student Survey. We were also ranked as the most ideal employer in the construction industry for the fourth straight year in the Universum survey of university-educated professionals.

QUALITY POLICY GUIDES THE WAY TO THE BEST CUSTOMER EXPERIENCE

Our Group-level quality policy, confirmed in August, documents our quality management principles. The cornerstones of the quality policy are our values, business principles and customer care. We are committed to managing quality throughout the construction and service process. Our prerequisites for high quality include a quality culture combined with professional pride and well-functioning, up-to-date and evolving processes, also on the part of our partners and subcontractors. We aim to deliver the best customer experience.

RENOVATING KAISANIEMI COMPREHENSIVE SCHOOL WITH A PROACTIVE AND PROFESSIONAL APPROACH

Kaisaniemi comprehensive school, the second-oldest school in Helsinki, was in need of renovation. Open co-operation and having planning and implementation schedules prepared in advance ensured the project's success. The aim was a flawless outcome. The surprises that emerged during the demolition stage were quickly responded to and the challenges were resolved in a positive spirit. The project's top priorities were to ensure the comfort of teachers and pupils, create effective school premises and guarantee the safety of the children.

BUSINESS STUDENTS BRING NEW COMPETENCIES TO CONSTRUCTION SITES

Digitalisation and new ways of working challenged us to develop our project execution and bring people representing new skills and disciplines to our construction sites. In co-operation with Haaga-Helia University of Applied Sciences and Metropolia University of Applied Sciences, we launched the YIT Studies for Business Students programme in Finland. The study module aims to introduce the logistics, IT, marketing, communication and language-related skills and business knowledge of business students in the fields of finance and IT to our construction sites.

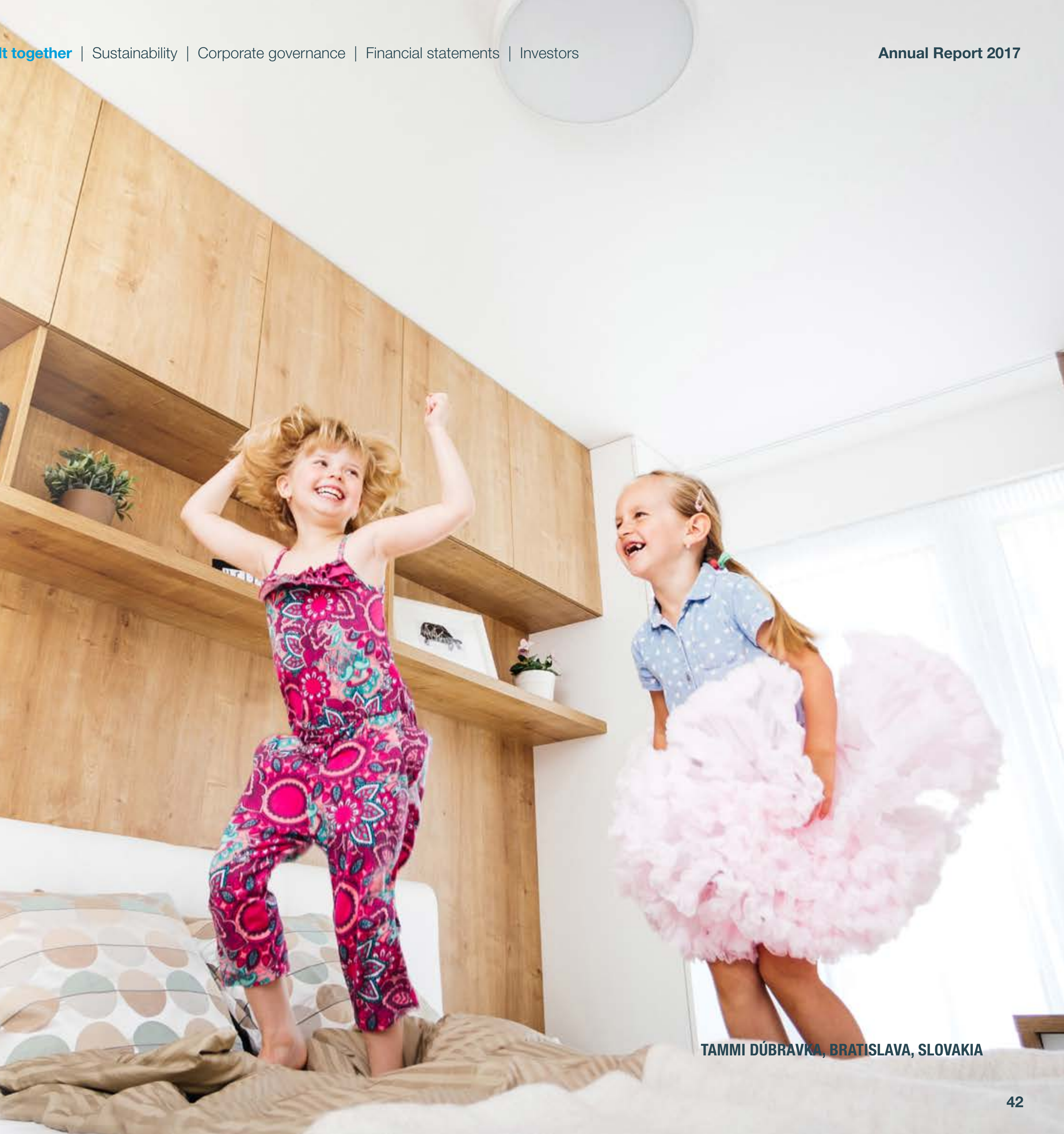
CUSTOMERS

360-degree view on housing

Combining and analysing large amounts of data creates the foundation for insightful and customer-oriented operations that benefit our customers the most.

Customer insight is the path to good customer service, a good customer experience and their continued development. When we know what our customers want, we can provide them with the right products at the right time and place.

Progress in customer insight and analysing the data we collect is currently the farthest along in the Housing Finland and CEE segment, where we can now boast having a 360-degree view on housing and the residential market. Our analyses focus on the housing markets, customer behaviour in digital channels and the customer experience related to our purchasing process, products and services.



TAMMI DÚBRAVKA, BRATISLAVA, SLOVAKIA

We also look to the future of the housing market by analysing market data as well as changes in customer motives. Among other things, we conducted a new round of our Tribe interview survey in 2017 to assess consumer attitudes and motives related to housing.

> "When we know what our customers want, we can provide them with the right products at the right time and place."

The effective analysis of the data we collect is facilitated by our shared data platform DataHub, which houses all of the data from our systems and makes it easier to process, combine and report on. We also complement our own data with information acquired from external sources.

Combining and analysing large amounts of data creates the foundation for our insightful, well-planned, data-driven and customer-oriented operations, ultimately benefiting our customers the most.

FASTER SHARING OF FEEDBACK AND BEST PRACTICES

Analysing data and customer feedback helps us not only provide better products for our customers, but also develop our customer service and operate more efficiently.

One good example of this is the initiative launched in the Housing Finland and CEE segment about a year ago to make the collection, processing, receiving and archival of customer feedback faster and easier. Supported by DataHub and a new reporting tool, it makes customer feedback and related reports more transparent, up-to-date and comparable as well as faster to produce. This also speeds up the sharing of customer feedback and best practices within the YIT organisation, both at offices and construction sites, which contributes to the development of our day-to-day operations. Automating the previously manual processes of analysing feedback has freed up our employees' resources for other tasks.

> "Combining and analysing large amounts of data creates the foundation for our insightful, well-planned, data-driven and customer-oriented operations."

The more effective utilisation of collected data and analytics has now also begun in the Business Premises and Infrastructure segment. The customer feedback collected by the segment will influence, among other things, the future work environments that we build.

ALL OF OUR EMPLOYEES CONTRIBUTE TO THE CUSTOMER EXPERIENCE

A good customer experience is essential for us. We have selected the Net Promoter Score (NPS) as our customer experience indicator throughout the Group.

NPS is a common and industry-independent method used worldwide for measuring the customer experience. It reflects our customers' opinions of us and indicates how likely they are to recommend us to a friend.

We believe that every YIT employee can influence our NPS through their own actions. With this in mind, we have decided to display our NPS on the front page of our intranet for all employees to see. In 2017, our weighted Net Promoter Score was 51

LIVING DESIGN PHILOSOPHY SETS OUT THE DIRECTION FOR THE DEVELOPMENT OF YIT HOMES

The changing needs of day-to-day life have led YIT to revise its housing solutions. Instead of using traditional design, YIT will respond to housing trends by applying the new philosophy of living design. The philosophy of living design sets out the direction for the development of YIT Homes. Customers experience living design particularly in the form of greater consistency and functionality. The solutions that have proved useful are repeated and developed with a long-term view. For the developer, the change is important with respect to productivity and quality.

BUYERS GIVEN A PREVIEW OF THEIR HOMES IN THE CONSTRUCTION PHASE

In Russia, YIT is known for its high-quality Finnish construction. Customers can experience this for themselves, first hand. YIT organises homebuyer events in the Moscow region to invite buyers to get a preview of their future homes in the late stages of the construction process.

WOW PROGRAMME PUTS EMPLOYEES IN THE CUSTOMERS' SHOES

The goal of the WOW development programme, which has been under way at YIT for nearly five years, is to understand customer needs, see things from their perspective and thereby improve our customer service. The WOW programme started in the Housing Finland and CEE segment and was expanded to include the Business Premises and Infrastructure segment in early 2016. The training has already been completed by some 1,200 employees in the Housing Finland and CEE segment and 500 employees in the Business Premises and Infrastructure segment. The training programme is ongoing.

PARTNERS

We increasingly serve our customers in co-operation with partners

Partners and partnerships are often mentioned, but the meaning of these words is not always clear. Sometimes, even customers may be referred to as partners. For us, homebuyers and the tenants of business premises are customers to whom we provide products and services, either alone or with partners. This is increasingly done with partners. Why?

URBAN DEVELOPMENT PROJECTS REQUIRE VERSATILE EXPERTISE

Urban development projects have grown in size in recent years, and they have become increasingly complex and challenging, particularly when operating within an existing urban structure. Examples of such projects include the Tripla project in Pasila, the Tampere light rail project, the Jokeri Light Rail project and the Suomi Hloubětin project in Prague. Trains must run, people must have access and businesses must continue to operate even when construction is under way.

These types of projects require a wide range of expertise and it is not possible to have all of the necessary competencies within a single organisation. The projects are often also highly capital-intensive, which means that the balance sheet of a single company cannot support several major projects at the same time. Partners solve this issue by sharing project risks and bringing in the necessary expertise and capital.

HELSINKI CENTRAL LIBRARY OODI

SUCCESS IS ACHIEVED THROUGH HONESTY, OPENNESS AND RESPECT

While partnerships are always based on contractual arrangements, the contracts themselves do not create trust, learning and commitment to shared goals. These can be promoted by using suitable operating models and methods, such as an alliance, or by having appropriately set incentives. Ultimately, it comes down to collaboration between people, where success is achieved through honesty, open communication and having respect for each other's work.

The benefits of partnerships are multiplied when there is sufficient repetition, either through co-operation structures or by carrying out several projects together. This allows the partners to learn to know each other's operating methods, special competencies and, most importantly, the people who do the work.

At YIT, we have used several different approaches. We have established Regenero, a joint venture with HGR Property Partners, to implement large-scale real-estate development projects. Regenero is currently developing the Keilaniemi district, acquired from Fortum, in Espoo. YIT is working with VR Track and a couple of other partners to construct the tramway in Tampere, and we are also about to start construction of the Jokeri Light Rail project in the Helsinki metropolitan area. We also have experience of good co-operation with partners in the Housing Finland and CEE segment; for example, related to participation in various competitions.

ORGANISATIONAL LEARNING IS KEY

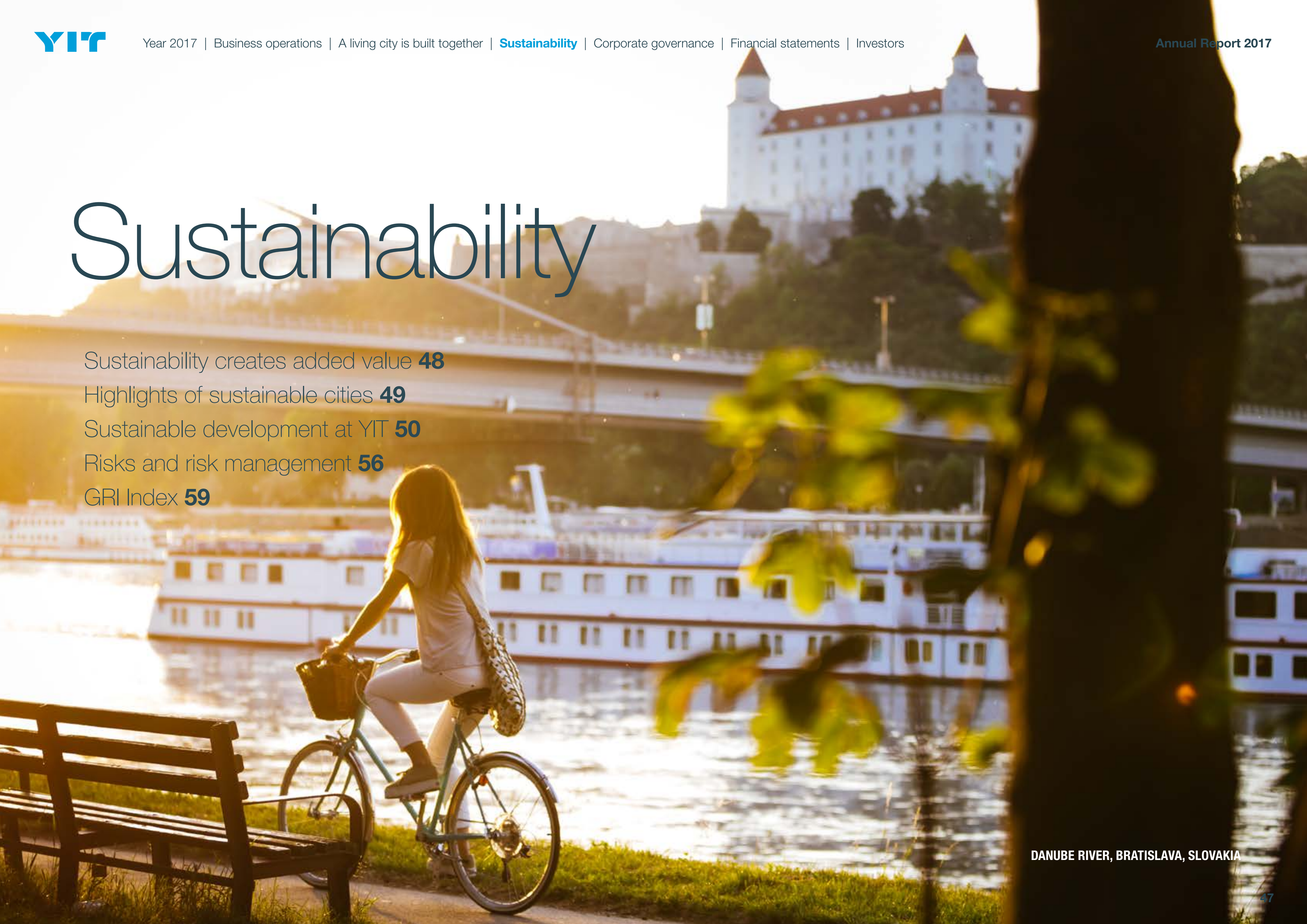
Our experiences of partnerships are entirely positive. They have made it possible for us to be involved in several projects at the same time. They have also enabled us to participate in the execution of large-scale projects.

In recent years, and during the past year in particular, we have strengthened our competitiveness through partnerships and learned a lot about partnerships. Particularly important is the organisation's learning process becoming faster through repeated partnerships. In accordance with our strategy, we will continue these efforts in the coming years.

FOR MORE INFORMATION ON PARTNERSHIPS, PLEASE REFER TO THE FOLLOWING PAGES OF THIS ANNUAL REPORT:

REGENERO
NAANTALI CHP
METROPOLIA
K3 LOGISTICS
DEVELOPMENT PROGRAMMES
LIFE CYCLE SCHOOLS IN ESPOO
TRIPLA
YCE HOUSING I FUND
YARD CONCEPT
SILTAMÄKI
KASARMIKATU 21
LIGHT RAIL PROJECTS

REDING TOWER, YIT SLOVAKIA



Sustainability

DANUBE RIVER, BRATISLAVA, SLOVAKIA

Sustainability creates added value

Our vision is to bring more life in sustainable cities. The key premise of YIT's approach to sustainability is to create added value for all stakeholders through the company's core business.

The megatrends of urbanisation and sustainable development create a need for the design and development of sustainable urban environments. Our expertise in housing, business premises and infrastructure construction enables us to redevelop urban structures; for example, by implementing large-scale hybrid and mixed-use projects. Effective public transport and a diverse service environment featuring both public and private service providers reduce the need for transport, and especially the need for passenger cars.

We report on our responsibility in our GRI report, in our statement of non-financial information and, on an integrated basis, as part of our Annual Report. We develop our operations with a long-term view, taking our stakeholders' expectations into consideration.

Our values, Business Principles and management principles constitute the foundation for our sustainability.

WHAT DOES A SUSTAINABLE CITY LOOK LIKE AND WHAT IS IN IT FOR ME?

SOCIAL

- A pleasant place for the city's residents to live
- Local services and effective public transport
- A strong community where people feel an attachment to their neighbourhood
- The city feels like a safe place and daily life is smooth

ENVIRONMENTAL

- Public transport is efficient and inviting, the need for private cars is minimal
- Lower greenhouse gas emissions and reduced use of natural resources
- More places for thriving nature as part of the city
- Biodiversity is protected

ECONOMIC

- An attractive area to live in, the building stock holds its value and is a safe investment for people
- The technical solutions used in buildings are made to last, and buildings are easy to maintain
- Sufficient population density and flow of people to support business activity
- A vibrant and innovative environment

- For city representatives, a sustainable city means attractive urban areas that support the future of the entire city as a sustainable place to live and work
- Reliable partnership in urban development

Highlights of sustainable cities

BUILDING SMOOTH PUBLIC TRANSPORT

YIT was chosen to build the Jokeri Light Rail project in partnership with VR Track. A fast light railway connection enables more compact regional development. The parties to the project are the client organisation consisting of the cities of Helsinki and Espoo, the design parties (Ramboll, Sito and VR Track) and the coalition of contractors. YIT's other major public transport project, the Tampere light rail project, entered the construction phase during the year. The Tampere light rail alliance consists of the City of Tampere, YIT, VR Track and Pöyry.

CONGRATULATIONS TO 100-YEAR-OLD FINLAND — MORE LIFE IN YARDS

In Finland's centenary year, we wanted to bring more life into sustainable cities and turn yards into environments where everyone enjoys themselves. Good planning and construction can assist in the creation and development of comfortable, safe neighbourhoods. Functional surroundings, carefree daily life, familiar neighbours and a sense of community make people attached to the area in which they live. These are the environments we want to build.

YIT PILOTS THE KONE RESIDENTIAL FLOW SOLUTION IN KANGAS, JYVÄSKYLÄ

We are introducing the KONE Residential Flow solution in a residential building in the former paper mill area of Kangas, Jyväskylä, Finland. The solution makes residents' movement within their building easier by giving them the chance to operate the building's outer doors, lifts and apartment intercoms with their smartphones. Kangas is the most significant area development project in Jyväskylä. The construction in the area utilises the cultural percentage principle to introduce art to the area.

Sustainable development at YIT

In addition to the sustainability of the urban environments we build, our operations and communications involve aspects that are of material significance to our key stakeholders.

MATERIAL ASPECTS FROM THE PERSPECTIVE OF YIT AND OUR STAKEHOLDERS

- Customer satisfaction and quality
- Sustainability of the built urban environment
- Preventing negative environmental impacts
- Developing employee competence
- Occupational health and safety
- Ethical operating methods
- Responsibility in the subcontracting chain
- Prevention of the grey economy and corruption

The identification and selection of stakeholders is based on a materiality analysis from both YIT's perspective and the stakeholders' perspective. Due to the nature of YIT's business, the company is in daily interaction with several different stakeholder groups. These stakeholders are therefore also very significant with regard to YIT's business operations. YIT also engages in dialogue with all stakeholders to whose daily life the company's operations have material significance.

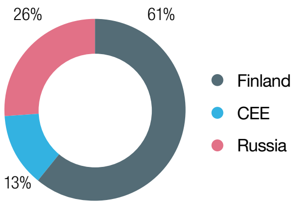
Stakeholder	Interaction and communication channels
Customers	Customer meetings and events; trade fairs and public events; customer satisfaction surveys; diverse feedback; website
Personnel	Everyday work and communication; result and development discussions; annual personnel survey; internal training programmes and introductory events; personnel communications materials and channels
Shareholders and investors	Investor meetings and events; investor communications materials; releases and official financial communications; investor website
Partners	Auditing and evaluation processes; continuous co-operation with significant suppliers; supplier meetings and events; participation in co-operative bodies in the industry
Municipalities and public administration	Personal meetings, public communications, workshops and seminars
Civil society	Seminars and events, mass media, social media

With most stakeholders, engagement is built on regularly recurring forms of interaction, in addition to which there is also other, continuous engagement.

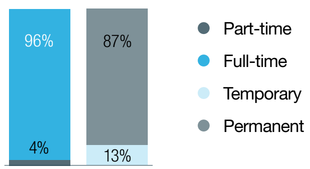
OUR SUCCESS IS BASED ON SKILLED EMPLOYEES AND COMPETENCE DEVELOPMENT

One of the material factors in the creation of value in YIT's business operations is personnel competence and its development. Regular and high-quality performance and development discussions create a strong foundation for competence development at YIT. They are used to monitor the development of personnel and provide encouragement at the individual level. According to YIT's 2017 personnel survey, 69% of the Group's personnel perceived the performance reviews to be useful. The survey's response rate was 89%.

PERSONNEL ON AVERAGE BY COUNTRY



PERSONNEL ON AVERAGE BY EMPLOYMENT CONTRACT TYPE



	2017	2016	2015	2014
Average number of personnel	5,533	5,361	5,613	6,116
Non-salaried/salaried employees (%)	41/59	43/57	46/54	47/53
Women/men (%)	27/73	26/74	26/74	26/74

Our response to competence development needs includes coaching programmes aimed at all personnel groups, training, seminars and other development methods. The key objectives of YIT's internal coaching programmes are to maintain and develop project management, productivity, customer insight, managerial work and occupational safety. More than 2,300 employees participated in the programmes during the year.

CONTINUOUS DEVELOPMENT OF OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety is one of the key responsibility aspects related to personnel, and it also creates the foundation for an employment relationship that is good in other respects as well. Reducing the number of accidents remains a key goal of our efforts to promote safety, but we also aim to make operations smoother by focusing particularly on proactive measures. YIT's Group Management Board defines the Group's safety targets and monitors their achievement. YIT's safety organisation develops and co-ordinates safety-related processes and supports construction sites in implementing safety practices. The responsibility for the implementation of safety measures lies with the line organisations.

We renewed our occupational safety strategy in late 2016 and selected three focus areas: safety management and leadership, proactive measures and convenience in every day life and functioning tools. Each focus area includes detailed measures. The success of these measures is measured by selected indicators. Site visits by management are one of the key indicators monitored on a monthly basis.

Site visits by management are seen as a high priority for occupational safety, as they help promote an open safety and quality culture as well as proactive risk management. The number of site visits by management increased in 2017 but was slightly below our target. The aim is to make the management's site visits more open and dialogue-oriented. A site visit model developed in response to this objective will be put into practice in early 2018.

Unfortunately, our accident frequency in 2017 did not fall below the previous year's level. Our safety-related efforts are increasingly focused on proactive measures. Chief among these are safety planning, safety observations and on-site safety briefing practices. Accidents and near misses are investigated and the results are communicated internally.

In 2017, the international health and safety certificate OHSAS 18001 covered all of YIT's operations in Finland, the Baltic countries, the Czech Republic and Slovakia.

	2017	2016	2015
Lost Time Injury Frequency, LTIF (No. of reportable accidents at work per million working hours, last 12 months.)	13	11	10
Fatal accidents[1]	1	1	2

[1] YIT's and subcontractors' employees' deaths at YIT's construction sites

TOWARDS AN EVEN MORE OPEN OCCUPATIONAL SAFETY CULTURE

Developing a more open occupational safety culture and implementing measures that promote active dialogue are significant steps towards making day-to-day operations smoother and more predictable.

In 2017, we developed our safety training by, among other things, making our safety management coaching programme more participation-oriented. More than 300 people completed the two-day programme. The use of workshop methods has generated good dialogue and helped create an even more open occupational safety culture. We also organised occupational safety reviews for all YIT personnel via Skype. Well received among personnel, the Skype safety briefings have provided an effective channel for sharing topical information.

In 2017, we introduced electronic site induction and access control, as well as Tilaajavastuu Valttikortti cards, at all of our Finnish sites where it was possible. These changes expedite our day-to-day operations and ensure high-quality induction training.

A POSITIVE CUSTOMER EXPERIENCE IN EVERY ENCOUNTER

YIT strives for excellent customer service and an excellent customer experience in all of its business operations. In recent years, we have developed and harmonised our operating methods for measuring customer satisfaction across different functions, and have specified strategic goals of flawless deliveries and improving the customer experience.

Group-wide indicators used include the number of flawless deliveries in the housing construction business, and the Net Promoter Score in all functions across the Group. We also utilise customer feedback surveys in all of our business operations.

Customer satisfaction is regularly measured and monitored, and the development of the results is monitored by Management Boards. Customer satisfaction and quality are factors that influence the compensation and benefits of employees, and the related procedures and indicators are continuously developed further. In 2017, the share-based incentive scheme for key persons included a target related to the Group's Net Promoter Score.

The purpose of having a Group-level quality policy is to show our commitment to quality and describe our principles to our personnel and stakeholders. The content of the quality policy is assessed annually and approved by the Group Management Board.

In the Housing business, 90% (2016: 92%) of the apartments handed over to consumer customers were handed over in completely flawless condition. Over the long term, our target is a 100% flawless handover rate. The weighted Net Promoter Score, which covers all of the Group's operations, was 51% in 2017 (2016: 62%). The Net Promoter Score reflects the degree to which customers are prepared to recommend the company in question. The score is affected by the proportion of Promoters and Detractors among all respondents, and the scale is -100%–100%. YIT's long term target for the NPS index is a score above 60%. We began using Q-factor and NPS as indicators in 2014 and we developed and expanded their use further in 2017.

PREVENTING NEGATIVE ENVIRONMENTAL IMPACTS

YIT's business may involve locally significant environmental impacts; for example, in the event of a fuel leak. Our construction sites have established practices for avoiding and managing such risks.

Infrastructure construction and soil-related operations, in particular, involve risks that we manage by developing our infra services operations in line with the ISO 14001 environmental certificate we hold. In 2017, the certificate covered also our operations in the Baltic countries, the Czech Republic and Slovakia. In addition to the prevention of actual environmental damage, we also take special protection measures in our construction projects to avoid negative impacts from construction on endangered species, for example. The assessment is very project-specific in these situations.

ENVIRONMENTAL EFFICIENCY IS ALSO A COST ISSUE

The construction business involves using very large quantities of various construction materials, generates significant amounts of waste and, while YIT's industry is not particularly energy-intensive, the Group consumes a significant amount of energy. This means that environmental efficiency is also an important factor affecting cost efficiency.

We manage and monitor material efficiency on a project-specific basis. Every construction project is unique, which makes it difficult to develop an unambiguous measure of material efficiency that would accurately reflect its true level. In addition to project-specific analysis, we engage in more general development of design management and technical calculation practices from the perspective of material efficiency, focusing on aspects such as the optimisation of building structures and the selection of materials.

Due to the project-intensive nature of our business, energy consumption can vary significantly from one period to the next. We focus on the energy-efficiency of our own operations, particularly at the project and unit level, by developing various energy-efficient working methods and replacing vehicles and equipment as energy efficiency improves.

A particularly large volume of waste is generated when a construction site has existing buildings that are demolished to make way for new construction. We manage and develop the reutilisation of waste, the reduction of waste and recycling on a project-specific and unit-specific basis. As a rule, YIT's construction sites sort the construction waste they generate and the focus is placed on reducing the volume of waste. Waste that can be re-utilised as material is re-used depending on the local availability of re-use methods.

"We seek LEED certification for almost all of our business premises projects."

LEED ENVIRONMENTAL CERTIFICATION AT YIT

We seek LEED certification for almost all of our business premises projects. Among our large projects, construction progressed during the year on the Mall of Tripla and the Kasarmikatu 21 office property in accordance with Platinum level environmental certification standards. We are also seeking a Gold level environmental certificate for Kiinteistö Oy Rantatien Kasvu, an office building located in Kalasatama, Helsinki, Finland.

The certification criteria include the sustainability of the local environment, the consumption of water, energy and materials, and the quality of the indoor environment. The Kasarmikatu 21 project achieved a significant milestone when the waste recycling rate of the demolition stage was confirmed at 98%.

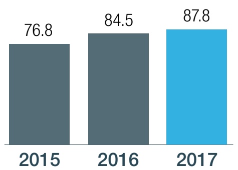
The Forenom Aparthotel Leppävaara property renovated by YIT was awarded LEED Gold certification. The property achieved excellent scores in the LEED evaluation for the design and implementation of high-quality indoor air conditions, along with good scores for the

ENERGY CONSUMPTION WITHIN THE ORGANISATION

Consumption of direct energy sources, GWh	2017	2016	2015
Petrol	4.8	3.4	4.2
Diesel	30.5	25.7	22.4
Light fuel oil	20.3	22.6	14.3
Natural gas	13.8	1.5	1.5
Total	**69.4**	**57.2**	**42.4**

Consumption of indirect energy sources, GWh	2017	2016	2015
Electricity	61.3	59.4	55.2
District heating	36.9	34.1	29.2
Total	**98.2**	**93.5**	**84.4**
Total energy consumption, GWh	167.6	150.7	126.8

RATIO: ENERGY CONSUMPTION (MWH) / REVENUE (EUR MILLION)



building's location, public transport connections, energy efficiency and the efficiency of water consumption.

Tighter standards were introduced for the certification levels in late 2016. The new system applies to projects registered after October 2016. In addition to its recent measures and achievements, YIT can also be considered a pioneer in Finland due to our Dixi project being the country's first shopping centre to receive LEED Platinum certification in 2015.

ENVIRONMENTAL FRIENDLINESS AS A STARTING POINT IN THE DESIGN OF THE TRIPLA PROJECT

The Tripla project in Helsinki's Pasila district in Finland is a hybrid project that combines a shopping centre, offices, a hotel, public transport and housing. Pasila will become another centre of Helsinki and an even more important transportation hub that is expected to double its resident and job numbers by 2040.

The design of the Mall of Tripla corresponds to the preliminary draft of the regulations concerning near-zero energy buildings. The corresponding legislation will enter into force in Finland in 2018. Energy efficiency has been taken into consideration in the design of the Mall of Tripla in many respects, including ventilation, heating and lighting. Ecological criteria were a key requirement in the Tripla design and implementation competition. The life cycle co-ordinator is responsible for ensuring that the criteria are met. Environmental friendliness and energy efficiency have been the starting points in the planning. A third of the roof area will be covered by parks and green roofs. Ecological transportation is supported by providing parking places for approximately 3,400 bicycles and charging stations for more than 300 electric cars. Eco-friendliness is also reflected in other aspects of Tripla, such as recycling solutions, environmentally friendly materials and efficient water consumption.

A third of Tripla's roof area will be covered by parks and green roofs. Ecological transportation is supported by providing parking places for approximately 3,400 bicycles and charging stations for more than 300 electric cars.

RESPONSIBILITY IN THE SUPPLY CHAIN

YIT uses suppliers and subcontractors extensively in its operations in all of the countries in which it operates. The materials used in construction come from an extensive network of suppliers located mainly in Europe, particularly in the Group's current operating countries, but also on a small scale from suppliers in Asia. With regard to subcontractors, operating models vary slightly by country and business unit: in some operating countries, all of the workforce used in construction, with the exception of project management, comes from the subcontractor network, while in Finland, for example, the workforce of subcontractors mainly complements YIT's own workforce in the area of construction. Subcontractors and their workforces are largely from the Group's operating countries and their neighbouring countries.

Supplier assessment and monitoring practices vary slightly between operating countries, but the background of each supplier is checked. In Finland, we utilise a country-wide information system to continuously ensure that both Finnish and Estonian subcontractors take care of their employer obligations in compliance with the law. Subcontractors from other countries are required to supply corresponding information manually to YIT. The same information is evaluated for all foreign subcontractors for whom the information is available. However, the proportion of subcontractors used in Finland who are from countries other than Finland and Estonia is very small.

A corresponding information system is not available in other operating countries for the time being, but the background of new suppliers and subcontractors is always checked before co-operation begins. We also emphasise the importance of strict occupational safety practices in the selection of suppliers and in supplier operations. Matters related to wages, working hours and occupational safety are communicated as part of the drafting of each subcontracting agreement, and separately if necessary, should any deficiencies or gaps in knowledge be observed. Cases of misconduct are considered on a case-by-case basis and, where necessary, the co-operation is terminated with immediate effect.

> "We conducted approximately 1,700 supplier assessments in Finland in 2017, focusing on aspects such as functionality, safety and quality."

The aim is to audit all strategically significant suppliers and subcontractors at regular intervals. A further aim is to audit all new significant suppliers before the first agreement is signed with them. Audits cover factors related to labour practices and working conditions, environmental issues, as well as the quality and reliability of operations. The selection of suppliers is also affected by YIT's continuous internal monitoring of complaints and supplier feedback.

During the year, we paid special attention to increasing the number of supplier assessments conducted by construction sites in Finland. We conducted approximately 1,700 supplier assessments in Finland in 2017, focusing on aspects such as functionality, safety and quality.

YIT Supplier Code of Conduct

MANAGING MISCONDUCT RISKS

YIT operates in an industry that is susceptible to misconduct. YIT also operates in regions where the management of misconduct risks requires special attention. Our strategy confirms a zero tolerance policy regarding the grey economy. Throughout the Group, we operate in accordance with our values and Business Principles, which address the typical risks of misconduct. Every YIT employee is, for their part, responsible for complying with our Business Principles. Superiors are responsible for making sure their subordinates follow the principles. YIT Business Principles must always be complied with throughout the YIT organisation.

Employees are encouraged to discuss the Business Principles and any related questions with their supervisors. YIT employees must report any suspected breach of YIT Business Principles to their immediate supervisor. If the immediate supervisor does not treat the matter with sufficient gravity or fails to take action to investigate the matter, or if the matter itself is related to the immediate supervisor, the employee can report the matter to another organisational level or take advantage of the independent ethics reporting channel (Ethics Point), which can be used either verbally or online. Reports can also be made anonymously. The Group's ethics committee engages in development efforts related to the management of misconduct risks and takes charge of significant investigations and reviews.

In Russia, where the risk of misconduct is elevated, the Group pays special attention to corporate security in key operating processes, such as plot acquisition, purchasing, recruitment and site security. YIT provides training to its personnel on the management of misconduct risks on a continuous basis. Our values are reviewed as part of the orientation training for new employees, and the practical implementation of the values is assessed with the help of the annual personnel survey. By the end of the year, about 80% of the personnel had completed YIT Code, the online training programme on responsible corporate culture. (2016: approx. 80%)

As subcontracting represents a significant share of production, the management of misconduct risks related to procurement is particularly important.

IMPROVING THE TRANSPARENCY OF PROCUREMENT IN RUSSIA

Procurement must be based on rules that ensure an open and transparent basis for competition. Greater transparency enables more efficient procurement and helps prevent the grey economy in the supply chain. These are some of the principles behind YIT's development of the transparency of its procurement process in Russia.

The development measures are particularly related to the process of requesting quotations, in which various IT solutions play a key role. The process involves an electronic pricing platform that is used in the selection of more than half of all procurement contracts. The materials related to the request for a quotation, including the schedule, documentation and the information on the selected supplier, are uploaded and made available to all of the suppliers who participated in the bidding process. YIT uses its internal database to share information on suppliers. The Group organises an annual competition on transparency between the procurement units, based on evaluating their operations using various indicators.

Risks and risk management

YIT's risk management policy aims to identify major risk factors and manage these factors so that the company achieves its strategic and financial objectives responsibly. The starting point is to manage the Group's total risk exposure, not merely the management of individual risk factors. One key perspective in risk management is also to identify opportunities and actively take advantage of them.

RISK MANAGEMENT POLICY IN 2017

YIT's risk management policy aims to identify key risk factors in the company's operations and manage these in a balanced manner to enable the company to achieve its strategic and financial objectives and ensure the continuity of its operations. The starting point is to manage the Group's total risk exposure, not merely the management of individual risk factors. One key perspective in risk management is also to identify opportunities and actively take advantage of them. Risk management must be proactive, co-ordinated and systematic.

YIT's Board of Directors approves the company's risk management policy and its objectives, including the risk tolerance and risk appetite. The Board of Directors guides and supervises the planning and execution of risk management. The Audit Committee of the Board of Directors assists the Board of Directors in supervisory duties related to YIT Group's accounting and reporting processes, including internal control, risk management, internal audit and guiding and supervising the audit. The Audit Committee also monitors and evaluates the effectiveness, sufficiency and appropriateness of risk management systems.

The Group's President and CEO retains overall responsibility for risk management. The President and CEO is responsible for the organisation and the design, development, co-ordination and monitoring of the risk management strategy, as well as its implementation and communication throughout the organisation. The heads of business segments and support functions identify, assess and monitor the major risks facing their respective areas of responsibility, draw up contingency plans for those risks and attend to the implementation and supervision of risk management. The management of the business segments and support functions report to the President and CEO.

Risk management planning and the evaluation of the overall risk position are part of the annual strategy process. Risk management is included in all of the Group's significant operating, reporting and management processes. Material changes in risks are monitored on a monthly basis and reported in accordance with the Group's management and reporting practices. When proposals or development projects are evaluated, their significant risks and how they should be taken into consideration are also assessed. The Board of Directors reviews and, if necessary, updates the Group's defined risk levels and, among other things, the decision-making authorisations defined for the management of risks and investments. The President and CEO may implement stricter definitions.

The Group's financial and financing management is responsible for identifying and assessing financial risks. The Group's internal audit organisation supports YIT's management in ensuring the effectiveness of risk management and internal control. The internal audit reports to the Audit Committee of the Board of Directors and to the President and CEO.

THE GROUP'S RISKS

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

Strategic risks are risks that might endanger the achievement of the Group's strategic and financial goals if they should materialise. A strategic risk review is carried out at the Group level once a year in connection with the review of the strategy and also as part of annual planning. As a result of the risk review, the major risks of the business segments, Corporate Services and the Group level are identified and classified into a risk matrix based on their likelihood of occurrence and possible impacts. The management of strategic risks is guided by the risk tolerance and risk appetite defined in annual planning.

Operational risks and event risks are related to the nature of business operations, and they are managed by, among other things, developing operating methods and decision-making procedures. Operational risks and event risks are assessed and reported monthly as part of normal management.

Financial risks include risks related to the sufficiency of financing, currency and interest rates, credit and counterparty risks, and risks related to the reporting process. Financial risks are monitored on a monthly basis as part of the normal monitoring of results. The risks associated with the financial reporting process are identified and assessed annually.

Risk management is an inseparable part of the preparation and implementation of projects and other operations. The primary objective of the management of event risks is the prevention of damage. A responsible operating model takes economic, social as well as environmental perspectives into consideration.

The Group's business development function is responsible for steering the practical development of risk management. The implementation

THE GROUP'S RISKS

Strategic risks	Management methods
Changes in the operating environment	• Geographical diversification, diversification of the business and project portfolio • Foresight, monitoring and analysis processes and ability to react • Development of new services inspired by megatrends and anticipated changes in the operating environment • Large-scale area development projects and contracting provide flexibility in different market situations
Management of capital	• Efficient allocation of capital based on centralised decision-making and investment policy • Partnership models • Monitoring processes and simulation models, flexible market analyses and monitoring
Product and service portfolio	• Ensuring an attractive product offering that takes different customer segments and changes in customer behaviour into consideration • Agility in switching between different methods of implementation
Acquisitions	• Selected based on the strategic frame of reference and pre-defined criteria • Improving integration competencies and effective integration processes

Operational risks	Management methods
Project management	• A method of organisation that ensures the sufficient expertise of project personnel and effective steering group work • Harmonised decision-making processes and operating systems, regular auditing and procedures related to decision-making authorisations • In self-developed projects, a phased gate model in which the decision points involve specifically created control tools, decision-making authorisations and decision-making criteria • Continuous monitoring and control of profitability and degree of completion • Co-operation and communication with the authorities and other stakeholders to ensure that building rights are refined in a trouble-free manner and that construction projects proceed as planned • Project management systems that enable advanced and harmonised production management and transparency • Partnerships, fixed-term agreements and capacity reservations • Improving project management expertise and interaction skills, developing management principles and putting them into action

Operational risks	Management methods
Building rights management	• Analysis of property- and plot-related terms and conditions and opportunities • Market analyses and profitability control methods • Contractual terms
Sales risk	• Adjustment of self-developed start-ups according to the sales volume • Design management and profitability control practices, including market-based pricing • Contractual arrangements • Improving customer understanding and advance marketing
Contract tenders and service agreements	• Tender and risk analyses • Contractual expertise
Personnel risks	• The corporate culture, values and management principles, harmonised operating methods, training and career planning, internal job rotation, succession planning, recruitment, orientation training, co-operation with educational institutions, trainees, building the employer image, well-being at work and compensation and benefits

Financial risks	Management methods
Liquidity risks Interest rate and currency risks Credit and counterparty risks Risks related to the reporting process	• Accounting and financing policies, diverse sources of finance and balanced maturity structure, continuous cash flow planning and forecasting, internal and external audit • More information on financial risks and their management is provided in Note 28 to the financial statements.

Event risks	Management methods
Damage and accidents related to personnel, property or information security Sudden and unforeseen damage to project sites, business premises and other property	• Group-wide security policy and contingency plans complete with relevant procedures • Group-wide insurance policies and programmes IT policies that include, among other things, guidelines on data networks, anti-virus protection and licences • Ongoing occupational safety training and monitoring

of the annually selected development themes is spread out across the organisation.

YIT's most significant short-term risks are described in more detail in the Report of the Board of Directors on pages 89–90. Risks related to corporate responsibility are described in more detail in the Report of the Board of Directors under YIT's statement of non-financial information on page 98.

FOCUS AREAS IN THE DEVELOPMENT OF RISK MANAGEMENT IN 2017

The objective of risk management development projects is to make the company's risk management processes and operating methods even more systematic, thereby supporting the implementation of the company's strategy. In 2017, the company defined three focus areas for the development of risk management, the implementation of which was steered and supervised by senior management. Responsible persons and key performance metrics were defined for each focus area.

PROJECT MANAGEMENT

The Group has continued to make the management of project risks more systematic, with the aim of achieving greater transparency and consistency. The areas assessed have included, among other things, the principles and practices related to tender and cost calculations, design management, procurement and production.

MANAGEMENT OF CAPITAL

The aim is to eliminate factors that restrict the use of capital, while simultaneously managing the related risks. Co-operation with partners plays a key role in this effort. Regenero, the joint venture established by YIT and HGR in 2016 to focus on demanding urban development projects, started its first projects in 2017. In summer 2017, the Group announced it will establish Partnership Properties as a new segment in order to increase its investment capacity and share risks with partners. The new segment began its operations on January 1, 2018. The capital release programme concerning the Group's Russian operations, announced in autumn 2016, has not progressed according to plan due to the weak sales performance in 2017. YIT did, however, sell part of the Novo Orlovsky plot in St. Petersburg, which generated approximately EUR 16 million in revenue in the fourth quarter. The goal is to release RUB 6 billion (approx. EUR 100 million) in capital in Russia by selling apartments and plots of land.

REPORTING PRINCIPLES AND ETHICS

The goal of more real-time, transparent and coherent reporting that meets external and internal requirements remained in place throughout 2017.

IN ADDITION, THE GROUP PLACED SPECIAL FOCUS ON THE FOLLOWING AREAS DURING THE YEAR:

TRIPLA

Tripla is a significant hybrid project whose risk management requires special attention due to the large size of the project. The project's risk level has declined significantly as investor sales and leasing have progressed and the foundation work has been completed. The risk level will decrease continuously as construction and leasing progress further. Thanks to excellent planning and execution, the project's progress is even ahead of the original schedule.

DATA SECURITY AND GDPR-RELATED MEASURES

The classification of information and the rules governing access have been improved further. Increasing awareness and skills among personnel has been a key aspect of improving information security. Attention has been placed on the effective management and resolution of disturbances. The Group has also taken measures related to compliance with the EU General Data Protection Regulation (GDPR) during the year.

PREDICTING DEMAND

In order to better manage uncertainties arising from future market development, YIT is developing a data-driven machine learning model for predicting demand and sales, particularly for use by the Housing Finland and CEE segment.

CORPORATE SECURITY

In the improvement of corporate security, the measures taken were based on the focus areas established in 2015. The development efforts have focused on areas such as enhancing occupational safety, particularly through influencing attitudes and developing observation procedures. Further focus areas include general information security and improving related competencies. Measures have also been implemented to ensure ethical procurement and increase personnel safety.

THE GROUP'S SHORT-TERM RISKS

Risks	
Market change New operators, operating models and concepts	Stable
Merger Failure in integration, failing to achieve synergies. More information on the risks of the merger is provided in the Merger Prospectus	Increasing
Market uncertainties Sustainability of demand for Finnish housing production, decline of the market for residential projects sold to investors (apartments for sale)	Increasing
Employee attrition Failed resource management	Stable
Decline in housing prices	Increasing
Plot availability and permits (including funds)	Increasing
Wrong sales portfolio and inventory (unattractive products)	Stable
Overheating markets in the CEE countries	Increasing
Weak demand among residents and investors	Decreasing
Information leaks Cybersecurity deficiencies	Increasing

Increasing Stable Decreasing

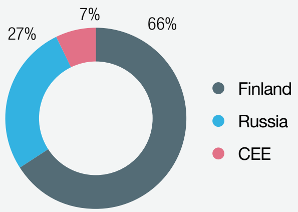
GRI Index

General disclosures		Page	
STRATEGY AND ANALYSIS			
G4-1	CEO's statement	p. 8	
ORGANISATIONAL PROFILE			
G4-3	Name of the organisation		YIT Corporation
G4-4	Primary brands, products and services	p. 18–23	
G4-5	Location of organisation's headquarters		YIT's headquarters is located in Helsinki, Finland
G4-6	Number of countries and location of operations	p. 18–23	
G4-7	Nature of ownership and legal form	p. 65–66	
G4-8	Markets served	p. 17–23	
G4-9	Scale of reporting organisation	p. 5	
G4-10	Basic information on employees	p. 51, 88	
G4-11	Percentage of employees covered by collective bargaining agreements		YIT complies with the general collective bargaining agreements in effect in all countries in which collective bargaining agreements are generally used, including Finland. In Russia, the Group complies with company-specific agreements in line with local legislation. YIT has traditionally had very good employer–employee relationships based on negotiation and co-operation.
G4-12	Supply chain description	p. 55	
G4-13	Significant changes during the reporting period	p. 81–84, 92–93	
G4-14	Addressing the precautionary approach in environmental issues	p. 98, 101	
G4-15	Voluntary charters and other initiatives		No significant commitments to voluntary charters and other initiatives.
G4-16	Memberships of associations		Memberships include the Confederation of Finnish Construction Industries RT and associations under it, FIBS ry, Confederation of Finnish Construction Industries RT is a member of Construction Quality Association, through which YIT is involved.

General disclosures		Page	
MATERIAL ASPECTS AND BOUNDARIES			
G4-17	Coverage of the report		The report covers all of the Group's functions, unless otherwise mentioned.
G4-18	Process for defining report content		The definition of report content and the identification of material aspects are based on consideration of the economic, social and environmental impacts of YIT's business operations, YIT's strategy and stakeholder dialogue.
G4-19	Material aspects	p. 50	
G4-20	Internal coverage of the material aspects		The aspects identified as material are material for all Group functions, unless otherwise indicated in the section in question.
G4-21	External coverage of the material aspects		More details on the materiality of various aspects are provided in the section on each aspect.
G4-22	Restatements of information provided in previous reports		There are no restatements of information provided in previous reports.
G4-23	Significant changes from previous reporting periods		No significant changes from previous reporting periods.
STAKEHOLDER ENGAGEMENT			
G4-24	List of stakeholder groups		YIT has identified the following as its key stakeholders: customers, personnel, shareholders and investors, municipalities and public administration, partners and civil society.
G4-25	Identification and selection of stakeholders	p. 50	
G4-26	Approach to stakeholder engagement	p. 50	
G4-27	Key topics raised through stakeholder engagement	p. 50	
REPORT PROFILE			
G4-28	Reporting period		The reporting period is the calendar year, January 1, 2017–December 31, 2017.
G4-29	Date of most recent previous report		The most recent previous report was published on February 22, 2017.
G4-30	Reporting cycle		The report is published annually.
G4-31	Contact point	back cover	
G4-32	GRI Content Index	p. 59–63	This report contains Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines.
G4-33	External assurance		The report has not been subject to third-party assurance.
GOVERNANCE			
G4-34	Governance structure	p. 65–66	
ETHICS AND INTEGRITY			
G4-56	Organisation's values, principles, standards and norms of behaviour	p. 10, 72	

General disclosures		Page	
ECONOMIC RESPONSIBILITY			
Economic Performance			
G4-DMA	Management approach		YIT's operations have a major economic impact on the surrounding society and the company's key stakeholders. YIT employs a significant number of personnel and creates business for suppliers and subcontractors. YIT's business operations are very long-term in nature, which is also reflected in the company's co-operation with stakeholders where possible, and stakeholders' economic stability.
G4-EC1	Direct economic value generated and distributed	p. 27	

CORPORATE INCOME TAXES PAID IN 2017 PER AREA



YIT's approach to taxes

YIT is committed to being a responsible taxpayer in all of its operating countries. YIT complies with local and international tax regulations, practices and interpretations, as well as requirements concerning tax returns and other documentation. YIT applies the market price principle pursuant to the OECD Transfer Pricing Guidelines and local transfer pricing regulations in the Group's internal business transactions.

YIT's tax strategy supports decision making in business operations. YIT does not engage in aggressive tax planning or use artificial tax avoidance arrangements. All business transactions must have a business reason or commercial justification, but they may not supersede compliance with tax regulations. The most important goal of YIT's tax management is to manage YIT's overall tax position to avoid surprises and unnecessary tax disputes.

YIT pays, collects, remits and reports taxes and tax-like payments pursuant to local legislation in order to make the legally required contributions to the societies in which YIT operates. In addition to corporate income taxes, YIT pays and collects other taxes and payments, such as capital taxes, value added taxes and taxes on wages.

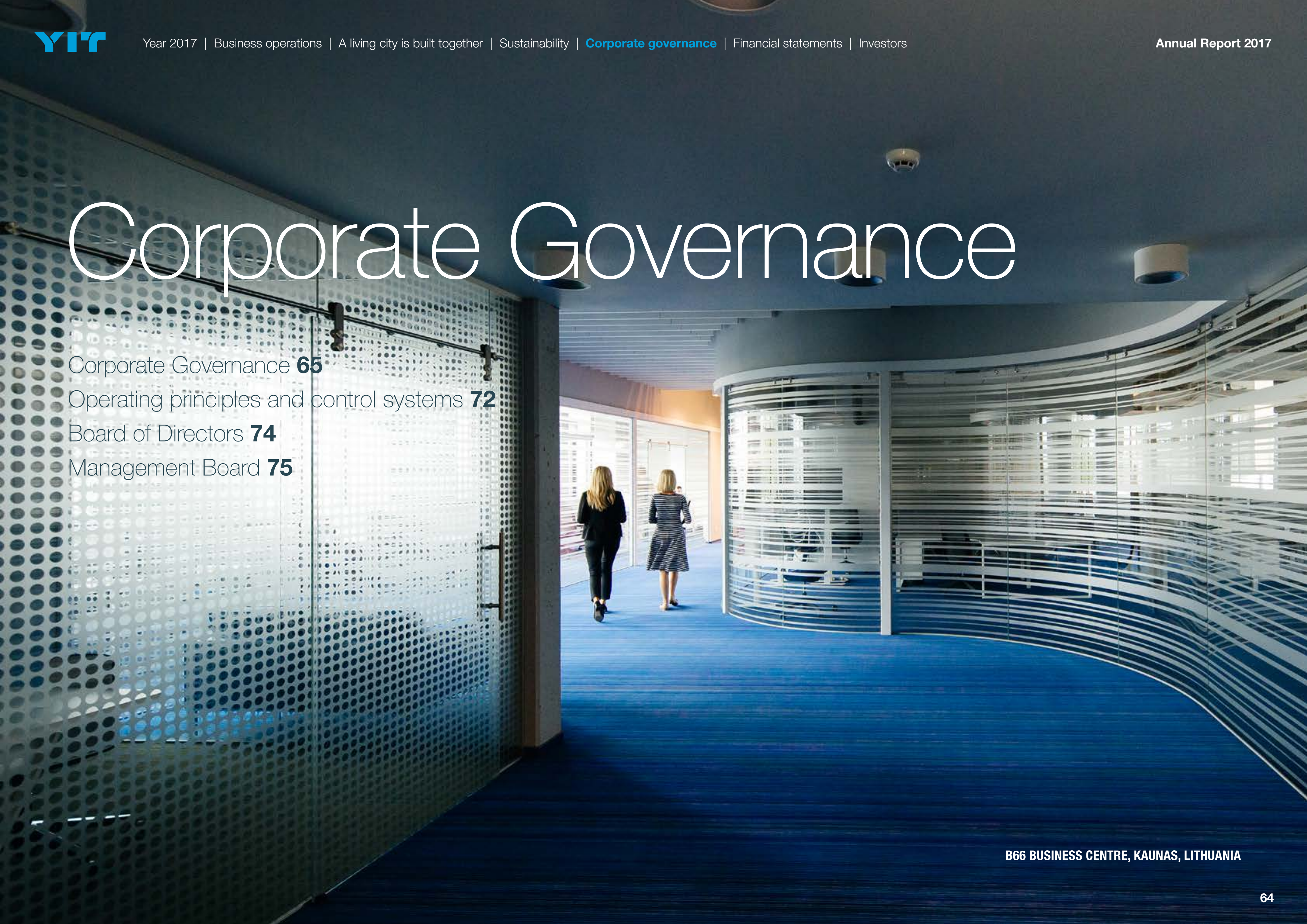
YIT develops and maintains open and honest relationships and up-to-date communication with the tax officials and other authorities in its operating countries.

Market presence			
G4-DMA	Management approach		From the perspective of some of YIT's stakeholders, it is important that the company uses a substantial amount of local labour and local subcontractors. However, this is not always feasible on the scale the stakeholders would want. In some situations, a sufficient amount of skilled labour is not available locally, in which case YIT will utilise labour that is available from elsewhere in the labour market. In the EU, with freedom of movement for workers, YIT cannot discriminate against subcontractors or workers based on nationality. Correspondingly, YIT does not tolerate discrimination based on the nationality or origin of workers in any other cases either. YIT always complies with local collective bargaining agreements and labour law in its operating countries, regardless of where the workers originate from.
Significant indirect economic impacts			
G4-DMA	Management approach	p. 48	YIT's business operations are very closely linked to the local societies in which the company operates. YIT has numerous indirect impacts on these local societies' functionality, safety and comfort. In many operating countries and municipalities, zoning sets a strict framework for the design and construction of projects, but YIT introduces its own expertise to the planning of residential neighbourhoods, for instance, where possible. In these cases, YIT increasingly considers a broad range of social, economic and environmental factors related to the urban environment, such as the long-term attractiveness of areas, their comfort, convenience in daily life, environmental efficiency, and creating a sense of community. This allows YIT to contribute to promoting the economic, social and environmental well-being of society by creating urban environments that support the other goals of society.
G4-EC7	Infrastructure investments and services	p. 22–23	In Russia, YIT is involved in building the so-called social infrastructure. The construction of social infrastructure, such as schools and day-care centres, is a condition for being granted building rights for residential neighbourhoods. In Russia, YIT's projects often include other work such as the construction of road infrastructure. In other operating countries, society manages infrastructure development by means of competitive bidding between vendors. In Finland, for instance, YIT builds public facilities, day-care centres, schools, assisted living facilities, traffic infrastructure and energy infrastructure as part of the company's business operations.
G4-EC8	Significant indirect economic impacts	p. 27	The value creation involved in YIT's business operations is described in the figure on page 27 of the Annual Report.

Material Aspect		Page	
ENVIRONMENTAL RESPONSIBILITY			
Materials			
G4-DMA	Management approach	p. 53	
Energy			
G4-DMA	Management approach	p. 53	
G4-EN3	Energy consumption within the organisation	p. 53	
G4-EN5	Energy intensity	p. 53	
Waste			
G4-DMA	Management approach	p. 53	
Compliance			
G4-DMA	Management approach	p. 53	
G4-EN29	Significant fines and sanctions for non-compliance with environmental regulations		No significant fines and sanctions for non-compliance with environmental regulations during the period.
SOCIAL RESPONSIBILITY			
LABOUR PRACTICES AND DECENT WORK			
Occupational health and safety			
G4-DMA	Management approach	p. 51	
G4-LA6	Rates of injury, fatalities and absenteeism	p. 51	
G4-CRE6	Coverage of internationally recognised health and safety management system	p. 51	
Training and Education			
G4-DMA	Management approach	p. 39–41, 51	
G4-LA11	Employees receiving regular performance and career development reviews	p. 51	
Labour practices of subcontractors and suppliers			
G4-DMA	Management approach	p. 55	

Material Aspect		Page	
SOCIETY			
Anti-corruption			
G4-DMA	Management approach	p. 55	
G4-SO4	Communication and training on anti-corruption policies and procedures	p. 55	
G4-SO5	Confirmed incidents of corruption and actions taken		YIT investigates all suspected cases of misconduct and corruption and decides on further action based on the results. A total of 98 investigations were conducted in 2017, some of which continued from one year to the next. The number of investigations increased substantially from the previous year. The figure includes investigations related to external as well as internal factors. The majority of the investigations concerned site wastage or other disruptions involving YIT's construction sites or completed housing projects. The region with the largest number of investigations was Russia, and the increase from the previous year was also mainly attributable to Russia. One factor in the increase was the growth in Russia of the post-construction YIT Service business, for which YIT produces security services. In Finland, a multi-year criminal case was concluded for YIT's part, with one former YIT employee being found guilty of fraud. YIT has a zero-tolerance policy regarding the grey economy; following investigations, if warranted by the circumstances, co-operation with the subcontractors or suppliers in question, and any YIT employees involved, is terminated.
Political contributions			
G4-DMA	Management approach		YIT is strongly linked to the local administration in its operating countries, from public officials to politicians, in contexts such as land use and building permit processes. Local administrative bodies make many decisions that affect the company's business operations. It is therefore important that relationships with them are completely neutral, and that there is no need to question the impartiality of their decisions due to actions taken by YIT. The YIT Business Principles, which are complied with throughout the Group, specify that YIT does not make financial contributions of any kind to political parties.
G4-SO6	Contributions to political parties and related institutions		YIT does not support any politicians, political parties or other political institutions.
PRODUCT RESPONSIBILITY			
Customer satisfaction			
G4-DMA	Management approach	p. 42–44, 52	
G4-PR5	Results of surveys measuring customer satisfaction	p. 43, 52	

Corporate Governance



B66 BUSINESS CENTRE, KAUNAS, LITHUANIA

Corporate Governance

YIT Corporation aims for open, transparent and responsible corporate governance. We are committed to good corporate governance through compliance with applicable legislation and the rules and regulations governing listed companies, as well as by implementing best practices. We comply with the recommendations of the Finnish Corporate Governance Code approved by the Securities Market Association in October 2015, which took effect on January 1, 2016.

GOVERNING BODIES

YIT Corporation's highest decision-making body is the Annual General Meeting, which is composed of the company's shareholders. The management of the company is the responsibility of the President and CEO, guided by the Board of Directors. Other management personnel assist and support the President and CEO in his tasks. The Board of Directors decides on the Group's governance systems and ensures that the company complies with good corporate governance principles.

ANNUAL GENERAL MEETING

YIT's highest decision-making body is the General Meeting, where the shareholders participate in the supervision and control of the company and exercise their right to speak and vote. The Annual General Meeting is held each year by the end of March on a date determined by the Board of Directors. Extraordinary General Meetings can be held when the Board of Directors deems it necessary or when required by legislation.

The Annual General Meeting makes decisions on matters falling within its scope of responsibilities by virtue of the Limited Liability Companies Act and the company's Articles of Association, such as:

- The approval of the financial statements
- The distribution of profits
- Discharging members of the Board of Directors and the President and CEO from liability
- The election of the Chairman, Vice Chairman and members of the Board and the remuneration paid to them
- The election of the auditors and the auditors' fees
- Amendments to the Articles of Association
- Decisions leading to changes in the share capital
- The purchase and transfer of company shares

The Chairman of the Board of Directors, the members of the Board of Directors, the President and CEO and the external auditor are all present at the General Meeting. Persons nominated to seats on the Board of Directors must always participate in the General Meeting deciding on their election.

THE RIGHTS OF SHAREHOLDERS

Every YIT shareholder has the right to participate in a General Meeting. Participation requires that the shareholder is registered in the shareholder register on the General Meeting's record date, which is eight working days prior to the meeting, and that the shareholder registers for the meeting not later than the time mentioned in the notice of the meeting.

One share confers one vote at the General Meeting. Shareholders have the right to have matters falling within the competence of the General Meeting by virtue of the Limited Liability Companies Act included on the agenda, provided they demand, in writing, the Board of Directors to do so early enough so that the item can be included in the notice of meeting. The company will publish on its website well in advance the date by which shareholders must present their requests.

The notice of meeting is published no later than three weeks before the meeting on the company's website. The notice contains the agenda and the Board's proposals to the General Meeting, as well as the names of the persons nominated for seats on the Board of Directors and the nominated auditor. The minutes of the General Meeting with voting results are available on our website no later than two weeks after the General Meeting.

ANNUAL GENERAL MEETING 2017

The Annual General Meeting was held on March 16, 2017, in Helsinki. A total of 575 shareholders participated in the General Meeting personally or by proxy (2016: 506), representing a total of 52,837,051 (47,181,346) shares and voting rights, which is approximately 41.5 (37.09) per cent of the company's shares and voting rights. The members of the Board of Directors, the President and CEO and the auditor were present at the meeting.

The resolutions of the General Meeting are presented as a summary in the Report of the Board of Directors on page 86, and they can be viewed in full on our website.

EXTRAORDINARY GENERAL MEETING 2017

The Extraordinary General Meeting was held on September 12, 2017, in Helsinki. A total of 447 shareholders participated in the meeting personally or by proxy, representing 59,160,996 shares and voting rights, which was approximately 46.5 per cent of the company's shares and voting rights. All members of the Board of Directors, the President and CEO and the auditor were present at the meeting. The Extraordinary General Meeting resolved on the statutory absorption merger of Lemminkäinen Corporation into YIT Corporation and passed other resolutions, including the amendment of the Articles of Association, the merger consideration to be distributed to the shareholders of Lemminkäinen, the composition of the Board of Directors, the remuneration of the Board of Directors and a temporary deviation from the Standing Order of the YIT Shareholders' Nomination Board.

The resolutions of the Extraordinary General Meeting are presented as a summary in the Report of the Board of Directors on pages 86–87, and they can be viewed in full on our website.

BOARD OF DIRECTORS

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

YIT's Corporate Governance, December 31, 2017
GENERAL MEETING **43,619 shareholders on December 31, 2017**
BOARD OF DIRECTORS Chairman, Vice Chairman, four members
BOARD COMMITTEES Personnel Committee and Audit Committee
PRESIDENT AND CEO
MANAGEMENT BOARD Chairman (President and CEO) seven members
BUSINESS SEGMENTS ON DECEMBER 31, 2017 Housing Finland and CEE Housing Russia Business Premises and Infrastructure

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

The Board of Directors convenes regularly as summoned by the Chairman. A quorum is established when more than half of its members are present. An opinion supported by more than half of the members present becomes the decision. When the votes are even, the Chairman has the casting vote. The CEO as referendary and the Corporate General Counsel as secretary of the Board are present at Board meetings. Other Management Board members and heads of business units and functions attend the meetings when necessary. The CEO and the

ADDITIONAL INFORMATION ONLINE

- Limited Liability Companies Act: www.finlex.fi/en
- The rules of NASDAQ OMX Helsinki: www.nasdaqomx.com
- The Finnish Corporate Governance Code issued by the Securities Market Association: www.cgfinland.fi/en

YIT'S WEBSITE

www.yitgroup.com/corporategovernance

- Investor information pursuant to the Securities Market Association's Finnish Corporate Governance Code, including, among other things, the Corporate Governance Statement and the Remuneration Statement for 2017.
- Articles of Association
- YIT Business Principles

secretary of the Board prepare the meetings with the Chairman of the Board and draw up the agendas. They also ensure that the Board is provided with sufficient information on matters such as the structure, operations, markets and competitive situation of the company in order to carry out its tasks. The meeting agendas and materials are sent to Board members in good time before the meeting.
The Board of Directors and its committees have ratified standing orders. The members of the Board evaluate the operation of the Board and its committees each year, and the results are taken into account in the Board's work and its development.

KEY TASKS OF THE BOARD OF DIRECTORS

Among other duties, the Board of Directors:

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

BOARD MEMBERS' ATTENDANCE AT MEETINGS IN 2017

	Board of Directors	Personnel Committee	Audit Committee
Matti Vuoria	18/18	5/5	
Juhani Pitkäkoski	18/18		7/7
Satu Huber[1]	17/18	5/5	1/1
Erkki Järvinen	17/18		7/7
Inka Mero	17/18	5/5	
Tiina Tuomela[2]	16/17		6/6
Board members' average attendance rate	96%	100%	100%

1. Satu Huber was a member of the Audit Committee until March 16, 2017. The Audit Committee convened once before March 16, 2017.
2. Tiina Tuomela was a member of the Board of Directors and the Audit Committee starting from March 16, 2017. The Board of Directors and the Audit Committee each convened once before March 16, 2017.

BOARD OF DIRECTORS 2017

The members of YIT Corporation's Board of Directors between January 1 and March 16, 2017, were **Matti Vuoria** as the Chairman, **Juhani Pitkäkoski** as the Vice Chairman and **Satu Huber**, **Erkki Järvinen** and **Inka Mero** as members. The Annual General Meeting held on March 16, 2017, elected four (4) ordinary members to YIT's Board of Directors in addition to the Chairman and the Vice Chairman. As the Chairman of the Board of Directors, the Annual General Meeting elected **Matti Vuoria**, born 1951, BA, LL.M.; as Vice Chairman **Juhani Pitkäkoski**, born 1958, LL.M.; and as members **Satu Huber**, born 1958, M.Sc. (Econ.), Chief Executive Officer of Elo Mutual Pension Insurance Company; **Erkki Järvinen**, born 1960, M.Sc. (Econ.); **Inka Mero**, born 1976, M.Sc. (Econ.), co-founder of the startup accelerator and investment company Pivot5 Oy; and **Tiina Tuomela**, born 1966, M.Sc. (Eng.), Executive Vice President of Fortum, Generation Division.

YIT CORPORATION'S BOARD OF DIRECTORS ON DECEMBER 31, 2017

Matti Vuoria (Chairman)
Juhani Pitkäkoski (Vice Chairman)
Satu Huber
Erkki Järvinen
Inka Mero
Tiina Tuomela

AUDIT COMMITTEE

Erkki Järvinen (Chairman)
Juhani Pitkäkoski
Tiina Tuomela

PERSONNEL COMMITTEE

Matti Vuoria (Chairman)
Satu Huber
Inka Mero

All of the members of the Board of Directors were independent of YIT and its major shareholders. The Board of Directors convened 18 times during 2017. The members' total attendance rate was 96 per cent. The Board of Directors conducted a self-evaluation of its work during the period, assessing matters such as the efficiency of its work, the quality of information and materials submitted to the Board, the focal areas of its work and the targets set for management. The results of the evaluation are to be used in developing the Board's work.

A significant part of the Board´s work in 2017 comprised preparations for and monitoring of the merger of YIT Corporation and Lemminkäinen Corporation as well as the decisions made with regard to the merger. Other key focus areas included matters pertaining to the company´s financing, business in Russia, major projects under preparation and the foundation of a new business segment. Corporate General Counsel Juha Jauhiainen served as the secretary of the Board of Directors.

Presentations of members of the Board are on page 74 and our website.

SHAREHOLDERS' NOMINATION BOARD

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

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

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

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

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

SHAREHOLDERS' NOMINATION BOARD 2017

In 2017 (selected in 2016) the Nomination Board comprised **Risto Murto**, CEO of Varma Mutual Pension Insurance Company, **Kalle Saariaho**, CEO of OP Fund Management Company Ltd., and **Antti Herlin**. The Chairman of YIT Corporation´s Board of Directors, Matti Vuoria, served as an expert member on the Nomination Board, and Risto Murto served as Chairman of the Nomination Board.

The Nomination Board convened twice in 2017. Between meetings, the Nomination Board prepared its proposals under the leadership of its Chairman. The members´ total attendance rate was 100 per cent.

In the Extraordinary General Meeting of YIT Corporation held on September 12, 2017, it was decided to make a one-time exception to the standing order of the Shareholders´ Nomination Board of YIT.

Pursuant to the one-time exceptional decision, the right to nominate members to the Nomination Board, which prepares proposals for General Meetings to be held during 2018 shall rest, in accordance with the standing order, with the three largest shareholders who are registered in the shareholders´ register on the registration date of the execution of the merger of YIT Corporation and Lemminkäinen or, if not a business day, on the first business day following such registration date.

Further, it was stated that the Nomination Board shall have a reasonable time to prepare its proposals before the Annual General Meeting 2018 instead of having time until the end of January 2018 and that the Nomination Board shall in such case publish its proposals as soon as practically possible. In all other respects, the Nomination Board shall follow the current Standing Order.

COMPOSITION OF THE BOARD OF DIRECTORS ON THE DATE OF COMPLETING THE MERGER, FEBRUARY 1, 2018

In accordance with the proposal of the Nomination Board, the Extraordinary General Meeting that resolved on the merger of YIT Corporation and Lemminkäinen on September 12, 2017, decided to provisionally elect eight (8) members, including the Chairman and Vice Chairman, to the Board of Directors for a term beginning on the date the completion of the merger is registered and ending at the close of YIT's following Annual General Meeting. YIT's current Chairman of the Board of Directors, **Matti Vuoria**, was elected as the Chairman of the Board of Directors. Lemminkäinen's current Chairman of the Board of Directors, **Berndt Brunow**, was elected as the Vice Chairman of the Board of Directors. YIT's current Board members **Erkki Järvinen**, **Inka Mero** and **Tiina Tuomela** were elected as members of the Board of Directors, and Lemminkäinen's current Board members **Harri-Pekka Kaukonen**, **Juhani Mäkinen** and **Kristina Pentti-von Walzel** were also elected as members of the Board of Directors. All of the elected persons are presented on the company website.

COMPOSITION OF YIT CORPORATION'S NOMINATION BOARD 2018

YIT's Extraordinary General Meeting, which approved the merger on September 12, 2017, resolved that, in deviation from the current standing order of the YIT Shareholders' Nomination Board, the right to nominate members to the Nomination Board shall rest with the three largest shareholders who are registered in the shareholders' register on the registration date of the execution of the merger. According to the mentioned standing order, a shareholder group can agree on appointing a joint representative to the Nomination Board. The following shareholders have agreed on appointing a joint representative: PNT Group Oy, Noora Forstén, Fideles Oy, Kristina Pentti-von Walzel, Eva Pentti-Kortman and Kristian Pentti.

YIT's three largest shareholders on February 1, 2018, in accordance with the shareholder register maintained by Euroclear, including the shareholder group, are the above mentioned shareholder group, Varma Mutual Pension Insurance Company and Onvest Sijoitus Oy.

The following person have been nominated as their representatives to YIT's Nomination Board:

- Juhani Mäkinen, Counsellor of Law, the shareholder group (14.89% of shares and votes)
- Risto Murto, President and CEO, Varma Mutual Pension Insurance Company (7.55% shares and votes)
- Maarit Toivanen-Koivisto, Chair of the Board of Directors, Onvest Oy (4.21% shares and votes)
- The Chairman of YIT Corporation's Board of Directors, Matti Vuoria, serves as an expert member on the Nomination Board. The Nomination Board's Chairman is Risto Murto.

PROPOSAL ON THE COMPOSITION OF THE BOARD OF DIRECTORS IN 2018

The Nomination Board proposes to the 2018 Annual General Meeting that a Chairman, a Vice Chairman and five (5) ordinary members be elected to the Board of Directors. The Nomination Board proposes that **Harri-Pekka Kaukonen** be elected as the Chairman, **Eero Heliövaara** (new) as the Vice Chairman and **Erkki Järvinen**, **Olli-Petteri Lehtinen** (new), **Inka Mero**, **Kristina Pentti-von Walzel** and **Tiina Tuomela** as members, for a term ending at the close of the next Annual General Meeting following their election. All candidates have consented to being elected. All candidates are presented on the company's website.

COMMITTEES FOR THE BOARD OF DIRECTORS

The Board of Directors has two committees: the Personnel Committee and the Audit Committee.

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

PERSONNEL COMMITTEE

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

The Committee convenes as necessary and as summoned by the Chairman. It has a minimum of three and a maximum of five members, who all have knowledge of our business operations and business segments, as well as HR and reward-related matters. The majority of the members of the Personnel Committee must be independent of the company. The President and CEO and other members of the company´s executive management cannot be members of the Personnel Committee. The Senior Vice President, Human Resources, serves as the Committee's secretary.

PERSONNEL COMMITTEE IN 2017

The members of the Personnel Committee of the Board of Directors of YIT Corporation in 2017 were Matti Vuoria as the Chairman and Satu Huber and Inka Mero as members. The Committee convened a total of five times in 2017. The members' total attendance rate was 100 per cent. Pii Raulo, Senior Vice President, Human Resources, served as the Committee's secretary.

In 2017, the Personnel Committee prepared rules for performance-based bonuses and the annual targets, key personnel categories and key personnel allocation of the long-term incentive scheme. The Personnel Committee also followed the progress of the HR strategy, supported the implementation of the HR plan, monitored the remuneration levels of senior management and, in conjunction with organisational changes, presented appointments of key personnel for confirmation by the Board of Directors.

AUDIT COMMITTEE

The Audit Committee assists the Board of Directors in the supervision of the Group's reporting and accounting processes. Its tasks include overseeing the financial reporting process of the company, the effectiveness of internal control, internal audit and risk management systems, as well as monitoring and assessing the audit. The Committee participates in the preparation of the Group's financing policy, financing plan and financing arrangements. The Committee reviews the company's Financial Statements, Interim Reports and Half-Year Reports and monitors auditing. It evaluates compliance with laws and regulations and follows the Group's financial position.

The Committee convenes at least four times per year and more often if necessary. The Committee comprises 3–5 members, the majority of whom must be independent of the company, and at least one of the members must be independent of major shareholders.

Persons with extensive knowledge of the Group´s business operations and business segments and sufficient knowledge of accounting and accounting principles are elected as members. The Corporate General Counsel acts as the secretary of the Audit Committee.

AUDIT COMMITTEE IN 2017

The members of the Audit Committee between January 1 and March 16, 2017, were Erkki Järvinen as Chairman and Satu Huber and Juhani Pitkäkoski as members. At its organisational meeting on March 16, 2017, the Board of Directors elected Erkki Järvinen as Chairman and Juhani Pitkäkoski and Tiina Tuomela as members of the Audit Committee.

The Audit Committee convened seven times in 2017. The members' total attendance rate was 100 per cent. Corporate General Counsel Juha Jauhiainen served as the Committee's secretary. The company's President and CEO Kari Kauniskangas, the Internal Audit Director Ari Ladvelin and, as the company's chief auditor, APA Juha Wahlroos (PricewaterhouseCoopers) also participated in the Committee's meetings, as did members of the company's management and experts, depending on the matters dealt with by the meeting.

During the financial period, in addition to its main tasks, the Audit Committee regularly discussed among other things, preparations pertaining to the implementation of the IFRS 15 standard. Preparations for, and the monitoring of, the merger of YIT Corporation and Lemminkäinen Corporation as well as the preparation of matters and decisions pertaining to the merger also played a major role in the word of the Audit Committee. In addition, the Audit Committee monitored the progress of disputes and legal proceedings, and discussed, for instance, the Group´s decision-making authorisations.

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. The Board of Directors appoints and discharges the CEO and supervises his operation. It also decides on the President and CEO's salary and fees and other terms of employment. The CEO ensures that the company's accounting is lawful and asset management is organised reliably. YIT's President and CEO serves as the Chairman of the Group's Management Board.

MANAGEMENT BOARD AND GROUP INVESTMENT BOARD

YIT Group's Management Board is the highest operational decision-making body and is responsible for allocating resources to the business segments. The Group Management Board is also responsible for assessing the performance of the business segments.
The President and CEO and other members appointed by the Board of Directors make up the Group's Management Board. The President and CEO appoints the Management Board's secretary. The Group Management Board, which meets on a regular basis, approximately once a week, assists the Group CEO with operational planning and management and prepares matters that are to be processed by the Board of Directors. Among other duties, the Management Board formulates and co-ordinates the Group's strategic and annual planning, supervises the implementation of plans and financial reporting, and prepares significant investments, mergers and acquisitions. The development of the Group's internal co-operation and the promotion of joint development projects are among the Management Board's key duties.

In addition to the Management Board, a separate Group Investment Board assists the President and CEO in the planning of capital use, investments and the preparation of acquisitions. The President and CEO is responsible for the decisions made by the Management Board and the Group Investment Board. The task of the members of the Management Board is to implement the decisions in their respective areas of responsibility. The Management Board and Group Investment Board have standing orders ratified by the Board of Directors.

MANAGEMENT BOARD IN 2017

Kari Kauniskangas served as YIT Corporation's President and CEO.

The Group Management Board as of January 1, 2017:

- Kari Kauniskangas, Chairman, President and CEO
- Tero Kiviniemi, Vice Chairman, Executive Vice President, Head of Business Premises and Infrastructure segment (until October 9, 2017)
- Teemu Helppolainen, Head of Housing Russia segment
- Antti Inkilä, Head of Housing Finland and CEE segment
- Juha Kostiainen, Senior Vice President, Sustainable Urban Development
- Esa Neuvonen, Chief Financial Officer
- Juhani Nummi, Secretary to the Management Board, Senior Vice President, Business Development
- Pii Raulo, Senior Vice President, Human Resources

Effective from October 9, 2017, and until the completion of the merger between YIT and Lemminkäinen, the deputy to the President and CEO was CFO **Esa Neuvonen**, and the Head of the Business Premises and Infrastructure segment was **Timo Lehmus**.

Presentations of the members of the Management Board are on page 75 of the separate Annual Report and on our website.

The Management Board convened (12) times during the year for actual Management Board meetings. The focus areas of the Management Board's work in 2017 included the revision and implementation of strategy, assessments and reviews related to market development, risk management, controlling investments, controlling strategic development programmes and focusing other development and information management efforts on strategically important areas. Key content themes included HR development, the development of the corporate culture, the product offering, sales and customer relationship management, customer orientation, customer experience and the brand, profitability control, cash flow and capital efficiency. In addition to controlling common development programmes, the Management Board led the development of quality and occupational safety.

INTERNAL AUDIT

YIT Group's internal audit organisation supports the management in the development and supervision of risk management, internal control and good corporate governance. The internal audit reports to the Audit Committee of the Board of Directors and administratively to YIT's President and CEO. The targets of the internal audit are selected semi-annually based on risk. The focus of the internal audit has typically been on project risk management, new geographic or functional operating areas and semi-annually defined risk areas. The internal audit's work is co-ordinated with other Group functions and financial auditing. The internal audit also works closely together with the Group's corporate security organisation and, with respect to misconduct risks, participates in the work of the Ethics Committee.

INTERNAL AUDIT IN 2017

The focus areas of the internal audit were CEE (Central Eastern Europe) large projects and area concepts, as well as capital management. The Group also continued to engage in active audit work in Russia.

AUDIT

YIT has one auditor, which must be an approved auditing firm pursuant to the Auditing Act (1141/2015). The Board's Audit Committee prepares the draft resolution concerning the election of the auditor and the Annual General Meeting elects the auditor based on the draft resolution. The auditor audits the company's accounting, Board of Directors' report, Financial Statements and administration for the financial year. The parent company's auditor must also audit the consolidated financial statements. The auditor reports regularly to the Board of Directors and its Audit Committee and gives YIT's shareholders an Auditor's Report as required by law.

Pursuant to the decision of the Annual General Meeting, the auditor's fee is paid as per the invoice approved by the company. We comply with the provisions of the Auditing Act and the EU Statutory Audit Directive with regard to the maximum duration of the auditor's terms of office and, in electing the auditor, we also take into consideration that the total duration of the consecutive terms of office of the auditor with main responsibility must not exceed seven years.

AUDIT IN 2017

The Annual General Meeting in 2017 elected PricewaterhouseCoopers Oy as the auditor. The auditor with main responsibility was Juha Wahlroos, Authorised Public Accountant. The Auditor's Report for the financial year 2017 is presented in the Financial Statements section of the Annual Report.

AUDIT FEES IN 2017

EUR million	2017	2016
Audit fee	0.8	0.8
Statements	0.1	0.0
Tax services	0.0	0.0
Other services	0.8	0.1
Total	**1.7**	**0.9**

INSIDER ADMINISTRATION

The Board of Directors of YIT Corporation has ratified for the company "Guidelines for Insider Matters and Trading in Financial Instruments" in order to explicate and supplement the provisions of the Market Abuse Regulation (EU No 596/2014, the "MAR") and laws and regulation based on it as well as the rules and Guidelines for Insiders of Nasdaq Helsinki Ltd, which YIT as a public listed company is required to comply with.

YIT's Guidelines for Insider Matters and Trading in Financial Instruments regulate among other issues managing of insider matters, delaying of disclosure of inside information, insider lists and disclosure of management trading within YIT and thereby aim for their part to further strengthen general confidence in the securities market, enhance investors' equal access to information and prevent abuse in the marketplace.

YIT has determined that the managers (including their closely associated persons), whose transactions with YIT´s financial instruments shall be notified and published based on MAR, consist of members of the Board of Directors of YIT Corporation and the President and CEO of YIT Corporation and the members of the Group Management Board (as of February 1, 2018 members of the Board of Directors of YIT Corporation and the President and CEO of YIT Corporation and CFO). These managers shall not conduct any transactions on his/her own account or for the account of a third party relating to YIT Financial Instruments during a closed window of 30 calendar days before the announcement of an interim financial report or financial statements bulletin.

The company has also defined to be also subject to the 30 days trading restriction (closed window) those employees other than those discharging managerial responsibilities who regularly participate in preparing, drawing up or disclosing interim reports, half-year reports or financial statements bulletins or receive information of their incoming contents during the preparing or drawing up prior to their disclosure. In addition, the company maintains project-specific insider lists for persons involved in insider projects when necessary.

Information on the shares and options held by managers is presented on our website.

Operating principles and control systems

YIT complies with the legislation of Finland and its operating countries, as well as the regulations and guidelines for listed companies in all of its operations. Operations are also guided by the company's values and business principles, which all of the employees must comply with at all times. The company has ratified the following guidelines and policies, among others: YIT Business Principles, YIT's values and leadership principles, the standing orders of the YIT Group and administrative bodies, YIT's Guidelines for Insider Matters and Trading in Financial Instruments, the Group's financing policy, guidelines on the accounting and reporting policies, risk management policy, corporate security policy, disclosure policy and investment guidelines.

YIT BUSINESS PRINCIPLES

YIT's mission, vision and values are the foundation of YIT's operations and ways of working. Our jointly defined values and Leadership Principles create the basis for everything we do in our daily work at YIT. YIT has defined Business Principles that help make the right choices every day at work. Knowing the Business Principles, applying them and discussing them is part of our culture of responsibility. Commitment to our values, Leadership Principles and Business Principles promotes the long-term success of our business and strengthens our responsible corporate culture.

Success in business requires that we respect our stakeholders and produce value for various stakeholders, from our customers to our shareholders. YIT Business Principles include the principles that guide our operations in relation to customers, employees, shareholders, business partners, competitors, society and the environment. Every employee is, for their part, responsible for complying with the YIT Business Principles.

Since 2015, YIT has used the YIT Code, an online training programme with uniform content for everyone at YIT. The training uses case exercises and concrete scenarios to make participants think about day-to-day decisions, ways of working and choices from the perspective of our values and Business Principles. YIT Code supports and strengthens conduct, decisions and operations in accordance with common rules. As a company, we have also made a promise to comply with our Business Principles. This is a promise we have made publicly to our customers, partners, stakeholders and to each other. This promise can be fulfilled only by all of us making a contribution.

INTERNAL CONTROL AND RISK MANAGEMENT CONNECTED WITH THE FINANCIAL REPORTING PROCESS

Financial reporting and supervision are based on budgets drafted and ratified every six months, as well as on monthly performance reporting. The Group's financial reporting is based on financial data on the profitability of business provided by each cost centre, combined with segment-level and Group-level data. YIT Corporation's business is characterised by project-type operations, due to which financial reporting applies the percentage of completion method (POC) in accordance with the degree of completion and sales, for example. Accurate information on the degree of completion and sales of the project and the final cost estimate are essential for the reliability of financial data in project business.

The Group´s financial management board convenes on a monthly basis. It is composed of the segments´ chief financial officers as well as representatives from Group accounting, Group financing and IT administration. The Group´s Corporate General Counsel, Tax Director and the head of internal audit can also participate in meetings of the financial management board. The financial management board addressess all process and development issues concerning the business segments.

IN 2017

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

In 2017, the Group harmonised its accounting principles and accounting systems. Preparations continued for the financial service centre of the Housing Russia segment. The finance function was actively involved in the development of new project and financing models.

The internal control and risk management systems connected with the financial reporting process are described in more detail in YIT Corporation's Corporate Governance Statement available on our website.

We also publish a separate annual Remuneration Statement on our website. The statement includes a description of the key remuneration principles, as well as information on the fees and benefits paid to the Board of Directors, President and CEO and the Group Management Board.

PILIAMIESTIS, KAUNAS, LITHUANIA

Board of Directors 2017

Matti Vuoria
Chairman

born 1951, BA, LL.M.

Chairman of the Board of Directors, 2016–
Chairman of the Personnel Committee, 2016–

Independent of the company and its major shareholders.

Juhani Pitkäkoski
Vice Chairman

born 1958, LL.M.

Caverion Corporation,
Executive Vice President, Head of Division,
2015–2017

Member of the Board of Directors,
2014–1/2018
Member of the Audit Committee,
2014–1/2018

Independent of the company and its major shareholders.

Satu Huber
Member

born 1958, M.Sc. (Econ.),

CEO of Elo Mutual Pension Insurance Company, 2015–

Member of the Board of Directors,
2009–1/2018
Member of the Personnel Committee,
2017–1/2018

Independent of the company and its major shareholders.

Erkki Järvinen
Member

born 1960, M.Sc. (Econ.)

President and CEO of Tikkurila Group
2009–2017

Member of the Board of Directors, 2013–
Chairman of the Audit Committee, 2016–

Independent of the company and its major shareholders.

Inka Mero
Member

born 1976, M.Sc. (Econ.)

Co-founder and Chairman of the Board of Pivot5 Oy, 2016–

Member of the Board of Directors, 2016–
Member of the Personnel Committee,
2016–

Independent of the company and its major shareholders.

Tiina Tuomela
Member

b. 1966, M.Sc. (Eng.), MBA

Executive Vice President, Fortum,
Generation Division, 2016–

Member of the Board of Directors 2017–
Member of the Audit Committee 2017–

Independent of the company and its major shareholders.

The Board of Directors of the newly merged company started its work on February 1, 2018. The term of office of the Board of Directors ends at the close of YIT's next Annual General Meeting. More information: www.yitgroup.com/en/corporate-governance/board-of-directors

Management Board in 2017

Kari Kauniskangas
President and CEO

born 1974, M.Sc. (Eng.), B.Sc. (Econ.)

Juha Kostiainen
Senior Vice President, Sustainable Urban Development

born 1965, M.Sc. (Tech.)
D.Sc. (Adm.), docent

Esa Neuvonen
Chief Financial Officer

born 1967, M.Sc. (Econ.)

Juhani Nummi
Senior Vice President, Business Development

born 1967, M.Sc. (Eng.)

Teemu Helppolainen
Head of Housing Russia segment

born 1962, M.Sc. (Econ.),

Pii Raulo
Senior Vice President, Human Resources

born 1967, M.Sc. (Econ.)

Antti Inkilä
Head of Housing Finland and CEE Segment

born 1969, M.Sc. (Tech.)

Timo Lehmus
Head of the Business Premises and Infrastructure segment (interim)
Until January 31, 2018

born 1959,
M.Sc. (Eng.), EMBA

The Management Team of the merged company was appointed on February 1, 2018.
More information: https://www.yitgroup.com/management

Financial statements

PILIAMIESTIS, KAUNAS, LITHUANIA

Report of the Board of Directors January 1–December 31, 2017

YIT reports on its operations in accordance with IFRS, where the company applies, for example, the IFRIC 15 interpretation. In group reporting, self-developed residential projects are recognised as income upon project handover. The timing of completion of self-developed projects thus affects the Group's revenue recognition, and therefore group figures may fluctuate greatly between different quarters. In addition, in group reporting part of the interest expenses are capitalised according to IAS 23 and reported as project costs above the operating profit when the project is completed. This causes differences in operating result and financial expenses between segment reporting and group reporting.

YIT Corporation's management follows the development of the company's business according to the segment reporting (POC) which is based on the percentage of completion based method. Therefore, the company's performance is described in the Report also according to segment reporting. The effects of the differences of the recognition principles are presented in detail in the Financial Statements. The Report does not include all of the notes or disclosure information as presented in the Financial Statements 2017. Therefore, the Report should be read in conjunction with the Financial Statements 2017.

Unless otherwise noted, the figures in brackets refer to the corresponding period in the previous year and are of the same unit.

GROUP FINANCIAL DEVELOPMENT, GROUP REPORTING (IFRS)

IFRS, EUR million	1–12/17	1–12/16	Change
Revenue	1,993.8	1,678.3	19%
Operating profit	85.5	17.7	383%
Operating profit margin,%	4.3	1.1	
Adjusted operating profit	105.6	44.7	136%
Adjusted operating profit margin,%	5.3	2.7	
Profit before taxes	70.9	-2.5	
Profit for the review period [1]	56.6	-7.1	
Earnings per share, EUR	0.45	-0.06	
Order backlog at end of period	2,912.7	3,048.2	-4%
Effective tax rate,%	20.2	-189.8	

[1] Attributable to equity holders of the parent company

The Group's revenue increased by 19% year-on-year. At comparable exchange rates, revenue increased by 16%. Revenue increased due to high number of residential project completions, among other things.

IFRS operating profit was EUR 85.5 million and the Group's operating profit margin was 4.3% (1.1). The operating profit includes adjusting items of EUR -20.0 million related to the preparation of the merger and revaluation of balance sheet items. The increase in operating profit was affected by adjusting items of EUR -27.0 million in 2016 related to revaluation of the book values of plots in the Housing Russia segment. The Group's adjusted operating profit was EUR 105.6 million and The Group's adjusted operating profit margin was 5.3% (2.7). The adjusted operating profit increased due to the better margin content of residential completions relative to the comparison period, high number of completed apartments and the completion of Kasarmikatu 21 office property sales transaction.

ACQUISITIONS AND CAPITAL EXPENDITURE

IFRS, EUR million	1–12/17	1–12/16	Change
Gross investments	80.1	83.5	-4%
% of revenue	4.0	5.0	
Depreciation	14.2	16.5	-14%

YIT and Lemminkäinen announced on June 19, 2017 the plan to combine the two companies. After the review period, the Boards of Directors of both companies approved the completion of the merger on January 31, 2018 and the merger has been notified in the Finnish Trade Register so that the merger is completed on February 1, 2018. More information is available in the Other important events during the review period section.

In December, YIT announced to have signed a set of agreements of the acquisition of Projektipalvelu Talon Tekniikka Oy. The acquisition forms a majority-owned subsidiary of YIT in which YIT's housing company renovation in the Finnish capital region will be focused on. YIT acquired 48% of the company in December and acquires the majority during the first quarter of 2018.

Gross investments amounted to EUR 80.1 million, or 4.0% of revenue. Investments to construction equipment amounted to EUR 10.9 million (12.8) and investments to information technology totalled EUR 3.7 million (5.3). Other investments including investments in shares amounted to EUR 65.5 million (65.4) and consisted mainly of investments in the joint ventures.

CASH FLOW AND INVESTED CAPITAL

IFRS, EUR million	1–12/17	1–12/16	Change
Operating cash flow after investments, excluding discontinued operations	164.5	-43.1	
Cash flow of plot investments	-139.0	-104.7	33%

IFRS, EUR million	12/17	12/16	Change
Invested capital	1,155.4	1,263.4	-9%
Return on investment (last 12 months),%	7.2	1.6	

Operating cash flow after investments, excluding discontinued operations in was EUR 164.5 million (-43.1).

Cash flow was strengthened by the change in construction stage financing to meet general domestic market practice. According to the practice implemented, the debt share applying to sold apartments amounting to EUR 123.5 million is reported in advances received. More information on the change is available in the Capital structure and liquidity position section. Cash flow was strengthened also by good residential sales, the sale of a part of Novo Orlovsky plot, with almost half of the EUR 36 million sales price realised in 2017 as well as the sale of Kasarmikatu 21 office property. The company paid dividends of EUR 27.6 million for 2016 in compliance with the resolution of the Annual General Meeting.

Cash flow of plot investments increased by 33% to EUR -139.0 million (-104.7).

Invested capital decreased by 9% from the level of the end of the previous year and return on investment improved due to the increase in operating profit and decrease in invested capital. The increase in operating profit was affected by adjusting items of EUR -20.0 million (-27.0).

CAPITAL STRUCTURE AND LIQUIDITY POSITION

IFRS, EUR million	12/17	12/16	Change
Net interest-bearing debt[1]	455.0	598.5	-24%
Cash and cash equivalents	89.7	66.4	35%
Interest-bearing receivables	46.0	34.6	33%
Interest-bearing debt	590.7	699.5	-16%
Bonds	149.7	149.5	0%
Commercial papers	150.6	68.9	119%
Pension loans	55.4	81.7	-32%
Bank loans	115.0	89.8	28%
Housing corporation loans[2]	85.6	276.0	-69%
Other loans	34,4	33.6	2%
Average interest rate,%	3.15	3.48	
Revolving credit facilities	200.0	200.0	
Overdraft facilities	73.7	74.6	-1%
Equity ratio,%	33.2	31.2	
Gearing ratio,%	88.7	112.3	

[1] From the beginning of 2017, YIT has taken interest-bearing receivables into account in net interest-bearing debt.
[2] Comparison figures include sold receivables from housing development.

IFRS, EUR million	1–12/17	1–12/16	Change
Net financial expenses	-14.6	-20.1	-27%

At the year-end, YIT's liquidity position was strong. Cash and cash equivalents amounted to EUR 89.7 million and undrawn overdraft facilities amounted to EUR 73.7 million. In addition, YIT's committed revolving credit facility amounting to EUR 200 million was completely undrawn. The amount of undrawn committed housing corporation loan agreements related to domestic apartment projects was approximately EUR 269.4 million. In October, YIT signed a new three-year EUR 50 million bilateral bank loan.

In addition to normal financing transactions, YIT has secured a EUR 240 million Bridge Term Facility to cover the need for financing of the merger and a new EUR 300 million replacing revolving credit facility for the use of the company after the merger. YIT has obtained necessary waivers and amendments for the existing financing arrangements for the merger.

YIT's revolving credit facility amounting to EUR 200 million, the bonds issued in 2015 and 2016 and bank loans include a covenant requiring the Group's equity ratio based on the IFRS balance sheet to be higher than 25.0%. In addition, the revolving credit facility and bank loans include a covenant requiring the Group's gearing ratio based on the IFRS balance sheet to be below 150.0%.

At the year-end, the equity ratio was 33.2% and the gearing ratio was 88.7%. In the last quarter of the year, YIT changed the method of financing the domestic production of apartments sold to consumers. Previously, YIT has sold the site's contract receivables to the financing bank, and the contract debt has been paid off with the housing company loan drawn when the project is completed. YIT has now moved to a financing model in which the housing corporation loan is withdrawn according to the degree of completion and it finances the construction of the property. The model is general market practice and it has a positive impact on the reported net debt and key ratios.

From the beginning of 2017, YIT has taken interest-bearing receivables into account in net interest-bearing debt. Interest-bearing receivables are related to co-operation projects in line with YIT's strategy. The other interest-bearing receivables are loans granted to a joint venture. The company's view is that the new reporting method better reflects the amount of net liabilities. The changed reporting method for net debt does not affect the gearing ratio or the covenants of the company's loan agreements. At the year-end, interest-bearing debt amounted to EUR 590.7 million and net interest-bearing debt was EUR 455.0 million. A total of EUR 10.4 million of long-term loans will mature during the year 2018.

Net financial expenses decreased year-on-year and amounted to EUR 14.6 million (20.1). Interest expenses at the amount of EUR 6.5 million (19.0) were capitalized in accordance with IAS 23. During the year, financial expenses were reduced compared to the previous year due to gains on interest rate derivatives and the decrease in hedged ruble position. YIT has from the beginning of the year specified the IAS 23 capitalization principles to better reflect the proportion of interest expenses directly related to construction.

The interests on participations in housing corporation loans of unsold completed apartments are included in housing corporation charges and are thus booked in project expenses. In 2017, these expenses amounted to EUR 1.6 million (2.2).

At the year-end, EUR 27.4 million of the capital invested in Russia was debt investments (26.2) and EUR 384.1 million was equity investments or similar permanent net investments (362.8). In accordance with YIT's hedging policy, the debt investments to subsidiaries are hedged against exchange rate risk, while equity investments are not hedged due to their permanent nature.

GROUP FINANCIAL DEVELOPMENT, SEGMENT REPORTING (POC)

Residential projects for consumers recognised as income in line with degree of sales and construction

REVENUE

POC, EUR million	1–12/17	1–12/16	Change	Change[1]
Revenue	1,908.6	1,783.6	7%	5%
Housing Finland and CEE	835.2	727.9	15%	15%
Housing Russia	268.3	267.9	0%	-11%
Business Premises and Infrastructure	814.7	797.4	2%	2%
Other items	-9.6	-9.7		

[1] At comparable exchange rates

The Group's revenue based on segment reporting increased by 7% year-on-year. At comparable exchange rates, revenue increased by 5%.

Revenue grew in the Housing Finland and CEE segment due to good consumer sales and plot sales. Revenue remained stable in Housing Russia and Business Premises and Infrastructure segments.

Revenue was increased by the plot sales to cooperation funds conducted in line with YIT's strategy, among other things. The plot sales did not have a significant impact on the profit but they improved capital efficiency and supported the development of the key financial figures.

Revenue by geographical area,%, POC	1–12/17	1–12/16
Finland	73%	74%
Russia	14%	15%
The CEE countries	13%	11%

RESULT

POC, EUR million	1–12/17	1–12/16	Change
Operating profit	**102.3**	**52.9**	**93%**
Operating profit margin,%	**5.4**	**3.0**	
Adjusting items	**-20.0**	**-27.0**	
Adjusted operating profit	**122.3**	**79.9**	**53%**
Housing Finland and CEE	81.7	59.9	37%
Housing Russia	6.3	-2.3	
Business Premises and Infrastructure	56.3	38.1	48%
Other items	-22.0	-15.7	
Adjusted operating profit margin,%	**6.4**	**4.5**	
Housing Finland and CEE	9.8	8.2	
Housing Russia	2.4	-0.9	
Business Premises and Infrastructure	6.9	4.8	

The Group's operating profit based on segment reporting increased by 93% to EUR 102.3 million and operating profit margin was 5.4% (3.0). The operating profit includes adjusting items of EUR -20.0 million related to the preparation of the merger and revaluation of balance sheet items. The increase in operating profit was affected by adjusting items of EUR -27.0 million in the comparison period related to revaluation of the book values of plots in the Housing Russia segment.

Adjusted operating profit increased by 53% to EUR 122.3 million. Adjusted operating profit margin was 6.4% (4.5).

The Housing Finland and CEE segment's adjusted operating profit increased thanks to strong residential sales, especially consumer sales were good. In the Housing Russia segment, improved gross margins of projects had a positive impact on the development of the segment's adjusted operating profit, however the result was weighed down by weak residential sales and low revenue recognised. The Business Premises and Infrastructure segment's profitability was boosted especially by the completion of Kasarmikatu 21 office property sales transaction.

Changes in foreign exchange rates had positive impact of EUR 1.2 million on operating profit.

The plot sales of the year did not have significant impact on the profit.

POC, EUR million	1–12/17	1–12/16	Change
Profit before taxes	81.2	13.8	489%
Profit for the review period[1]	62.8	7.4	748%
Earnings per share, EUR	0.50	0.06	747%
Dividend per share, EUR	0.25[2]	0.22	14%
Dividend per earnings,%	50.0	373.3	
Effective tax rate,%	22.7	46.3	

[1] Attributable to equity holders of the parent company
[2] Board of Directors' proposal to the Annual General Meeting

ORDER BACKLOG

POC, EUR million	12/17	12/16	Change
Order backlog	2,568.5	2,613.1	-2%
Housing Finland and CEE	985.0	833.4	18%
Housing Russia	345.5	463.4	-25%
Business Premises and Infrastructure	1,238.0	1,316.3	-6%

The order backlog remained stable on the level of the end of the previous year. At the end of December, 59% (60) of the order backlog had been sold.

Changes in foreign exchange rates decreased the order backlog by EUR 21.5 million from the end of the previous year.

INVESTED CAPITAL

POC, EUR million	12/17	12/16	Change
Invested capital	1,203.0	1,175.3	2%
Return on investment (last 12 months),%	8.8	4.7	

The invested capital remained stable on the level of the end of the previous year. Return on investment improved to the level of 8.8% (4.7) as operating profit increased. The increase in operating profit was affected by adjusting items of EUR -20.0 million (-27.0).

Capital efficiency is one of the most remarkable strategic targets in line with growth and profitability. In 2017, the company improved capital efficiency by selling plots to plot funds, widening the utilisation of previously created partnerships and creating new partnerships to reduce the need for financing. In St. Petersburg, Russia, YIT signed a sales contract of a part of the plot in Novo Orlovsky. The area of the sold part is approximately 21 hectares in total which is approximately a half of the total plot area.

HOUSING FINLAND AND CEE

OPERATING ENVIRONMENT

Consumer confidence picked up in Finland during the review period, which was reflected in good consumer demand. There were no signs of overheating, however. Supply rose to a high level during the year. In addition to the demand focusing on affordable apartments in growth centres, the demand for bigger apartments improved.

Residential investors were more selective and demand was particularly focused on the Helsinki metropolitan area, Turku and Tampere.

In the CEE countries, consumer confidence was at a good level, particularly in the Czech Republic and has improved substantially from the start of the year, especially in Latvia. Residential demand was mainly brisk in the CEE countries.

The prices of new apartments increased slightly on average and the shortage of resources in the CEE countries created cost pressure especially in the Czech Republic and Slovakia.

Mortgage interest rates were at a low level in all operating countries and the availability of financing was good. In Finland, the volume of new mortgages increased slightly from the previous year.

POC, EUR million	1–12/17	1–12/16	Change
Revenue	835.2	727.9	15%
Operating profit	76.8	59.9	28%
Operating profit margin,%	9.2	8.2	
Adjusted operating profit	81.7	59.9	37%
Adjusted operating profit margin,%	9.8	8.2	
Capital employed at end of period	431.6	453.5	-5%
Return on capital employed ROCE (last 12 months),%	17.4	13.4	
Order backlog at end of period	985.0	833.4	18%

The segment’s revenue increased by 15% year-on-year thanks to good consumer sales and plot sales. The segment’s operating profit increased by 28% year-on-year, and operating profit margin was 9.2% (8.2). The operating profit includes adjusting items of EUR -4.9 million related to revaluation of balance sheet items reported under the segment.

The segment’s adjusted operating profit was EUR 81.7 million, and adjusted operating profit margin was 9.8% (8.2). The segment’s adjusted operating profit increased thanks to strong residential sales, especially consumer sales were good.

According to its strategy, YIT increased consumer sales in Finland. The share of consumer sales was 65%. Start-ups directed to consumers were increased by 30% year-on-year and unit sales to consumers grew by 21%.

In the end of 2016, YIT involved in establishing the YCE Housing I fund that supports the company’s growth strategy in the CEE countries by investing in housing development in the area. In 2017, YIT has sold eight projects to YCE Housing I fund in total.

Residential construction in Finland, units	1–12/17	1–12/16	Change
Sold	2,986	2,730	9%
of which initially started to consumers[1]	2,156	1,838	17%
Start-ups	3,415	2,877	19%
of which to consumers	2,585	1,985	30%
Completed	2,967	2,535	17%
of which to consumers	1,946	1,087	79%
Under construction at end of period	4,290	3,842	12%
of which sold at end of period,%	59	69	
For sale at end of period	1,835	1,406	31%
of which completed	91	201	-55%
Plot reserve in the balance sheet at end of period, EUR million	153.1	154.0	-1%
Plot reserve at end of period[2], floor sq. m.	1,689,900	2,044,160	-17%
Cost of completion at end of period, EUR million	347	264	31%

[1] Includes apartments sold to residential funds: 1–12/17: 226 units; 1–12/16: 242 units.
[2] Includes pre-agreements, rental plots and own plots.

Residential construction in the CEE countries, units	1–12/17	1–12/16	Change
Sold	1,613	1,197	35%
Start-ups	1,545	1,300	19%
Completed	1,100	703	56%
Under construction at end of period	2,489	2,043	22%
of which sold at end of period,%	63	53[1]	
For sale at end of period	1,054	1,121[1]	-6%
of which completed	140	151	-7%
Plot reserve in the balance sheet at end of period, EUR million	123.1	123.5	0%
Plot reserve at end of period, floor sq. m.	616,000	485,000	27%
Cost of completion at end of period, EUR million	164	105	56%

[1] The figures from the turn of the year revised in connection with Interim Report 1–3/2017.

HOUSING RUSSIA

OPERATING ENVIRONMENT

Russian consumers were cautious in their apartment purchasing decisions in spite of the economy improving. The decline in consumer purchasing power levelled off during the year and consumption turned to slight growth late in the year.

Residential demand was moderate but started to improve during the year in the Moscow region and, towards the end of the year, also in St. Petersburg. The Russian Central Bank lowered its key rate several times during the year and may lower it further in the early part of 2018, which was partly reflected in the residential demand. The interest rates for mortgages for new apartments fell below 10 per cent. Residential prices remained stable on average and supply remained high.

POC, EUR million	1–12/17	1–12/16	Change
Revenue	268.3	267.9	0%
Operating profit	3.2	-29.3	
Operating profit margin,%	1.2	-10.9	
Adjusted operating profit	6,3	-2,3	
Adjusted operating profit margin,%	2.4	-0.9	
Capital employed at end of period	396.8	405.1	-2%
Return on capital employed ROCE (last 12 months),%	0.8	-7.6	
Order backlog at end of period	345.5	463.4	-25%

The segment's revenue remained stable year-on-year. At comparable exchange rates, revenue decreased by 11%.

The segment's operating profit was EUR 3.2 million, and the operating profit margin was 1.2% (-10.9). The operating profit includes adjusting items of EUR -3.2 million related to revaluation of balance sheet items reported under the segment. Strengthening of the ruble had a positive impact of EUR 1.0 million on operating profit. The increase in operating profit was affected by adjusting items of EUR -27.0 million in the comparison period related to revaluation of the book values of plots in the Housing Russia segment.

The segment's adjusted operating profit was EUR 6.3 million, and adjusted operating profit margin was 2.4% (-0.9). Improved gross margins of projects had a positive impact on the development of the segment's adjusted operating profit, however the result was weighed down by weak residential sales and low revenue recognised.

In December, YIT announced to have signed a sales contract and registered the ownership transfer of a part of the plot in Novo Orlovsky in St. Petersburg. The total value of the sales contract is approximately EUR 36 million and approximately EUR 16 million of revenue related to the plot sales was recognised in last quarter of the year.

The share of residential deals financed with mortgages was 51% (51). At the end of December, YIT was responsible for the service and maintenance of over 34,000 apartments, 5,500 parking spaces and 2,000 business premises in Russia, totalling almost 42,000 clients.

Residential construction in Russia, units	1–12/17	1–12/16	Change
Sold	2,894	3,523	-18%
Start-ups	2,525	2,782	-9%
Completed[1]	4,523	4,278	6%
Under construction at end of period	4,628	6,626	-30%
of which sold at end of period,%	30	37	
For sale at end of period	4,228	4,599	-8%
of which completed	973	414	135%
Plot reserve in the balance sheet at end of period[2], EUR million	214.6	238.7	-10%
Plot reserve at end of period[2], floor sq. m.	1,798,000	2,115,000	-15%
Cost of completion at end of period, EUR million	113	195	-42%

[1] Completion of the residential projects requires commissioning by the authorities.
[2] Figures include Gorelovo industrial park.

Under construction at end of period, units	12/17	12/16	Change
St. Petersburg	588	2,271	-74%
Moscow	2,021	2,695	-25%
Russian regions	2,019	1,660	22%

BUSINESS PREMISES AND INFRASTRUCTURE

OPERATING ENVIRONMENT

Investor interest in business premises located in Finland's major growth centres was at a good level. The yield requirements of office and retail properties decreased in the Helsinki metropolitan area, and the rental levels for prime properties increased in central Helsinki. The favourable market climate in Finland supported private investments. The business premises contracting market and the infrastructure construction market were active especially in the Helsinki metropolitan area and other Finnish growth centres.

In the Baltic countries and Slovakia, investor demand for business premises was strong and rental levels remained stable. The contracting market has remained stable in the Baltic countries.

POC, EUR million	1–12/17	1–12/16	Change
Revenue	814.7	797.4	2%
Operating profit	50.4	38.1	32%
Operating profit margin,%	6.2	4.8	
Adjusted operating profit	56.3	38.1	48%
Adjusted operating profit margin,%	6.9	4.8	
Capital employed at end of period	200.5	183.9	9%
Return on capital employed ROCE (last 12 months),%	26.2	21.6	
Order backlog at end of period	1,238.0	1,316.3	-6%

Business Premises, EUR million	12/17	12/16	Change
Plot reserve in the balance sheet	79.3	104.5	-24%
Plot reserve, floor sq. m.	286,000	685,967[1]	-58%
Cost of completion	15	25[1]	-42%

[1] The figures from the turn of the year revised in connection with Interim Report 1–3/2017.

The segment's revenue remained stable year-on-year.

The segment's operating profit increased by 32% to EUR 50.4 million, and operating profit margin was 6.2% (4.8). The operating profit includes adjusting items of EUR -5.9 million related to revaluation of balance sheet items reported under the segment.

The segment's adjusted operating profit was EUR 56.3 million, and adjusted operating profit margin was 6.9% (4.8). The segment's profitability was boosted especially by the completion of Kasarmikatu 21 office property sales transaction.

In 2017, YIT signed the contracts with the City of Espoo on the school, high-school and day care life cycle projects as well as with the City of Kuopio on implementation of Kuntolaakso life-cycle project project in co-operation with Caverion. YIT's share of the school, high-school and day care life cycle projects is approximately EUR 39 million and a part of the projects was recorded in the order backlog during the year. The value of the Kuntolaakso project for YIT is approximately EUR 36 million. In April, YIT signed a final agreement of the implementation of the hotel for the Tripla project. The agreement has been closed and the value of the project for YIT is approximately EUR 88 million. In addition, the city and road maintenance contracts started in October were recorded in the order backlog. The combined sum of the five-year maintenance contracts is over EUR 100 million.

The Tripla project progressed as planned and in the end of the period, the occupancy rate of Mall of Tripla was approximately 63%, in January, it rose to over 70%. The occupancy rate of Mall of Tripla has been calculated based on binding lease agreements. In addition, the first significant long-term tenancy of the Tripla office spaces was signed. In October, the candidate coalition consisting of YIT and VR Track was selected as the construction contractor for the Jokeri Light Rail. The project partners have signed an alliance contract on the development stage. In addition, Regenero, a joint venture formed by YIT and HGR Property Partners, acquired properties in Keilaniemi, Espoo, Finland for a development project.

YIT strengthened its position in renovation services according to its strategy. In December, the company announced to have signed set of agreements of the acquisition of Projektipalvelu Talon Tekniikka Oy. The acquisition will be implemented during the first quarter of 2018.

A property company of YIT, Ahlström Capital and HGR Property Partners signed a contract in August on the sale of the Kasarmikatu 21 office property and the sales transaction was completed in December. The property has been fully lent with exceptionally long lease agreements.

THE LARGEST ONGOING SELF-DEVELOPED BUSINESS PREMISES PROJECTS

Project, location	Value, EUR million	Project type	Completion rate,%	Estimated completion	Sold/ for sale	Leasable area, sq. m.
Mall of Tripla, Helsinki	~600	Retail	46	2019	YIT's ownership 38.75%	85,000
Tripla hotel, Helsinki	~88	Hotel	26	3/20	Sold	20,000
Local service centre Hertsi, Helsinki	n/a	Retail	0	2/20	Sold	20,000
K3 Wihuri, Vantaa	n/a	Logistics/Office	88	4/18	Sold	25,000
K3 Posti terminal, Vantaa	~29	Logistics	67	6/18	Sold	26,000

THE LARGEST ONGOING BUSINESS PREMISES AND INFRASTRUCTURE CONTRACTS

Project	Value, EUR million	Project type	Completion rate,%	Estimated completion
E18 Hamina-Vaalimaa motorway	~260	Infra	97	12/18
Tampere light railway	~110	Infra	23	12/21
Myllypuro Campus, Metropolia, Helsinki	~70	Public premises	28	8/19
Helsinki Central Library	~50	Public premises	48	9/18
Kuntolaakso, Kuopio	~36	Public premises	0	7/20

RESEARCH AND DEVELOPMENT

In 2017, research and development activities continued in development projects on themes derived from the strategy, and as part of the development of self-developed projects. In line with the strategy, development activities were enhanced and refocused based on three ongoing development programmes: Performance Leap, Renovation Services and Living Services. The development programmes have been supported by improvements in customer insight and the customer experience, along with strategic development related to utilising information. In 2017, a significant part of the development resources participated in the preparations of YIT's and Lemminkäinen's merger.

The company's rapid renewal to adapt to the changing market environment was expedited through implementing internal changes in operating practices, building partnerships and engaging in deeper work with customers. The culture of experimentation was strengthened and external stakeholders were involved with new initiatives – such as by organising innovation competitions. The changes help YIT expedite its renewal and further increase its competitiveness as it moves towards its vision of bringing more life into sustainable cities.

The target for the Performance Leap development programme is to reduce the production costs of construction by at least 15% in the residential construction and to improve competitiveness in the Business Premises and Infrastructure segment by 10% through the development of operating models and the product rather than cost cuts. The idea is to introduce more co-operation and interaction skills to YIT's existing operating chain while eliminating waste in working and operating methods.

The Performance Leap is based on improvement in areas such as the following: Ensuring competence, Design management, Partnerships and prefabricates, and Performance of worksites. Data-driven management and Building Information Models are also among the key focus areas of the programme.

The Renovation Services development programme is designed to strengthen YIT's position as a renovation company, utilising YIT's extensive project development and contracting expertise. Co-operation will also take place with the Urban and Project Development unit in developing the area renovation concept.

The Renovation Services development programme is used to increase renovation project volume, seek growth in renovation project development and develop the renovation of housing companies and entire areas by creating new concepts.

The Living Services development programme's target is to develop new business and business models that support housing and make the customer's life easier. The development programme also focuses on improving the customer experience and digitalising the customer path further. Moreover, the programme includes creating new businesses based on data.

Data is continuously accumulated in tremendous amounts through services, devices, processes and statistics. Data will assume a central role in the business and it can be harnessed as a competitive advantage by creating value for the business and the customer. Combining external and internal data provides a clearer view to support operations and management, as well as more accurate forecasts on matters such as customer behaviour and demand trends. Modern solutions help turn data into value and competitive advantage even faster, more cost-efficiently and more reliably. Data also makes it possible to pursue entirely new business models.

In housing, the focus areas of develowpment included electronic customer channels, profitability control methods and the product offering. YIT has launched the new flexible Smartti housing concept and started nine Smartti projects in different parts of Finland, consisting of more than 400 apartments in total. In Russia, the YIT Service business is developed actively. YIT Service's clientele increased by 30% during the year and it is responsible for the service and maintenance of over 34,000 apartments, 5,500 parking spaces and 2,000 business premises, totalling almost 42,000 clients. In customer projects, the company has invested in developing and implementing solutions for increasing the comfortness of public premises and yards. The digitisation of customer path is also visible in Russia. The customer experience has been improved by implementing increasingly up-to-date access channels that enable the smooth communication between the customer and YIT. Development work has been also conducted with dynamic house pricing and flexible floor design solutions.

In the Business Premises and Infrastructure segment, the focus was particularly on developing project management and development work related to the customer experience and customer relationships. Active development efforts continued in relation to urban development, hybrid projects, care projects and other concepts. As a prime example of the successful development of large-scale projects, good progress was made in the Tripla project in Central Pasila. Alliance projects, public-private partnership projects and other co-operative projects and related competencies were also actively developed.

Strategic information management projects continued the development of business-supporting analysis and reporting and had first business benefits in the areas of customer and sales analytics, among others. In terms of other areas, focus was paid on the finalisation of the implementation of the systems related to construction, human resources management and financial management. In terms of information security, further development was made in observation and solution capability and testing its functionality. Also the activities in order to fulfill the EU's General Data Protection Regulation have been a part of the development activity.

Other Group-wide development themes in 2017 were occupational safety, quality and sustainability. In the scientific community, more systematic co-operation with key educational institutions was implemented, including participation in several research projects.

The Group's research and development costs in 2017 amounted to EUR 18.9 million (15.8), representing 1% (1) of the Group's IFRS revenue.

RESOLUTIONS PASSED AT THE GENERAL MEETINGS

RESOLUTIONS PASSED AT THE ANNUAL GENERAL MEETING

The Annual General Meeting of YIT Corporation was held on March 16, 2017. The Annual General Meeting adopted the 2016 financial statements and discharged the members of the Board of Directors and the President and CEO from liability. The Annual General Meeting decided on the dividend payout, the composition of the Board of Directors and their fees, the election of the auditor and its fees as well as authorising the Board of Directors to decide on the repurchase of company shares and share issues.

It was decided that a dividend of EUR 0.22 be paid per share, or a total of EUR 27.6 million, as proposed by the Board of Directors, and that the remainder of the earnings be retained in distributable equity. No dividend was paid on treasury shares. The right to a dividend rested with a shareholder who, by the record date of March 20, 2017, had been entered as a shareholder in the company's shareholder register maintained by Euroclear Finland Ltd. It was decided that the dividend would be paid on April 4, 2017.

The Annual General Meeting resolved to elect a Chairman, Vice Chairman and four ordinary members to the Board of Directors for a term ending at the close of the next Annual General Meeting following their election, namely: Matti Vuoria as Chairman, Juhani Pitkäkoski as Vice Chairman and Satu Huber, Erkki Järvinen, Inka Mero and Tiina Tuomela as members.

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

- Chairman of the Board: EUR 79,200
- Vice Chairman and the Chairman of the Audit Committee: EUR 60,000, and
- members EUR 46,800

In addition, it was decided that the award and payment of the fixed annual fee be contingent on the Board members committing to purchasing directly, based on the resolution of the Annual General Meeting, YIT Corporation shares amounting to 40% of the fixed annual fee from a regulated market (Nasdaq Helsinki Ltd) at a price determined by public trading, and that the shares in question be purchased directly on behalf of the Board members. The shares shall be purchased within two weeks of the publication of the interim report for the period January 1–March 31, 2017.

It was also decided that the Board members be paid a meeting fee of EUR 550 per meeting in addition to the fixed annual fee. In addition, the members of Board Committees are paid an attendance fee of EUR 550 for each committee meeting. Per diems for trips in Finland and abroad are paid in accordance with the state's travel compensation regulations.

PricewaterhouseCoopers, Authorised Public Accountants, was elected as the company's auditor, with Juha Wahlroos, Authorised Public Accountant, as chief auditor. The auditor's fees will be paid against the invoices approved by the company.

The Annual General Meeting authorised the Board of Directors to decide on the purchase of company shares as proposed by the Board of Directors. The authorisation covers the purchasing of a maximum of 10,760,000 company shares using the company's unrestricted equity. The authorisation reverses the authorisation to purchase the company's own shares issued by the Annual General Meeting on March 15, 2016. The authorisation is valid until March 31, 2018.

The Annual General Meeting authorised the Board of Directors to decide on share issues as proposed by the Board of Directors. The authorisation can be used in full or partially by issuing shares in the company in one or more share issues so that the total number of shares issued is 25,000,000. The Board of Directors has the right to decide on all of the terms and conditions of the share issues.

The share issue authorisation also includes the Board of Director's authorisation to decide on the transfer of a maximum of 12,400,000 treasury shares irrespective of the purpose for which the treasury shares originally were acquired. The authorisation reverses the authorisation to decide on share issues by the Annual General Meeting on March 15, 2016. The authorisation is valid until March 31, 2018.

RESOLUTIONS PASSED AT THE EXTRAORDINARY GENERAL MEETING

The Extraordinary General Meeting of YIT Corporation ("YIT" or the "Company") held on September 12, 2017, resolved on the statutory absorption merger of Lemminkäinen Corporation ("Lemminkäinen") into YIT in accordance with the merger plan approved by the Boards of Directors of YIT and Lemminkäinen registered at the Trade Register of the Finnish Patent and Registration Office on June 20, 2017 (the "Merger Plan"). Pursuant to the Merger Plan, Lemminkäinen shall be merged into YIT through an absorption merger so that all assets and liabilities of Lemminkäinen shall be transferred without a liquidation procedure to YIT and Lemminkäinen will be dissolved. The resolution on the merger included, inter alia, the following key items:

The General Meeting approved the amended Articles of Association of YIT in the form appended to the Merger Plan. The amendments set out in the Merger Plan mainly include technical amendments to most of the sections of the Articles of Association. The amended Articles of Association of YIT have been appended in their entirety to the Stock exchange release published on September 12.

It was resolved that the shareholders of Lemminkäinen shall receive as merger consideration 3.6146 new shares of YIT for each share owned in Lemminkäinen, that is, the merger consideration shall be issued to the shareholders of Lemminkäinen in proportion to their existing shareholding with a ratio of 3.6146:1. In case the number of shares received by a shareholder of Lemminkäinen as merger consideration would be a fractional number, the fractions shall be rounded down to the nearest whole number. Fractional entitlements to new shares of YIT shall be aggregated and sold in public trading on Nasdaq Helsinki Ltd. and the proceeds shall be distributed to shareholders of Lemminkäinen entitled to receive such fractional entitlements in proportion to holding of such fractional entitlements. Any costs related to the sale and distribution of fractional entitlements shall be borne by YIT. The total number of shares issued as merger consideration shall be rounded down to the nearest full share. Based on the number of issued and outstanding shares in Lemminkäinen on September 11, 2017, a total of 83,876,431 new shares in YIT would be issued to shareholders of Lemminkäinen as merger consideration.

The General Meeting resolved that the total number of members of the Board of Directors, including the Chairman and Vice-Chairman of the Board of Directors, shall be eight (8).

Inka Mero, Tiina Tuomela and Erkki Järvinen were elected to continue to serve on the Board of Directors of YIT and the current members of the Board of Directors of Lemminkäinen, Juhani Mäkinen, Kristina Pentti-von Walzel and Harri-Pekka Kaukonen were elected as new members of the Board of Directors of YIT, and Matti Vuoria, currently Chairman of the Board of Directors of YIT, was elected to continue as Chairman of the Board of Directors of YIT and Berndt Brunow, currently Chairman of the Board of Directors of Lemminkäinen, was elected as new Vice-Chairman of the Board of Directors of YIT, each for the term commencing on the date of registration of the execution of the merger and expiring at the end of the next Annual General Meeting of YIT.

In line with the resolutions of the Annual General Meeting of YIT held on March 16, 2017, the General Meeting resolved that the new members of the Board of Directors of YIT to be elected for a term of office commencing on the date of registration of the execution of the merger and expiring at the end of the first Annual General Meeting of YIT following the date of registration of the execution of the merger be paid the following remuneration: to the Chairman of the Board EUR 79,200 per year, to the Vice Chairman of the Board of Directors and the Chairman of the Audit Committee EUR 60,000 per year and EUR 46,800 per year to the other members of the Board of Directors. The annual remuneration of the new Board members elected hereunder shall be paid in proportion to the length of their term of office.

In addition to the fixed annual remuneration, the new members of the Board of Directors will be paid a meeting fee of EUR 550 per meeting and the new members of the committees of the Board of Directors will be paid a meeting fee of EUR 550 per each committee meeting. Per diems were resolved to be paid for trips in Finland and abroad in accordance with the State’s travelling compensation regulations.

The award and payment of the fixed annual remuneration is contingent on the Board members committing to purchase directly based on the resolution of the Extraordinary General Meeting YIT Corporation shares from a regulated market (Nasdaq Helsinki Ltd.) at a sum corresponding to 40% of their fixed annual remuneration at a price determined in the public trading, and that the shares in question will be purchased directly on behalf of the Board members. The shares shall be purchased by a financial intermediary based on a purchase order given on behalf of the Board member within two weeks of the publication of the first interim report to be published after the execution of the merger. Otherwise the resolutions on Board remuneration made by the Annual General Meeting held on March 16, 2017 shall remain in force unaffected.

The above resolutions on amendment of the Articles of Association, issuance of new shares as merger consideration, members, composition and remuneration of the Board of Directors as well other matters determined by the Merger Plan, are conditional and will become effective upon the registration of the execution of the merger. The completion of the merger is subject to, inter alia, merger control approvals from competition authorities and approval of the Extraordinary General Meeting of Lemminkäinen to be held today, on September 12, 2017. YIT will publish a stock exchange release regarding the resolutions passed by Lemminkäinen's Extraordinary General Meeting today after Lemminkäinen's Extraordinary General Meeting. The merger was (at the time of the Extraordinary General Meeting) intended to be completed either on November 1, 2017 or on January 1, 2018, as possible.

The General Meeting resolved that, in deviation from the current standing order of the YIT Shareholders' Nomination Board, the right to nominate members to the Nomination Board preparing proposals for General Meetings to be held during 2018 shall rest with the three largest shareholders who are registered in the shareholders' register on the registration date of the execution of the merger or, if not a business day, on the first business day following such registration date. Further, it was resolved that in case the execution of the merger has not taken place by November 1, 2017, the Nomination Board shall have a reasonable time to prepare its proposals before the Annual General Meeting 2018 instead of having time until the end of January 2018 and that the Nomination Board shall in such case publish its proposals as soon as practically possible. In all other respects the Nomination Board shall follow the current Standing Order.

ORGANISATION OF THE BOARD OF DIRECTORS

YIT Corporation's Board of Directors held its organizational meeting on March 16, 2017. In the meeting, the Board decided on the composition of the Personnel Committee and the Audit Committee.

From among its number, the Board elected Matti Vuoria as chairman and Satu Huber and Inka Mero as members of the Personnel Committee. From among its number, the Board elected Erkki Järvinen as chairman and Juhani Pitkäkoski and Tiina Tuomela as members of the Audit Committee.

ORGANISATIONAL CHANGES AND CHANGES IN COMPANY MANAGEMENT

As of January 1, 2017 The Group Management Board comprised of:

- Kari Kauniskangas, Chairman, President and CEO of YIT Corporation
- Tero Kiviniemi, Vice Chairman, YIT Corporation's Executive Vice President, Head of Business Premises and Infrastructure segment
- Esa Neuvonen, Chief Financial Officer
- Teemu Helppolainen, Head of Housing Russia segment
- Antti Inkilä, Head of Housing Finland and CEE segment
- Juha Kostiainen, Senior Vice President, Sustainable Urban Development
- Juhani Nummi, Senior Vice President, Business Development
- Pii Raulo, Senior Vice President, Human Resources

There were changes in YIT's Group Management Board during the year. In October, Tero Kiviniemi, Executive Vice President of YIT, announced to resign from the company. YIT Corporation's Board of Directors nominated Chief Financial Officer Esa Neuvonen to act as Executive Vice President, and Timo Lehmus as Head of Business Premises and Infrastructure segment until the execution of the merger of YIT and Lemminkäinen. Both appointments became effective as of October 9, 2017.

CORPORATE GOVERNANCE STATEMENT

YIT has prepared a separate Corporate Governance Statement for 2017 in accordance with the recommendation of the Finnish Corporate Governance Code. The statement is published on our website.

PERSONNEL

Personnel by business segment	12/17	12/16	Change
Housing Finland and CEE	1,787	1,695	5%
Housing Russia	1,354	1,428	-5%
Business Premises and Infrastructure	2,044	1,940	5%
Group Services	242	198	22%

Personnel by geographical area	12/17	12/16	Change
Finland	3,319	3,120	6%
Russia	1,365	1,418	-4%
The CEE countries	743	723	3%
Group, total	5,427	5,261	3%

In 2017, the Group employed 5,533 people on average (5,361). As a result of unifying operations, people in certain positions in segments were transferred to Group services which, in addition to the recruitment of trainees, had an impact on the year-on-year growth of the Group Services' personnel.

Personnel expenses totalled EUR 275.7 million (250.3). The cost effect of YIT's share-based incentive scheme was EUR 3.1 million (3.2).

The Board of Directors of YIT Corporation decided on March 16, 2017, to launch a new share-based incentive scheme for key persons, comprising three earnings periods. Return on investment (ROI) is the key indicator in the scheme. Besides this, a target related to the Group's Net Promoter Score (NPS) has been set for 2017.

There were changes in YIT's Group Management Board during the year. In October, Tero Kiviniemi, Executive Vice President of YIT, announced to resign from the company. YIT Corporation's Board of Directors nominated Chief Financial Officer Esa Neuvonen to act as Executive Vice President, and Timo Lehmus as Head of Business Premises and Infrastructure segment until the execution of the merger of YIT and Lemminkäinen. Both appointments became effective as of October 9, 2017.

Additional information on personnel related issues is published in the section YIT Group Statement of non-financial information of the report.

STRATEGIC OBJECTIVES AND THE OUTCOME IN 2017

The YIT Board of Directors approved on September 26, 2016 the company's renewed strategy for the three-year period 2017–2019. The engine for growth and profitability is urban development involving partners.

Along with the renewed strategy, the company's Board of Directors confirmed also the financial targets and specified the cash flow target. Going forward, the cash flow target is operating cash flow after investments[1] sufficient for paying dividends. Previously, the company has communicated that the target is to have sufficient operating cash flow after investments[1] for paying dividends and reducing debt. However, the aim is not to increase the net debt level. The surplus of cash flow will be used to accelerate the growth. At the same time, the improvement of the key figures is expected to be realised primarily through improvement of the company's profitability and operative result. Other long-term targets remain unchanged.

In YIT's Capital Markets Day on September 28, 2017, the progress of the implementation of the strategy and financial targets was presented. The presentation materials and recordings from the Capital Markets Day are available at www.yitgroup.com/investors.

Long-term financial targets	Target level	Outcome 2017
Revenue growth	5–10% annually on average	7%
Return on investment	15%	8.8%
Operating cash flow after investments[1]	Sufficient for paying dividends	EUR 164.5 million
Equity ratio	40%	35.1%
Dividend payout	40–60% of net profit for the period	50.0%[2]

The target levels are based on segment reporting (POC).
[1]Excluding discontinued operations [2]The Board of Directors' proposal to Annual General Meeting

MOST SIGNIFICANT SHORT-TERM BUSINESS RISKS

The general economic development, functioning of the financial markets and the political environment in YIT's operating countries have a significant impact on the company's business. Negative development in consumers' purchasing power, consumer or business confidence, the availability of financing for consumer or business, or general interest rate level would likely weaken the demand for YIT's products and services. A drop in residential prices or an increase in investors' yield requirements would pose a risk for the profitability of the company, should these factors materialise.

There is still significant uncertainty related to the economic development of Russia, although the situation seems to have improved. The volatility of the oil price and the ruble, geopolitical tensions and inflation may have an influence on the demand for apartments due to a weakening in purchasing power and consumer confidence. Declining purchasing power and oversupply of apartments also impact the development of residential prices.

In 2017, Finland accounted for 73% of the company's revenue, which highlights the significance of Finland's economic development for YIT's business. The slowing growth of the Finnish economy and the indebtedness of the public sector may weaken consumers' purchasing power and general confidence, which would have a negative impact on the demand for apartments and business premises. An increase of public sector debt could also make it more difficult to finance infrastructure investments. Investors have played a central role in YIT's Finnish business in recent years. An increase in price levels, rental accommodation offering and/or weakening in tenant demand on the business premises or residential market and better yield of alternative investments could lead to a significant decrease in investor demand. Increased supply and slowdown of population growth or depopulation can pose a local risk for residential demand.

Ensuring competitive products and services corresponding to customer demand is critical for YIT's business. Changes in customer preferences and in the offerings of competitors present risks related to the demand for the company's products and services. New competitors, business models and products on the housing market may present risks related to the demand for the company's products and services.

Especially in Finland and the CEE countries, the availability of the resources needed for growing the production volume might prevent increasing the production as planned. Competitors' need for resources also presents a risk of losing key personnel and expertise. The overheating of market, should it materialise, has an impact on price levels and availability of resources, among other things.

The preparation of the merger takes time from the key personnel, causes uncertainty among employees and activates competitors to recruitment attempts. The company has taken planned measures to mitigate these risks. The total synergies from combining the companies are expected to be approximately EUR 40 million annually, and they are expected to materialise in full by the end of 2020. The assumptions related to the synergy benefits and integration costs are by nature uncertain and liable to numerous significant risks and uncertainties related to business, economy and competition. More detailed information on the risks related to the merger is published in the merger prospectus. The merger prospectus is available on YIT's website at www.yitgroup.com.

Most of the company's business is project business, meaning that successful project management plays an integral role in ensuring the company's profit. The most significant project management risks are related to factors such as pricing, planning, scheduling, procurement, cost management and, in the company's self-developed business, also the management of sales risk. YIT's major business premises and infrastructure projects in Finland, such as the Tripla project, make up a significant share of the company's expected revenue in coming years, meaning that successful project management in the projects is integral.

Generally increased activity in cyber criminality may cause risks for the company's operations and information security.

Changes in legislation and authorities' permit processes may slow down the progress of projects or prevent them from being realised. There are uncertainty factors related to authorities' actions, permit processes and their efficiency particularly in Russia and the CEE countries.

The improvement of the capital turnover will continue as a part of normal business. The company's target is to decrease the capital employed in Russia by RUB 6 billion by the end of 2018 from the situation of the end of June 2016. Measures to release capital in a challenging market situation involve the risk of financial losses.

The most significant financial risks are the risks related to foreign exchange rate development and the availability of financing. The availability of financing may be affected by negative development in Scandinavian residential construction market. The Group's most significant currency risk is related to ruble-denominated investments, that will be covered in more detail in the Capital structure and liquidity position section. More information on financial risks and their management is provided in Note 28 to the financial statements.

LEMMINKÄINEN'S LEGAL PROCEEDINGS

The merger of YIT and Lemminkäinen becomes effective on February 1, 2018 and as a result of the execution of the merger, all the assets, debts and liabilities of Lemminkäinen, including on-going litigations, are transferred to YIT. Due to the merger YIT reports a summary of Lemminkäinen's on-going litigations based on information published by Lemminkäinen. The litigations are covered more extensively in Lemminkäinen's Financial Statements 2017 bulletin, which is available on YIT's website www.yitgroup.com.

DAMAGES RELATED TO THE ASPHALT CARTEL

On 6 September 2017, the Supreme Court of Finland announced that it had granted leave to appeal to Lemminkäinen and certain cities regarding the legal proceedings concerning the damages related to the asphalt cartel.

On 20 October 2016, the Court of Appeal of Helsinki gave its decisions in the legal proceedings concerning the damages related to the asphalt cartel. According to the decisions, Lemminkäinen was entitled to receive refunds (based on Lemminkäinen's own share and those shares of other defendants that Lemminkäinen has paid) in total approximately EUR 19 million consisting of capital as well as interest and legal expenses.

Lemminkäinen has as such deemed the claims for damages unfounded.

In addition, Lemminkäinen has been served summons regarding 21 claims against Lemminkäinen and other asphalt companies for damages. The capital amount of these claims is approximately EUR 26 million. For these claims, Lemminkäinen has made a provision worth approximately EUR 3.1 million based on the Helsinki Court of Appeal's decisions and the subsequent Supreme Court's decisions regarding the applications for leave to appeal.

QUOTAS RELATED TO THE USE OF RECYCLED ASPHALT

On 11 April 2017, the Helsinki Court of Appeal gave its decision concerning environmental infraction charges. The decision is related to the quotas for the amount of recycled asphalt used in asphalt mass production, as defined in the environmental permits of the Lemminkäinen's Sammonmäki asphalt plant in Finland.

As the District Court, the Court of Appeal viewed that the use of recycled asphalt in asphalt production does not spoil the environment. However, two Lemminkäinen employees were sentenced to fines for breaching the environmental protection law as the asphalt plant had used more recycled asphalt than allowed in the environmental permit. In addition, Lemminkäinen was sentenced to a confiscation of illegal profit of EUR 3.4 million.

Lemminkäinen has as such deemed the claim without foundation. Lemminkäinen and one of its employees have requested leave to appeal from the Supreme Court concerning Helsinki Court of Appeal's decision.

QUALITY CONCERNS RELATED TO READY-MIXED CONCRETE

In its construction business Lemminkäinen uses as a raw material, among other things, ready-mixed concrete. During the year 2016, especially in some infrastructure projects, suspicions have arisen that the ready-mixed concrete used in Finland would not entirely fulfill the predetermined quality requirements.

The Hospital District of Southwest Finland, as client in the project for the construction of the concrete deck of the T3 building of Turku University Hospital, has presented claims for damages to Lemminkäinen relating to the quality of the ready-mixed concrete. The capital amount of these claims is currently approximately EUR 17 million.

According to Lemminkäinen, the responsible party for the quality of the concrete is the supplier. Consequently, Lemminkäinen has filed a claim for compensation from the supplier regarding the expenses relating to possible quality deviations. The capital amount of the claim is currently approximately EUR 20 million.

Lemminkäinen has not made any provisions for the claims.

SHARES AND SHAREHOLDERS

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

SHARE CAPITAL AND NUMBER OF SHARES

YIT Corporation's share capital and the number of shares outstanding did not change during the year. YIT Corporation's share capital was 149,216,748.22 euros in the beginning of 2017 (2016: 149,216,748.22) and the number of shares outstanding was 127,223,422 (2016: 127,223,422).

TREASURY SHARES AND AUTHORISATIONS OF THE BOARD OF DIRECTORS

The Annual General Meeting of YIT Corporation resolved on March 16, 2017, to authorise the Board of Directors to decide on the repurchase of company shares and share issues as proposed by the Board of Directors. The authorisation is valid until March 31, 2018. The share issue authorisation also includes an authorisation to decide on the transfer of treasury shares.

YIT Corporation held 1,646,767 treasury shares at the beginning of the year 2017. The Board of Directors of YIT Corporation decided on April 26, 2017 on a directed share issue in which 238,554 YIT Corporation shares were issued and conveyed without consideration to the key persons participating in the incentive scheme according to the terms and conditions of the incentive scheme. The company held 1,408,213 treasury shares in the end of December.

No shares were returned to the company during the year.

TRADING ON SHARES

The opening price of YIT's share was EUR 7.60 on the first trading day of 2017. The closing price of the share on the last trading day of the year on December 29, 2017 was EUR 6.37. YIT's share price decreased by approximately 16% during the year. The highest price of the share during the year was EUR 8.09, the lowest EUR 5.97 and the average price was EUR 6.94. Share turnover on Nasdaq Helsinki in 2017 was approximately 155.0 million (127.8) shares. The value of the share turnover was approximately EUR 1,075.0 million (784.5), source: Nasdaq Helsinki.

During the year, approximately 126.0 million (134.9) YIT Corporation shares changed hands in alternative market places, corresponding to approximately 45% (51) of the total share trade, source: Fidessa Fragmentation Index.

YIT Corporation's market capitalisation on the last trading day of the year on December 29, 2017 was EUR 801.4 million (December 30, 2016: 953.1). The market capitalisation has been calculated excluding the shares held by the company.

NUMBER OF SHAREHOLDERS AND FLAGGING NOTIFICATIONS

At the end of December, the number of registered shareholders was 43,619 (40,016) and a total of 16.0% of the shares were owned by nominee-registered and non-Finnish investors (29.5).

During the year, YIT did not receive announcements under Chapter 9, Section 5 of the Securities Markets Act.

MANAGERS' TRANSACTIONS

YIT's managers' transactions from the year have been published as stock exchange releases and are available on YIT's website at www.yitgroup.com.

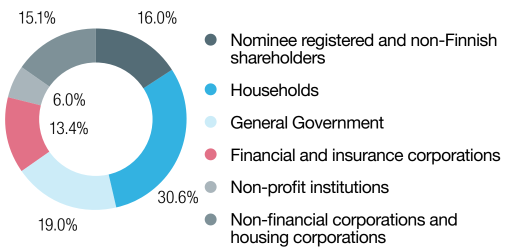
MAJOR SHAREHOLDERS, DECEMBER 31, 2017

	Shareholder	Number of shares	% of shares and voting rights
1	Varma Mutual Pension Insurance Company	12,000,000	9.43
2	OP funds	5,101,871	4.01
3	Herlin Antti	4,710,180	3.70
4	Elo Mutual Pension Insurance Company	3,335,468	2.62
5	The State Pension Fund	3,275,000	2.57
6	Danske Invest funds	3,253,169	2.56
7	Virala Oy Ab	3,124,054	2.46
8	Ilmarinen Mutual Pension Insurance Company	2,120,000	1.67
9	Föreningen Konstsamfundet r.f.	1,623,000	1.28
10	Aktia funds	1,530,000	1.20
11	OP Cooperative	1,428,683	1.12
12	Etera Mutual Pension Insurance Company	1,410,000	1.11
13	YIT Oyj	1,408,213	1.11
14	Evli funds	1,379,238	1.08
15	Mandatum Life Insurance Company Ltd.	1,000,000	0.79
	200 largest shareholders total	86,274,725	67.81
	Nominee registered	19,481,458	15.31
	Other shares	21,467,239	16.87
	Total	**127,223,422**	**100.00**

OWNERSHIP BY NUMBER OF SHARES HELD, DECEMBER 31, 2017

Number of shares	Number of shareholders	%	Shares	%
1–100	10,848	24.87	652,635	0.51
101–500	16,865	38.66	4,786,064	3.76
501–1,000	7,105	16.29	5,667,803	4.46
1,001–5,000	7,257	16.64	16,249,503	12.77
5,001–10,000	876	2.01	6,314,173	4.96
10,001–50,000	523	1.20	10,211,116	8.03
50,001–100,000	64	0.15	4,600,585	3.62
100,001–500,000	54	0.12	12,148,529	9.55
500,001–	27	0.06	66,593,014	52.34
Total	**43,619**	**100**	**127,223,422**	**100**

OWNERSHIP BY SECTOR DECEMBER 31, 2017



BOARD OF DIRECTORS' AND MANAGEMENT'S SHAREHOLDING, DECEMBER 31, 2017

	Number of shares	% of share capital
The Board of Directors	75,728	0.06
President and CEO	30,374	0.02
Deputy to the President and CEO	0	0.00
The Group's Management Board excluding the President and CEO and his deputy	69,716	0.05
Total	**175,818**	**0.14**

The information is based on the shareholder register maintained by Euroclear Finland Ltd.

Each nominee-registered shareholder is recorded in the share register as a single shareholder. The ownership of many investors can be managed through one nominee-registered shareholder.

OTHER IMPORTANT EVENTS DURING THE REVIEW PERIOD

MERGER OF YIT AND LEMMINKÄINEN

YIT Corporation and Lemminkäinen Corporation announced on June 19, 2017 the plan to combine the two companies.

Through the combination, a platform for the growth into one of the leading urban developers in the Northern European construction market is created.

The combination of YIT and Lemminkäinen is expected to create significant value for the shareholders of the combined company through decreased sensitivity to economic cycles and improved competitiveness providing a strong platform for growth. The combination of YIT and Lemminkäinen will form a balanced business portfolio of Housing, Business Premises, Infrastructure and Partnership Properties (a new business area as of January 1, 2018).

The combination will be implemented as a statutory absorption merger whereby Lemminkäinen is merged into YIT, Lemminkäinen's shareholders will receive YIT shares as merger consideration and Lemminkäinen will be dissolved. Lemminkäinen's shareholders will receive as merger consideration 3.6146 new shares in YIT for each share in Lemminkäinen owned by them, corresponding to an ownership in the combined company post-completion of 60% for YIT shareholders and 40% for Lemminkäinen shareholders. As a result of the registration of the completion of the merger, the number of YIT's shares increases to 211,099,853 shares in total and the share capital is increased by EUR 500,000 to EUR 149,716,748.22 .

The Finnish Financial Supervisory Authority approved the merger prospectus concerning the merger of YIT and Lemminkäinen on August 24, 2017 and granted an exemption from the obligation to publish listing prospectus. YIT published the merger prospectus on its website on August 25, 2017 and a Stock Exchange release on the supplement to the merger prospectus on September 7, 2017.

The Extraordinary General Meetings of YIT and Lemminkäinen held on September 12, 2017 approved the merger. YIT published the notice to the General Meeting as a Stock Exchange release on July 27, 2017 and Stock Exchange releases on resolutions passed at the Extraordinary General Meetings on September 12, 2017. PEAB AB was the only shareholder who voted against the merger of YIT and Lemminkäinen and demanded redemption of its shares at the Extraordinary General Meeting of Lemminkäinen on September 12, 2017. PEAB AB announced on October 9, 2017 that it has divested its entire holding in Lemminkäinen Corporation. As a result of the divestment, the redemption claim concerning the shares presented by PEAB at the General Meeting of Lemminkäinen became void and in connection with the combination of the companies, the entire merger consideration will be given as YIT shares.

After the review period, The Finnish Competition and Consumer Authority (the "FCCA") approved the merger on January 26, 2018. Already earlier, the competition authorities of Russia, Slovakia, Estonia and Lithuania have approved the merger and the merger does not require authority permits in other countries. The Boards of Directors of both companies approved the completion of the merger on January 31, 2018 and the merger has been notified in the Finnish Trade Register so that the merger is completed on February 1, 2018. As a result of the registration of merger completion, the resolutions of the Extraordinary General Meeting of YIT held on September 12, 2017 regarding the composition of the Board of Directors, Amendment of the Articles of Association, the right to nominate members to YIT's Nomination Board among others, become effective, as well as the financing arrangements agreed in connection with the merger, and other actions that YIT announced in the Stock Exchange Release regarding the merger completion on January 31, 2018.

YIT will publish pro forma information regarding the combined company from the financial period ended on December 31, 2017 before publishing of the Interim Report from the first quarter 2018.

The Stock Exchange releases, merger prospectus and other material concerning the merger are available at yitgroup.com/merger.

NEW PARTNERSHIP PROPERTIES SEGMENT

YIT Corporation's Board of Directors has decided to establish a new segment, Partnership Properties, as of the beginning of 2018. The new segment will focus on financing the development of significant projects as well as owning and timely divestment of plots and developed properties. According to its strategy, YIT targets to make the majority of big and long-term investments with partners. Esa Neuvonen is responsible for the segment for the time being.

Partnership Properties segment will be reported as a separate segment as of the beginning of 2018, which will improve the transparency of the value of YIT's project development portfolio. The execution of Kasarmikatu 21 project together with partners is a good example of the significance of owning in the initiation of projects and value creation for customers, partners and other stakeholders.

YIT published a Stock Exchange release regarding the Partnership Properties segment on June 19, 2017. The Stock Exchange release is available on YIT's website www.yitgroup.com.

GUIDANCE RAISE

YIT raised its guidance for 2017 on July 13, 2017 regarding both the Group revenue and the adjusted operating profit. According to the new guidance the Group revenue was estimated to grow by 5–12%. The adjusted operating profit was estimated to be in the range of EUR 105–115 million. The previous guidance estimated the Group revenue to grow by 0–10% and the adjusted operating profit to be in the range of EUR 90–105 million.

After the review period on January 12, 2018, YIT published a Stock Exchange Release where it announced to raise its estimate regarding the adjusted operating profit for 2017 and book a cost related to revaluation of balance sheet items. More information is available in the Events after the review period section.

EVENTS AFTER THE REVIEW PERIOD

January 12, 2018 YIT raises its estimate regarding the adjusted operating profit for 2017 and books a cost related to revaluation of balance sheet items. YIT provided preliminary financial information regarding the adjusted operating profit and revenue for 2017. The preliminary adjusted operating profit exceeded the given guidance and the preliminary revenue is in accordance with the guidance. YIT revaluates balance sheet values of several plots or balance sheet items in Finland and Lithuania reported under Business Premises and Infrastructure and Housing Finland and CEE segments. Only minor revaluations were made in Housing Russia segment. The cost to be booked now was announced to be EUR 14 million at the most.

January 26, 2018 The FCCA has given the final approval decision for the merger of YIT and Lemminkäinen, which is intended to be completed on February 1, 2018.

January 31, 2018 The Boards of Directors of both companies approved the completion of the merger on January 31, 2018 and the merger has been notified in the Finnish Trade Register so that the merger is completed on February 1, 2018.

In January, residential sales to consumers are estimated to be around 120 units in Finland (1/17: around 150), around 80 units in the CEE countries (1/17: around 80) and nearly 200 units in Russia (1/17: around 150).

OUTLOOK FOR 2018

Due to the merger of YIT and Lemminkäinen, YIT does not issue numerical guidance for the Group but is issuing a general outlook that describes future development instead. YIT's outlook is based on assumptions and the management's estimates of the development of demand in the Group's operating environment and segments. The Board of Directors will assess, and later announce, whether it is appropriate to issue numerical guidance for the merged company.

OUTLOOK BY SEGMENTS

Housing Finland and CEE: Consumer demand for apartments is expected to remain at a good level. Activity among large residential investors is expected to be lower than in the previous years.

Housing Russia: The demand for apartments is expected to remain at the same level as seen on average in the second half of 2017. Residential prices are expected to remain low.

Business Premises and Infrastructure: The rental demand for business premises is expected to remain at the previous year's level in growth centres. The contracting market is expected to remain active, but contract sizes are expected to decrease on average.

Partnership Properties: Activity among property investors is expected to remain at a good level, particularly for centrally located projects in the Helsinki metropolitan area and in major growth centres.

The adjusted operating profit is expected to fluctuate significantly between the quarters. The adjusted operating profit for the first quarter of 2018 is expected to be low due to normal seasonal variation.

Adjusted operating profit reflects the result of ordinary course of business and it does not include material reorganisation costs, impairment charges or other items affecting comparability. Adjusted operating profit is disclosed to improve comparability between reporting periods. Adjusting items are defined more precisely in the Financial Statements.

OUTLOOK BY REGIONS

FINLAND

Consumer demand for apartments is expected to remain at a good level. Activity among large residential investors is expected to be lower than in the previous years. Location and the price level will continue to play a key role.

The divergent development of apartment prices and demand between growth centres and the rest of Finland is expected to continue. The availability of mortgages is expected to remain good. The increased supply of apartments is anticipated to prevent the overheating of the market and therefore the rise of housing prices.

The rental demand for business premises is expected to remain at the previous year's level in growth centres. Activity among property investors is expected to remain at a good level, particularly for centrally located projects in the Helsinki metropolitan area and in major growth centres. The contracting market is expected to remain active, but contract sizes are expected to decrease on average. New infrastructure projects are expected to maintain the market volume at the current level.

High construction activity has led to increased competition for skilled professionals and the situation is expected to continue. Construction costs are estimated to increase slightly. Construction volume is expected to remain at a high level.

The increased regulation and higher capital requirements imposed on financial institutions may affect construction and property development.

RUSSIA

The demand for apartments is expected to remain at the same level as seen on average in the second half of 2017. In Russia, the low point of the economic cycle is now in the past, but residential demand is anticipated to only improve slowly and price levels are expected to remain low. The improved economic situation is anticipated to have a cautiously favourable impact on the residential market. Expectations of interest rate cuts are expected to influence consumer behaviour. Changes in regulations concerning residential transactions are expected to lead to increased volatility in supply and demand for apartments as well as changes in sales practices.

Demand in Russia is also expected to focus primarily on affordable apartments. Inflation in construction costs is expected to remain moderate.

THE CEE COUNTRIES

Residential demand is expected to remain at a good level. Residential prices are estimated to increase further. The prices of plots have increased and competition for plots is expected to remain intense. The availability of financing and low interest rates are expected to continue to support residential demand. The shortage of resources is expected to increase inflation in construction costs. The contracting market for business premises is expected to remain at the current level or decrease slightly in the Baltic countries.

FACTORS AFFECTING THE GUIDANCE

The most significant factors on which YIT can answer the market demand are sales and pricing, project management and project risk management, product development and the product offering, cost management, measures aiming to reduce production costs and measures affecting the capital efficiency.

Factors outside of YIT's sphere of influence are connected mainly to global economic development, the functionality of financing markets and the interest rate,the political environment, economic development in areas of operation, changes in demand for apartments and business premises, the availability of resources such as key persons, changes in public and private sector investments and changes in legislation, permit and authorisation processes and the duration thereof, as well as the development of foreign exchange rates.

Due to the long-term nature of construction and urban development projects, the changes in the demand may be quicker than the company's ability to adapt its offering.

BOARD OF DIRECTORS' PROPOSAL FOR THE DISTRIBUTION OF DISTRIBUTABLE EQUITY

The parent company's distributable equity on December 31, 2017 was EUR 307,179,682.03, of which the net profit for the financial year was EUR 32,266,156.86. After the distribution of dividends, the remaining profits will be left in the company's distributable assets.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.25 per share will be paid calculated with the number of shares outstanding on January 31, 2018. The total amount of proposed dividends is EUR 31,453,802.25, representing 55.6% of the net profit for the reporting period (IFRS) and 50.0% of net profit for the reporting period (POC) which is in accordance with the long-term financial targets.

No significant changes have taken place in the company's financial position after the end of the financial year.

The company's liquidity is good and, in the view of the Board of Directors, the proposed dividend payout does not jeopardise the company's solvency.

When assessing the divident proposal, the Board of Directors of the company has reviewed the company's solvency, result and financial position from the perspectives of the situations preceding and subsequent to the merger.

In the merger, Lemminkäinen's shareholders will receive 3.6146 new shares in YIT for each share in Lemminkäinen owned by them. As a result of the merger, the number of YIT's shares increases to 211,099,853 shares, of which 1,408,213 shares are held by the company in total. Considering the number of shares after the merger, a dividend of approximately EUR 52,422,910 is proposed to be paid, representing 92.6% of the net profit for the reporting period (IFRS).

ANNUAL GENERAL MEETING 2018

YIT Corporation's Annual General Meeting 2018 will be held on Friday, March 16, 2018. YIT's Board of Directors will summon the Meeting on a later date.

KEY FIGURES BASED ON GROUP REPORTING (IFRS)

Condensed consolidated income statement, EUR million	2017	2016	2015
Revenue	1,993.8	1,678.3	1,732.2
Operating profit	85.5	17.7	81.6
Operating profit margin, %	4.3	1.1	4.7
Profit before taxes	70.9	-2.5	61.3
Profit for the review period	56.6	-7.1	47.2
Attributable to equity holders of the parent company	56.6	-7.1	47.2
Attributable to non-controlling interest	0.0	0.0	0.0

Other key figures	2017	2016	2015
Operating cash flow after investments, EUR million	164.3	-43.3	183.7
Return on equity, %	10.0	-1.3	9.0
Return on investment, %	7.2	1.6	6.4
Equity ratio, %	33.2	31.2	32.9
Net interest-bearing debt, EUR million	455.0	598.6	529.0
Gearing ratio, %	88.7	112.3	101.1
Net interest-bearing debt / EBITDA	3.7	12.3	4.6
Gross capital expenditure on non-current assets, EUR million	80.1	83.5	12.0
% of revenue	4.0	5.0	0.7
Research and development expenditure, EUR million	18.9	15.8	15.8
% of revenue	0.9	0.9	0.9
Order backlog at the end of period, EUR million	2,912.7	3,048.2	2,467.3
Number of personnel at December 31	5,427	5,261	5,340
Number of personnel on average during the year	5,533	5,361	5,613

Share-related key figures	2017	2016	2015
Earnings per share, EUR	0.45	-0.06	0.38
Earnings per share, diluted, EUR	0.44	-0.06	0.37
Equity per share, EUR	4.49	4.49	4.16
Dividend per share, EUR	0.25 [1]	0.22	0.22
Dividend per earnings, %	55.6	-388.8	58.6
Effective dividend yield, %	3.9	2.9	4.2
Price/earnings ratio (P/E)	14.1	-134.1	13.9

[1] Board of Directors' proposal to Annual General Meeting

Share price trend	2017	2016	2015
Average share price, EUR	6.94	6.14	5.65
Low, EUR	5.97	4.32	4.26
High, EUR	8.09	8.07	7.21
Closing price at December 31, EUR	6.37	7.59	5.24
Market capitalisation at 31 December, EUR million	801.4	953.1	658.0

Share turnover trend	2017	2016	2015
Share turnover, thousands	154,955	127,791	157,857
Share turnover, % of shares outstanding	123.2	101.8	125.7
Weighted average number of shares outstanding, thousands	125,730	125,577	125,582
Weighted average number of shares outstanding, diluted, thousands	127,636	127,366	126,773
Number of shares outstanding at 31 December, thousands	125,815	125,577	125,579

KEY FIGURES BASED ON SEGMENT REPORTING (POC)

Condensed consolidated income statement, EUR million	2017	2016	2015
Revenue	1,908.6	1,783.6	1,651.2
Operating profit	102.3	52.9	65.7
Operating profit margin, %	5.4	3.0	4.0
Profit before taxes	81.2	13.8	27.0
Profit for the review period[1]	62.8	7.4	20.0

[1] Attributable to equity holders of the parent company

Other key figures	2017	2016	2015
Operating cash flow after investments, EUR million	164.3	-43.3	183.7
Return on equity, %	10.3	1.3	3.6
Return on investment, %	8.8	4.7	5.3
Equity ratio, %	35.1	35.1	35.5
Net interest-bearing debt, EUR million	455.0	469.3	460.8
Gearing ratio, %	81.8	83.3	84.0
Net interest-bearing debt / EBITDA	3.9	6.8	5.9
Gross capital expenditure on non-current assets, EUR million	80.1	83.5	12.0
% of revenue	4.2	4.7	0.7
Research and development expenditure, EUR million	18.9	15.8	15.8
% of revenue	1.0	0.9	1.0
Order backlog at the end of period, EUR million	2,568.5	2,613.1	2,172.9

Share-related key figures	2017	2016	2015
Earnings per share, EUR	0.50	0.06	0.16
Dividend per share, EUR	0.25 [1]	0.22	0.22
Dividend per earnings, %	50.0	373.3	137.8

[1] Board of Directors' proposal to Annual General Meeting

Formulas for the key figures

The key financial figures according to segment reporting (POC) and IFRS reporting have been calculated by using the same formulas unless otherwise noted.

Return on Investment (ROI, last 12 months), % =	Result before tax + Financial expenses +/- foreign exchange differences (net) / Total equity (average) + Interest bearing debt (average)	x 100
Segment's capital employed =	Tangible and intangible assets + goodwill + shares in associated companies and joint ventures + investments + inventories + trade receivables + other non-interest bearing operational receivables[1] – provisions – trade payables – advances received – other non-interest bearing liabilities[1]	
Segment's return on capital employed, ROCE (%) =	Segment's operating profit / Segment's capital employed (average)	x 100
Return on equity, % =	Result for the period / Total equity (average)	x 100
Equity ratio at the end of the period, % =	Total equity / Total assets – advances received	x 100
Interest bearing net debt at the end of the period =	Interest bearing debt – Cash and cash equivalents – Interest bearing receivables	
Gearing at the end of the period, % =	Interest bearing debt – Cash and cash equivalents / Total equity	x 100
Net interest-bearing debt / Operating profit before depreciation and impairments =	Net interest-bearing debt / Operating profit before depreciation and impairments + interest expenses included in operating profit	
Gross capital expenditures =	Investments in tangible and intangible assets, excluding additions in financial leases, and investments in subsidiaries, associated companies and joint ventures	
Earnings per share (EUR) =	Net profit for the period (attributable to equity holders) / Average number of outstanding shares during the period	
Equity per share (EUR) =	Total equity / Number of outstanding shares at the end of the period	
Dividend per share (EUR) =	Dividends distributed for the financial period / Number of outstanding shares at December 31	
Dividend per earnings (%) =	Dividend per share / Earnings per share	x 100
Effective dividend yield (%) =	Dividend per share / Closing price of the share December 31	x 100
Price per earnings ratio (P/E-ratio) =	Closing price of the share December 31 / Earnings per share	
Market capitalisation =	(Number of shares – treasury shares) x share price on the closing date by share series	
Average share price =	EUR value of shares traded during period / Number of shares traded during period	
Share turnover (%) =	Number of shares traded / Average number of outstanding shares	x 100
Adjusted operating profit =	Operating profit – Adjusting items	
Adjusting items =	Material items not part of the normal business such as gains or losses arising from the divestments of a business or part of a business, impairment of goodwill and plots of land, impairment of tangible assets and impairment of other assets, costs on the basis of statutory personnel negotiations and adaption measures, costs associated with business acquisitions, material effect on profit and loss from disputes based on a decision by a court or arbitration proceedings and costs related to the planned merger transaction.	

[1] Excluding items associated with taxes, distribution of profit and financial items

YIT Group Statement of non-financial information

The Directive concerning the disclosure of non-financial information (2014/95/EU) was implemented in Finland by amendments to the Finnish Accounting Act (December 29, 2016). The Act requires the reporting entity to disclose non-financial information to the extent necessary to understand the implications of the reporting entity's operational development, result and financial position.

BUSINESS MODEL AND VALUE CREATION

YIT creates better living environments by developing and constructing housing, business premises, infrastructure and entire areas. Our vision is to bring more life in sustainable cities. We focus on genuinely caring for customers, visionary urban development, passionate execution and inspiring leadership. Our growth engine is urban development involving partners. Our operating area covers Finland, Russia, the Baltic countries, the Czech Republic, Slovakia and Poland. In 2017, our revenue amounted to approximately EUR 1.9 billion, and we employ about 5,500 employees. Our share is listed on Nasdaq Helsinki.

We aim to be a leading European project developer, construction company and service provider, creating value responsibly with our stakeholders. We aim to improve our quality and customer experience further and continuously offer consumers new and innovative housing solutions. We also develop innovative business premise concepts in accordance with our clients' changing business needs by taking advantage of the opportunities presented by developing urban structures. Our business operations are divided into self-developed business and contracting. Our success is first and foremost based on skilled employees and the continuous development of competence.

OPERATING PRINCIPLES AND DUE DILIGENCE PROCESSES

The operating principles for each area are defined in the YIT Business Principles. In leading people we comply with the jointly agreed YIT Leadership Principles based on our values: Care, A step ahead, Cooperation and Performance. The YIT Business Principles must be complied with always and throughout the YIT organisation. Superiors are obligated to endorse compliance with these principles among their subordinates. We expect every employee at YIT to report to their immediate superior if they suspect a breach of the company's business principles. If this is not possible, the employee is free to notify other levels within the company or by using our Ethics Reporting Channel (ERC).

THE ENVIRONMENT

The most material environmental issue for YIT is the development of sustainable urban environments. We also aim to minimise the impact on the environment caused by our own operations. However, with our products and services we have the possibility to support also the reduction of our customers' environmental impact. We aim to use this possibility to its full potential and thus support in creating an increasingly environmentally sustainable living environment.

YIT's construction sites have established practices for preventing risks related to negative local impacts. Environmental issues are also included in the operating principles intended for YIT's partners as well as audits of strategically significant suppliers. YIT's urban development unit is responsible for developing large projects in Finnish growth centres and supporting local units in YIT's other operating countries. The unit develops the concept on a continuous basis and aims to identify new projects that are in line with the principles of sustainable development. In 2017, our infrastructure services and operations in the Baltic countries, the Czech Republic and Slovakia held ISO 14001 environmental certificates.

PERSONNEL AND SOCIAL ISSUES

YIT's key personnel and social issues are related to ensuring competence and occupational safety. Ensuring competence includes, among other things, ensuring sufficient resources, the employer image, employee satisfaction and employee commitment.

The following principles guide our relationship with our employees. We comply with local labour laws and regulations in the countries in which we operate. Every employee has the right to a safe working environment and so we strongly concentrate on excellence in occupational safety. We respect internationally proclaimed human rights. New employees are hired solely on the basis of their knowhow and potential. We offer our employees opportunities for training and educational activities according to the requirements of their current and future work tasks. We are committed to their well-being and development over the long term as well as keeping up and increasing their value in the job market. We offer a significant number of positions to summer interns and trainees. We also participate in the development of educational programmes related to our fields of operations. In addition, YIT's personnel principles form the foundation for the fair and equal treatment of employees in all of YIT's operating countries.

YIT organises effective induction training for its employees and partners along with various training and coaching programmes. The YIT

Voice personnel survey strengthens daily dialogue with employees, while regular performance and development discussions provide direction for targets and actions in line with the company's strategy as well as the foundation for competence development. Suppliers that engage in recruitment are carefully selected in accordance with our principles and we sign centralised co-operation agreements with them that document the process based on our principles. Recruitment professionals are closely involved in recruitment and they ensure that the operating practices used are responsible. Ensuring competence is supported by partnership agreements signed with universities in the field of construction.

We apply consistent occupational safety rules throughout the Group. They cover topics such as induction training, the obligation for employees and subcontractors to follow safety regulations and use personal protective equipment, safety plans, monitoring and measurement, immediate intervention in negligence as well as promoting safety culture, positive safety-related attitudes and best practices. The focus areas of the occupational safety strategy are safety management and leadership, proactive measures and convenience in every day life and functioning tools. Each focus area includes detailed measures whose implementation and results are measured. In 2017, the international health and safety certificate OHSAS 18001 covered our operations in Finland, the Baltic countries, the Czech Republic and Slovakia.

RESPECT FOR HUMAN RIGHTS

It is essential for YIT to respect internationally proclaimed human rights as regards employees in line with our Business Principles and we also require our partners to comply with international human rights. We do not tolerate any form of discrimination, including discrimination related to age, gender, national and social origin, religion, physical or mental handicap, political or other opinion or sexual orientation. Nor do we tolerate any kind of harassment or bullying in the workplace.

Our employees have freedom of association, including the right to form and to join trade unions for the protection of interests and the right to conduct collective bargaining. Wages paid to our employees are always at least at the level of the legal minimum wage. Employees have the right to equal pay for equal work.

Due diligence processes are arranged in accordance with the YIT Business Principles, including the duty to notify and the consequences of non-compliance as well as YIT's Ethics Reporting Channel.

PREVENTION OF CORRUPTION AND BRIBERY

The prevention of corruption and bribery is material for YIT. According to our Business Principles, we do not exercise or tolerate any form of corruption, extortion or bribery and we are committed to working against these practices. We do not tolerate any forms of bribery or other illegal payments in the relationships with our suppliers, subcontractors and other business partners. We do everything we can to reject bribery, corruption and white-collar crimes within our sphere of influence. High ethical standards are part of the company's values.

YIT operates in the project business, which is why project management practices are of crucial significance to the success of other aspects of risk management. YIT's leadership, supervision and project management processes and information systems help detect significant deviations from targets and forecasts. The company's values are reviewed in the recruitment and induction training stages and awareness of the values is maintained among personnel. Other forms of monitoring and supervision include, among other things, approval procedures, the selection of partners, the internal audit, corporate security and the YIT Code online training programme. YIT has a zero tolerance policy regarding the grey economy.

RESULTS OF COMPLIANCE WITH THE OPERATING PRINCIPLES

We comply with laws and regulations and, in our business operations, we pay attention to environmental, personnel-related and social issues, respect for human rights, anti-corruption and anti-bribery. YIT has set official non-financial targets in such areas where target-setting is appropriate, considering YIT's business. The company evaluates the required measures based on the non-financial metrics and targets are set on a unit-specific basis.

THE ENVIRONMENT

The key premise of YIT's approach to responsibility is to create added value for all stakeholders through the company's core business. By following its guiding principles, YIT aims to increase convenience in daily life and reduce the need for mobility, particularly with regard to the use of private cars.

During the year, YIT carried out experiments and pilot projects related to convenience in everyday life and signed new partnerships to support service implementation, such as a smart lift co-operation with KONE and a collaboration with Fortum. Fortum's SmartLiving cloud service allows residents to monitor the energy consumption of their homes in real-time, for example, as well as adjust indoor temperatures, receive alerts on potential water leakages, and make reservations for the sauna or the charging stations of electric cars. The urban development unit developed a concept for the renovation and infill development of suburban areas, developed projects and acquired properties through Regenero, the joint venture between YIT and HGR Property Partners. The YIT Plus service gives buyers of YIT Homes the opportunity to monitor their water and electricity consumption, among other things. The service was expanded to the Baltic countries during the year and it is now being used in all of YIT's operating countries.

There were no significant fines and sanctions for non-compliance with environmental regulations during the reporting period.

PERSONNEL AND SOCIAL ISSUES

YIT aims to be the most desirable employer in its field, and further aims include a high level of employee commitment, competence and development opportunities, inspired leadership as well as strong managerial work that supports occupational safety and well-being. The engagement index measured by YIT's personnel survey increased from the previous year, while the leadership index remained on a par with the previous year.

University-educated professionals selected YIT as the most ideal employer in the construction industry in Universum's 2017 Professionals Survey, while technology students ranked YIT as the most ideal construction industry employer in Universum's Student Survey. YIT uses the trainee path as a strategic recruitment channel for recruiting a significant proportion of the competent professionals required by the company each year. YIT had a large number of trainees during the year and satisfaction scores among trainees were at a high level. Several trainees were hired permanently. More than 2,300 people participated in YIT's internal training programmes. The key objectives of the programmes are to maintain and develop project management, productivity, customer insight, managerial work and occupational safety. In Finland, the incidence of musculoskeletal disorders fell by 10% from 2016 to 2017.

Reducing the number of accidents remains a key aim of YIT's efforts to promote safety, but YIT also aims to make operations smoother by focusing particularly on proactive measures. Our target is zero accidents. The accident frequency increased slightly, to 13 (11). Our safety-related efforts are increasingly focused on proactive measures. Chief among these are safety planning, safety observations and on-site safety practices. Sadly, there was one fatal accident in the CEE countries 2017, with the consequence of performing the necessary measures for investigated the accident and preventing its recurrence going forward. Also, YIT also communicated the accident and its underlying causes in all of its operating countries to prevent similar accidents in the future. Site visits by management are seen as a high priority for occupational safety, as they help promote an open safety and quality culture as well as proactive risk management. The number of site visits by management increased in 2017 but was slightly below our target. Safety reporting practices were renewed during the year to better support management. Electronic site introduction and access control as well as Tilaajavastuu Valttikortti were implemented in all possible sites in Finland. The renewals speed up the daily work and ensure high-quality introduction. In Finland, the dialogue around safety observations increased and new communication channels were utilised throughout the Group. Weekly safety measurements at construction sites and the calibration of on-site safety levels also contributed to the implementation of the safety strategy.

RESPECT FOR HUMAN RIGHTS

No significant human rights violations were observed during the year at YIT in audits related to information security, occupational safety and quality. Employees have been given instructions on what action must be taken if any workplace harassment or bullying is observed.

PREVENTION OF CORRUPTION AND BRIBERY

No instances of corruption related to politics, the financial system or the legal system were observed in 2017. Investigations of non-compliance and the recording of related statistics are carried out under the guidance of the Group's Ethics Committee. No material risks surfaced in 2017.

PERFORMANCE INDICATORS

THE ENVIRONMENT

- Our most significant impact on society is created by our products, namely the apartments, business premises and infrastructure that make up the urban environment. We monitor the results of our Sustainable urban environments indicators in our self-developed housing production. The figures include all self-developed residential projects for which the start-up decision was made during the year in all of our countries of operation.

DISTANCE FROM A GROCERY SHOP

	2017	2016
less than 500 m	38%	58%
less than 1,200 m	47%	35%
over 1,200 m	15%	7%

DISTANCE FROM PUBLIC TRANSPORTATION

	2017	2016
less than 300 m	53%	65%
less than 750 m	41%	25%
over 750 m	6%	10%

There were no significant fines and sanctions for non-compliance with environmental regulations during the reporting period.

PERSONNEL AND SOCIAL ISSUES

- In 2017, the engagement index measured by YIT's personnel survey rose to 86% (82) and the leadership index to 83% (82). For example, 69% of the respondents indicated that the performance and development discussions that constitute part of the management system are useful. The personnel survey had a response rate of 89% (91).
- LTIF (number of accidents per one million hours worked): 13 (11). LTIF is the average for the last 12 months. The figure includes pain induced by work-related motions. Fatal accidents (YIT's and subcontractors' employees' deaths at YIT's construction sites): 1 (1).
- Number of trainees and thesis workers: over 800 (over 700), with approximately 11% hired full-time (approx. 10%). According to a survey conducted in Finland, 99% of the trainees would like to continue to work at YIT in the future.

RESPECT FOR HUMAN RIGHTS

- 3% (2) of the respondents in the personnel survey indicated they have experienced bullying. Employees have been informed of the individuals and units they should contact if they observe or experience bullying. The HR administration, shop steward organisation and/or occupational health service provider support managers in handling bullying incidents.

PREVENTION OF CORRUPTION AND BRIBERY

- YIT Group was not subject to any convictions for corruption or bribery in 2017. One (1) legal process previously brought by YIT regarding suspected misconduct led to a conviction in 2017.
- By the end of the year, around 80% (around 80%) of the personnel had completed YIT Code, the online training programme on responsible corporate culture.

RISKS AND RISK MANAGEMENT

In YIT's business operations, local damage may be significant in cases such as fuel leaks. YIT's construction sites have established practices for avoiding and managing such risks. Infrastructure construction and soil-related operations, in particular, involve risks that we manage by developing our infra services operations in line with the ISO 14001 environmental certificate in use at YIT. Properties acquired for project development may involve a risk of hazardous substances or contaminated soil. This risk is managed by agreements.

Personnel-related risks include labour market availability, unethical actions at the company level and risks related to work ability and occupational accidents at the individual level. The risk related to labour market availability is managed by recruiting trainees, co-operating with educational institutions, developing competencies and operating models, automation and investing in YIT's employer image. Work ability is maintained and developed by promoting managerial skills, instructions and guidelines, correct working positions and tools as well as appropriate work planning. YIT invests substantial resources in the development of occupational safety. Over a period of several years, the company has developed its safety management practices, including personnel training, the development of operating methods, management engagement as well as continuous reporting and monitoring. We have invested particularly in the safety management competence of white-collar employees by organising two-day training events. We manage the risk related to unethical activities in accordance with our recruitment principles by conducting background checks within the framework of the local legislation and rules. Key persons must declare their own and their family members' engagements that may create a conflict of interest and/or incapacity or that may otherwise be significant for YIT's business.

As regards respect for human rights, YIT has recognised risks related to racism, harassment and unethical conduct as well as potential deficiencies related to working conditions. These risks are taken into account in the recruitment process, the implementation of values and leadership principles, induction training and the YIT Code online training programme. Risks are also managed by means of regular performance and development discussions, intervention practices, the YIT Voice personnel survey and the Ethics Reporting Channel. As regards the subcontractor network, YIT strives to eliminate risks related to respecting human rights by monitoring and auditing subcontractors.

Risks related to the prevention of corruption and bribery are typical of the construction and property sector due to factors including the large number of agreements and parties involved, including the authorities, as well as the projects being of a fixed-term and one-off nature and the operations being geographically dispersed. Risks related to the prevention of corruption and bribery are managed as part of the Group's control system. The primary goal is that the management of these risks is performed as a natural part of other operations, and the Group additionally has risk management expertise and engages in related development efforts.

The merger of YIT and Lemminkäinen becomes effective on February 1, 2018 and as a result of the execution of the merger, all the assets, debts and liabilities of Lemminkäinen, including on-going litigations, are transferred to YIT. Due to the merger YIT reports a summary of Lemminkäinen's on-going litigations based on information published by Lemminkäinen in the Most significant short-term business risks chapter of the Report.

YIT Corporation Financial statement 2017

Consolidated financial statements, IFRS

Consolidated statement of income

EUR million	Note	2017	2016
Revenue	2	**1,993.8**	**1,678.3**
Other operating income	4	37.4	12.8
Change in inventories of finished goods and in work in progress		-83.1	13.0
Production for own use		0.7	0.3
Materials and supplies		-276.8	-245.2
External services		-985.9	-892.4
Personnel expenses	7	-275.7	-250.3
Other operating expenses	5, 8	-309.7	-281.7
Share of results in associated companies	14	-0.9	-0.6
Depreciation, amortisation and impairment	6	-14.2	-16.5
Operating profit		**85.5**	**17.7**
Financial income		1.9	1.7
Exchange rate differences (net)		2.6	-9.6
Financial expenses		-19.1	-12.2
Financial income and expenses, total	9	-14.6	-20.1
Profit before taxes		**70.9**	**-2.5**
Income taxes	10	-14.3	-4.7
Net profit for the financial year		**56.6**	**-7.1**
Attributable to			
Equity holders of the parent company		56.6	-7.1
Non-controlling interests			
Earnings per share for profit attributable to the equity holders of the parent company during the financial year			
Undiluted, EUR	11	0.45	-0.06
Diluted, EUR		0.44	-0.06

The notes are an integral part of these consolidated financial statements.

Statement of comprehensive income

EUR million	Note	2017	2016
Profit for the financial year		**56.6**	**-7.1**
Items that may be subsequently recognised through profit or loss:			
Cash flow hedging	28	0.3	0.5
– Deferred tax		-0.1	-0.1
Change in fair value of available-for-sale assets	15		
– Deferred tax			
Change in translation differences		-31.4	75.2
Items that may be reclassified subsequently to the statement of income, total		-31.1	75.6
Items that will not be reclassified to the statement of income:			
Change in fair value of defined benefit pension	22		-1.1
– Deferred tax			0.2
Items that will not be reclassified to the statement of income, total			-0.9
Other comprehensive income, total		**-31.1**	**74.7**
Total comprehensive income		**25.5**	67.6
Attributable to			
Equity holders of the parent company		25.5	67.6
Non-controlling interest			

The notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

EUR million	Note	2017	2016
Assets			
Non-current assets			
Tangible assets	12	54.8	53.2
Goodwill	13	8.1	8.1
Other intangible assets	13	11.3	11.9
Investments in associated companies and joint ventures	14	120.1	63.5
Available-for-sale financial assets	15	0.4	0.4
Interest-bearing receivables	16	46.0	34.6
Other receivables	16	1.6	3.2
Deferred tax receivables	17	53.2	54.2
Total non-current assets		295.6	229.1
Current assets			
Inventories	18	1,592.5	1,746.6
Trade and other receivables	3, 19	213.5	235.4
Tax receivables		2.1	6.5
Cash and cash equivalents	20	89.7	66.4
Total current assets		1,897.8	2,054.9
Total assets		**2,193.3**	**2,284.0**

[1] The statement of financial position as at 31 December 2016 includes a reclassification of EUR 1.0 million from Other receivables to Interest-bearing receivables to reflect the current business model with joint ventures.

EUR million	Note	2017	2016
Equity and liabilities			
Equity attributable to the equity holders of the parent company	21		
Share capital		149.2	149.2
Legal reserve		1.5	1.5
Other reserves		0.7	-0.0
Treasury shares		-7.2	-8.3
Translation differences		-216.5	-185.0
Fair value reserve		-0.0	-0.3
Retained earnings		636.9	606.7
Total equity attributable to the equity holders of the company		564.7	563.9
Non-controlling interest			
Total equity		**564.7**	**563.9**
Non-current liabilities			
Deferred tax liabilities	17	9.9	17.6
Pension obligations	22	2.1	2.1
Provisions	23	46.0	44.8
Borrowings	24	344.5	249.1
Other liabilities	25	53.7	51.0
Total non-current liabilities		456.2	364.6
Current liabilities			
Advances received	25	494.3	473.9
Trade and other liabilities	25	392.7	395.2
Income tax liabilities		13.0	4.4
Provisions	23	26.3	31.7
Borrowings	24	246.3	450.4
Total current liabilities		1,172.5	1,355.5
Total liabilities		**1,628.7**	**1,720.1**
Total equity and liabilities		**2,193.3**	**2,284.0**

The notes are an integral part of these consolidated financial statements.

Consolidated cash flow statement

EUR million	Note	2017	2016
Cash flow from operating activities			
Net profit for the financial year		56.6	-7.1
Adjustments for:			
Depreciation, amortisation and impairment		14.2	16.5
Other non-cash transactions		28.4	30.3
Financial income and expenses		14.6	20.1
Gains on the sale of tangible and intangible assets		-24.4	-1.8
Taxes		14.3	4.7
Total adjustments		47.1	69.8
Change in working capital:			
Change in trade and other receivables		32.3	-76.3
Change in inventories		100.6	-83.5
Change in trade and other payables		34.9	181.9
Total change in working capital		167.8	22.0
Interest paid		-26.5	-33.0
Other financial items, net		-1.6	-8.2
Interest received		1.1	1.6
Dividends received		0.3	0.0
Taxes paid		-9.4	-9.1
Continuing operations, total		235.4	36.1
Discontinued operations		-0.2	-0.2
Net cash used in operating activities		**235.2**	**35.9**

EUR million	Note	2017	2016
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash acquired		-0.0	-1.0
Purchases of tangible assets	12	-15.5	-13.9
Purchases of intangible assets	13	-3.1	-5.2
Acquisition of associated companies and joint ventures	14	-60.0	-63.6
Proceeds from sale of associated companies and joint ventures		4.5	1.1
Proceeds from sale of tangible and intangible assets		3.3	3.3
Proceeds from sale of available-for-sale financial assets			0.0
Continuing operations, total		-70.9	-79.2
Net cash used in investing activities		**-70.9**	**-79.2**
Operating cash flow after investments		**164.3**	**-43.3**
Cash flow from financing activities			
Proceeds from borrowings	24	110.0	50.0
Repayment of borrowings	24	-112.9	-131.4
Change in loan receivables		0.1	-0.6
Change in current borrowings, net [1]	24	-109.2	91.3
Payments of financial leasing debts		0.0	-0.0
Dividends paid and other distribution of assets		-27.6	-27.6
Continuing operations, total		-139.6	-18.4
Net cash used in financimg activities		**-139.6**	**-18.4**
Net change in cash and cash equivalents		**24.7**	**-61.7**
Cash and cash equivalents at the beginning of the financial year		66.4	122.2
Foreign exchange rate effect on cash and cash equivalents		-1.5	6.0
Cash and cash equivalents at end of period	20	89.7	66.4

[1] Changes in working capital includes advances received from housing corporation loans. Housing corporations loans are described more in detail in Note 28.

The notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

		Equity attributable to equity holders of the parent company									
EUR million	Note	Share capital	Legal reserve	Other reserve	Translation difference	Fair value reserve	Treasury share	Retained earnings	Total	Non-controlling interest	Equity, total
Equity on January 1, 2016		**149.2**	**1.5**		**-260.2**	**-0.7**	**-8.3**	**641.4**	**523.0**	**0.1**	**523.1**
Comprehensive income											
Profit for the financial year								-7.1	**-7.1**		-7.1
Other comprehensive income:											
Cash flow hedges	28					0.5			**0.5**		0.5
- Deferred tax						-0.1			**-0.1**		-0.1
Change in fair value of defined benefit pension obligations	22							-1.1	**-1.1**		-1.1
- Deferred tax								0.2	**0.2**		0.2
Translation differences					75.2				**75.2**		75.2
Comprehensive income, total					**75.2**	**0.4**		**-8.0**	**67.6**		**67.6**
Transactions with owners											
Dividend distribution								-27.6	**-27.6**		-27.6
Share-based incentive schemes	21							1.1	**1.1**		1.1
Transactions with owners, total								**-26.5**	**-26.5**		**-26.5**
Change in non-controlling interest								-0.2	**-0.2**	-0.1	-0.3
Changes in ownership in shares in subsidiaries, total								**-0.2**	**-0.2**	**-0.1**	**-0.3**
Equity on December 31, 2016		**149.2**	**1.5**		**-185.0**	**-0.3**	**-8.3**	**606.7**	**563.9**	**0.0**	**563.9**

EUR million	Note	Share capital	Legal reserve	Other reserve	Translation difference	Fair value reserve	Treasury share	Retained earnings	Total	Non-controlling interest	Equity, total
		Equity attributable to equity holders of the parent company									
Equity on January 1, 2017		149.2	1.5		-185.0	-0.3	-8.3	606.7	563.9		563.9
Comprehensive income											
Profit for the financial year								56.6	56.6		56.6
Other comprehensive income:											
Cash flow hedges	28					0.3			0.3		0.3
- Deferred tax						-0.1			-0.1		-0.1
Change in fair value of defined benefit pension obligations	22										
- Deferred tax											
Translation differences					-31.4				-31.4		-31.4
Comprehensive income, total					-31.4	0.3		56.6	25.5		25.5
Transactions with owners											
Dividend distribution								-27.6	-27.6		-27.6
Share-based incentive schemes	21			0.7			1.1	1.2	3.0		3.0
Transactions with owners, total				0.7			1.1	-26.4	-24.6		-24.6
Change in non-controlling interest											
Changes in ownership in shares in subsidiaries, total											
Equity on December 31, 2017		149.2	1.5	0.7	-216.5	-0.0	-7.2	636.9	564.7		564.7

Notes to the consolidated financial statements

1 ACCOUNTING PRINCIPLES OF THE FINANCIAL STATEMENT

GENERAL INFORMATION

YIT Group provides services for the construction sector. The services provided by the Group companies include construction services for the industrial and public sectors, residential construction services for consumers and road maintenance services in Finland. Furthermore, in Russia the Group provides after-sales service and maintenance for consumer customers' new homes. The market areas are Finland, Russia, the Baltic countries, the Czech Republic, Slovakia and Poland. The Group has three segments: Housing Finland and CEE, Housing Russia and Business Premises and Infrastructure.

The parent company is domiciled in Helsinki, and its registered address is Panuntie 11, 00620 Helsinki, Finland. The parent company's shares have been listed on Nasdaq OMX Helsinki Oy Helsinki stock exchange since 1995.

Copies of the consolidated financial statements are available at www.yitgroup.com or the parent company's head office, address Panuntie 11, 00620 Helsinki, Finland. YIT Corporation's Board of Directors approved these consolidated financial statements for publication in its meeting held on February 2, 2017. In accordance with the Finnish Companies Act, shareholders may approve or reject the financial statements in an Annual General Meeting held after their release. The General Meeting also has the right to pass a resolution on changing the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). All of the IAS/IFRS standards and SIC/IFRIC interpretations approved by the EU Commission by December 31, 2017 have been complied with. International Financial Reporting Standards refer to the Finnish Accounting Act and related legal code based on EU regulation 1606/2002 concerning the adoption of IFRS standards and interpretations in the EU. The notes to the consolidated financial statements also comply with the Finnish GAAP and the Companies Act that complement the IFRS standards. The figures in the financial statements are presented in thousands of euro. In the Annual Report the figures are presented in million euros doing the roundings on each line, which may cause some rounding inaccuracies in column and total sums.

The consolidated financial statements have been prepared under the historic cost convention, as modified by revaluation of available-for-sale investments, financial assets and liabilities at fair value through profit and loss and derivative instruments at fair value. Share-based payments are measured at fair value at the time of granting.

APPLICATION OF REVISED STANDARDS AND INTERPRETATIONS AS FROM JANUARY 1, 2017

The consolidated financial statements have been prepared according to the same accounting principles as in 2016, with the exception of the following new standards, interpretations and revisions to existing standards that the Group has applied from January 1, 2017.

IAS 7 - Going forward, entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (e.g. drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities. Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities. As a result of this change, the Company has prepared a reconciliation of net debt as set out in Note 28 Financial Risk Management.

CONSOLIDATION

SUBSIDIARIES

Subsidiaries are all companies (including structured entities) in which the Group exercises control. The criteria for control are fulfilled when the Group is exposed, or has rights, to variable returns from its involvement with the company and has the ability to affect those returns through its power over the company. Subsidiaries are consolidated in the consolidated financial statements from the date when the Group obtains control, while subsidiaries divested are consolidated up to the date when control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

ASSOCIATED COMPANIES

The consolidated financial statements include associated companies in which the YIT Group has a significant influence but not a controlling interest. Generally, this accompanies a shareholding of between 20% and 50% of the voting rights. Associated companies have been consolidated using the equity method. If the Group's share of associates' losses 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. Unrealised profits between the Group and associates have been eliminated in accordance with the Group's holding. If an investment in an associate includes the goodwill arising from acquisition, it will be tested for impairment.

JOINT VENTURES

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group's management has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

TRANSACTIONS WITH NON-CONTROLLING INTERESTS

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

When the Group ceases to have control, any remaining interest in the entity is re-measured at fair value on the date control ceases, with the change in the carrying amount recognised through profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as realised and booked to income statement. If the interest is reduced but control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are booked to non-controlling interest in equity.

FOREIGN CURRENCY TRANSLATION

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

FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the date of transaction or valuation, where items are re-measured. Foreign exchange rate gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within “Finance income and costs”. All other foreign exchange gains and losses are presented in the income statement above operating profit. Non-monetary items are mainly valued at the transaction date's foreign exchange rates. The foreign exchange rate gains or losses related to non-monetary items valued at fair value are included in the change of the fair value.

TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN GROUP COMPANIES

The income statements of foreign Group companies have been translated to euro using the average exchange rate quoted for the calendar months of the reporting period. The 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 equity in the retained earnings.

Translation differences arising from the elimination of the acquisition cost of foreign subsidiaries and items classified to be a part of net investments and the hedging result of these net investment are entered in shareholders' equity. When a foreign subsidiary is disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale. Translation differences arising before January 1, 2004, are recorded in the retained earnings at the transition to IFRS and they will not be entered in the income statement in the event of the sale of a subsidiary.

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 related to acquisitions before January 1, 2004, have been denominated in euro.

CURRENCY EXCHANGE RATES USED IN YIT CONSOLIDATED FINANCIAL STATEMENTS:

		Income statement Jan–Dec/2017	Income statement Jan-Dec/2016	Balance Sheet 31.12.2017	Balance Sheet 31.12.2016
1 EUR =	CZK	26.3231	27.0342	25.5350	27.0210
	PLN	4.2561	4.3635	4.1770	4.4103
	RUB	65.9183	74.1466	69.3920	64.3000

TANGIBLE ASSETS

Tangible asset are stated at historical cost less depreciation and impairment. Depreciation on tangible assets is calculated using the straight-line method to allocate the cost to over their estimated useful lives. Land is not depreciated.

The estimated useful lives of tangible assets are the following:

Buildings	40 years
Constructions	5–10 years
Productive machinery and equipment	10 years
Office furniture	5 years
Computer and computer supplies	3–5 years
Cars and transfereble vehicles	3–8 years
Other property, plant and equipment	10–40 years

The residual values and economic lifetimes of assets are assessed in each closing. If necessary, they are adjusted to reflect the changes in expected financial benefits. Capital gains or losses on the sale of property, plant and equipment are included in other operating income or losses.

GOVERNMENT GRANTS

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

INVESTMENT PROPERTY

YIT Group has no assets that are classified as investment properties.

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary on the date of acquisition. The net identifiable assets include the assets and liabilities acquired and the liabilities assumed as well as the contingent liabilities. The acquisition cost is valued at fair value. Acquisitions completed prior to December 31, 2009, have been recorded in accordance with the previous IFRS norms, while acquisitions completed prior to January 1, 2004, have been recorded in accordance with the previous accounting norms applied to the financial statements. Goodwill is subjected to an annual impairment test. To this end, goodwill is allocated to cash-generating units. Goodwill is measured at the original acquisition cost less impairment. Impairment is expensed directly in the income statement. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

OTHER INTANGIBLE ASSETS

An intangible asset is initially entered in the balance sheet at acquisition cost when the acquisition cost can be reliably determined and the intangible asset is expected to yield economic benefit to the Group.

Intangible assets with a known or estimated limited economic lifetime are expensed in the income statement on a straight-line basis over their economic lifetime. Intangible assets with an unlimited economic lifetime are not depreciated, but are instead subjected to an impairment test annually.

Other intangible assets acquired in connection with business acquisitions are recognised separately from goodwill if they fulfil the definition of an asset: they can be specified or are based on agreements or legal rights. Intangible assets recognised in connection with business acquisitions include the value of customer agreements and associated customer relationships, prohibition of competition agreements, and the value of acquired technology and industry-related process competence. The value of customer agreements and associated customer relationships and industry-related process competence is defined on the basis of cash flows estimated according to the durability and duration of the assumed customer relations.

Acquired computer software and licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The acquisition cost is amortised on a straight-line basis over the estimated useful life. Computer maintenance costs are expensed as they are incurred. In IT projects that are classified as strategic, own work is capitalised in the balance sheet insofar as the capitalisation criteria are met in respect of cost monitoring, etc. Amortisation begins when the IT project is ready for use.

Research expenditure is expensed in the income statement. Expenditure on the design of new or more advanced products is capitalised as intangible assets in the balance sheet as from the date when the product is technically feasible, can be utilised commercially and is expected to yield future financial benefits. Capitalised development expenditure is amortised over the economic life. Amortisation begins when the asset is ready for use. Incomplete assets are tested annually for impairment. Development expenses that are not expected to yield financial benefits are expensed in the income statement. To date, the Group's research and development expenditure has not met capitalisation criteria.

The amortisation periods of other intangible assets are as follows:

Customer relations and contract bases	3–5 years
Unpatented technology	3–5 years
Computer software and other items	2–5 years
Prohibition of competition	2–3 years

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

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

The recoverable amount is the fair value of the asset item less the higher of selling costs or the value in use. The value in use is determined based on the discounted future net cash flows estimated to be recoverable from the assets in question or cash-generating units. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset items. An impairment loss is recognised if the carrying amount of the asset item is higher than its recoverable amount. The impairment loss is entered directly in the income statement and is initially allocated to the goodwill allocated to the cash-generating unit and thereafter equally to other asset items. An impairment loss 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. The calculation of recoverable amounts requires the use of estimates. For more information on impairment testing, see note13.

INVENTORIES

Inventories are measured either at the lower of acquisition cost or net realisable value. The acquisition cost of materials and supplies is determined using the weighted average price method. The acquisition cost of work in progress and shares in completed housing and real estate companies comprises the value of the plot and other raw materials, planning costs, direct costs of labour, other direct costs and the appropriate portion of the variable general costs of manufacture and fixed overhead. The net realisable value is the estimated selling price in ordinary business operations less the estimated expenditure on product completion and sales. In estimating the net realisable value of shares in completed housing and real estate companies, the available market information and the level of the yield on the properties are taken into account. In assessing the net realisable value of plots of land, their intended use is taken into account. In the valuation of plots of land used for construction, the completed products in which they will be included are taken into consideration. The carrying amount of plots of land is decreased only when the completed products are expected to be sold at a price lower than the acquisition cost. The net realisable value of other plots of land is based on the market price of the land.

LEASE AGREEMENTS

GROUP AS LESSEE

Lease agreements concerning assets 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 the lower of the fair value of the leased asset on the starting date of the lease agreement or the current value of the minimum rents. Assets acquired under financial lease agreements are depreciated over their economic lifetime or the period of lease, whichever is shorter. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding per financial period. The lease commitments of financial lease agreements are included in the financial 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 benefit.

THE GROUP AS LESSOR

The Group has subleased business premises it leases from others, and these are treated as other lease agreements. The leased assets are included in the original lessor's balance sheet. Rental income is recorded as income on the income statement during the lease period.

NON-CURRENT ASSETS AND DISCONTINUED OPERATIONS HELD FOR SALE

Non-current assets or assets related to discontinued operations are classified as assets held for sale when their carrying amount is to be recovered principally through a sale or disposal transfer transaction. An asset is to be classified as held for sale when the sale or disposal is highly probable, the asset is available for sale in its present condition and on customary terms, the management is committed to sell the asset and the sale is expected to be completed within one year from the date of classification. Assets held for sale are valued at the lower of their carrying amount or fair value less costs to sell. The depreciation of these assets will be discontinued at the time of reclassification.

The disposal group includes assets, which do not fall within the scope of IFRS 5, while liabilities are measured in accordance with the applicable IFRS standards also after the classification.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held of sale and meets the following conditions:

- It represents a separate major line of business or geographical area of operations
- It is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations
- It is a subsidiary acquired exclusively with a view to resale.

Revenue from discontinued operations is presented as a separate item in the Group's OCI. Assets held for sale, disposal groups, items related to the assets held for sale and recognised directly in the shareholders' equity, and liabilities related to the disposal group are presented separately from other assets in the balance sheet.

EMPLOYEE BENEFITS

PENSION LIABILITIES

The Group has different defined contribution and defined benefit pension plans in its various operating areas. 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.

The Group has defined benefit pension plans in Finland. Obligations connected with the Group's defined benefit plans are calculated by independent actuaries. The discount rate used in calculating the present value of the pension liability is the market rate of high-quality corporate bonds or the interest rate of treasury notes. The maturity of the reference rate substantially corresponds to the maturity of the calculated pension liability. The liability recognised on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. Defined benefit pension plan expenses comprise expenses based on employee service, which is recognised in personnel expenses, and net interest cost, which is also recognised in personnel expenses. Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise.

SHARE-BASED PAYMENTS

Possible rewards under the share-based incentive scheme are paid as a combination of YIT Corporation shares and cash settlement, or fully in cash, based on achieved financial target levels. The cost effect of equity- settled share is recognised as personnel expenses and equity reserve. The cost is based on the market price of the YIT Corporation share at the grant date and it will be expensed over the vesting period. The fair value on the grant date is estimated by taking the market price for the company's shares on the date in question and deducting from it the present value of their expected dividends. The cash-settled reward is based on the market value of YIT's share at the balance sheet date and it is expensed to personnel expenses and current liabilities until the settlement date.

TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Group before normal retirement. The Group recognises termination benefits when it is committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal. In addition, benefits that the Group has offered in connection with terminations to encourage voluntary redundancy are expensed. Benefits falling due more than 12 months after the balance sheet date are discounted to present value. Other possible liabilities arising from the termination of employees in different legislations are assessed at the closing date and recognised as an expense and liability.

PROVISIONS

Provisions are recorded when the Group has a legal or constructive obligation on the basis of a prior event, the materialisation of the payment obligation is probable and the size of the obligation can be reliably estimated. Provisions are valued at the current value of the costs required to cover the obligation. If compensation for a share of the obligation can be received from a third party, the compensation is recorded as a separate asset item, 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. The amount of the guarantee and Finnish 10-year provisions for commitments in the construction industry provision is set on the basis of experience of the materialization of these commitments. Provisions for restructuring are recognized when the Group has made a detailed restructuring plan and initiated the implementation of the plan or has communicated about it. Provisions are not recognised for the continuing operations of the Group. A contingent liability is an obligation that has possibly arisen as a result of past events and whose existence is confirmed only when the uncertain event that is beyond the Group's control is realised. In addition, an existing obligation that probably does not require the fulfilment of debt or whose amount cannot be reliably assessed is considered a contingent liability. Contingent liabilities are presented in the notes.

INCOME TAXES

Tax expenses in the income statement comprise taxes on the taxable income for the financial period and deferred tax liabilities. Taxes are entered in the income statement except when they are associated with items recognised under shareholders' equity. Taxes on the taxable income for the financial period are calculated on the taxable income on the basis of the tax rate stipulated for each country by the balance sheet date. Taxes are adjusted for the taxes of previous financial periods, if applicable. The management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The tax provisions entered in such situations are based on evaluations by the management.

Deferred taxes are calculated on all temporary differences between the carrying amount and taxable value. No deferred taxes are calculated on goodwill impairment that is not deductible in taxation and no deferred taxes are recognised 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 rates or the tax rates whose confirmed content has been announced by the closing date. Deferred tax assets have been recognised to the extent that it is probable that taxable income against which the temporary difference can be applied will materialise in the future. The most significant temporary differences arise from differences of the partial debiting and taxable income of long-term projects, depreciation differences of property, plant and equipment, defined benefit pension plans, provisions deductible at a later date, measurement at fair value in connection with acquisitions, unused tax losses and voluntary provisions.

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

FINANCIAL ASSETS AND LIABILITIES

CLASSIFICATION AND ENTRY OF FINANCIAL ASSETS

The Group records financial assets at the settlement day. Financial assets are derecognised from the balance sheet when the right to cash flows from an item included in financial assets ends or when control over said cash flows has been assigned outside the Group with the related risks and revenue.

The fair values of the financial assets are market rates if one has been reliably available, or otherwise discounted values or accounting values if this is reasonably close to the fair value. The discount rate used is the rate at which the Group could possibly sell a corresponding batch on the closing date.

The Group has, at the initial recognition, classified its financial assets into the following categories on the basis of the purpose for which they have been acquired:

FINANCIAL ASSETS ORIGINALLY MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets measured at fair value through profit and loss are financial assets or derivatives held for trading that do not meet the criteria for hedge accounting according to IAS 39. Currency forward contracts and interest rate swaps associated with business operations and financing to which IAS 39-compliant hedging is not applied have been classified into this category. Derivatives are originally measured at fair value when the Group becomes a contractual party to an agreement and are subsequently measured at fair value. Currency forward contracts are used for hedging against the currency exposure of exchange rates and resulting changes in fair value are entered in other operating income and expenses or financial income and expenses based on their nature in the financial period in which they were incurred. Interest rate swaps are used to hedge against changes in market interest rates, and changes in the fair value of interest rate swaps are entered in financing income or expenses in the financial period in which they were incurred. Derivatives are non-current assets when their maturity is more than 12 months (Receivables) and current assets (Trade and other receivables) when the remaining maturity is less than 12 months. Derivatives may also be liabilities; their accounting principles are specified below under "Financial liabilities."

LOANS AND OTHER RECEIVABLES

Loans and receivables consist of loan receivables, trade receivables and certain other receivables. Loan receivables are current if the maturity date is within 12 months after the closing date, otherwise they are non-current. They are initially measured at fair value and subsequently valued at the periodised acquisition costs using the effective yield method less any impairment. The changes are recognised in the income statement under financial income or expenses.

Trade and other receivables are current if the maturity date is within 12 months after the closing date, otherwise they are non-current. They are initially measured at fair value and subsequently valued at the periodised acquisition costs using the effective yield method less any impairment. The changes are recognised under other operating income or expenses.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets not falling into the categories presented above. They are non-current financial assets that the Group will not actively dispose of in the short-term. Available-for-sale financial assets primarily comprise shares and participations acquired to support business operations, e.g. in local telecom, water and environment service companies. They are not primarily quoted in well-functioning markets and they are measured at acquisition cost less any impairment. Quoted shares are measured at fair value and others, when the fair value cannot be evaluated reliably, at the original acquisition cost. When fair value can be evaluated reliably, the changes in fair value are entered in the comprehensive income statement and are presented in the fair value reserves in shareholders' equity, taking the tax impact into consideration. Changes in fair value are transferred from the fair value reserve to financing income or expenses when the Group disposes of an available-for-sale financial asset or its value has declined such that an impairment loss must be recognized on it. Impairment of an equity investment classified as an available- for-sale financial asset is not derecognised through profit or loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits withdraw able on demand and liquid short-term investments whose original maturity is no more than three months. They are recorded in the balance sheet at the original acquisition cost and the yield under financing income. The available overdraft facilities are included in current liabilities in the balance sheet and netted as the Group has a contractual offsetting right to execute the net amount to the creditor.

IMPAIRMENT OF FINANCIAL ASSETS

Assessment as to whether there is objective evidence of an impairment of an item included in the financial assets occurs on the closing date. An impairment loss is recognised if the carrying amount of the asset item is higher than its recoverable amount. An impairment loss is reversed if the recoverable amount has changed from the date it was recognised due to a change in circumstances.

The fair value of available-for-sale financial assets is considered decreased when their value has decreased significantly over a longer term. In this case, changes to the fair value are entered from shareholders' equity to the income statement. Impairment losses to equity investments classified as available-for-sale financial assets are not derecognized through profit or loss.

The value of loan and trade receivables in other receivables is considered to have decreased when it is apparent that the Group will not be able to collect the receivable in accordance with the original terms and conditions. The Group recognises the impairment loss concerning sales receivables immediately when there is objective evidence that the receivable cannot be collected in full. In addition, delay or default on a payment by the debtor or known financial difficulties of the debtor are considered additional factors indicative of an impairment of trade receivables. According to the Group's principle concerning the valuation of trade receivables, 50% of unsecured and uncertain receivables overdue more than 180 days and 100% of those overdue more than 360 days is recognised as an expense. Due to the application of the percentage of completion method, part of the items considered write-downs is included in the project cost estimate and taken into consideration as weakened margin forecast. Write-downs on loss-making projects are included in the provisions for losses.

FINANCIAL LIABILITIES

Financial liabilities are recorded in the balance sheet at the settlement day and derecognised from the balance sheet when the related obligations expire or transfer outside the Group in accordance with the agreements.

The Group has classified its financial liabilities into the following categories:

FINANCIAL LIABILITIES AT PERIODISED ACQUISITION COST USING THE EFFECTIVE INTEREST RATE METHOD

These are originally measured at fair value. Transaction costs arising in connection with taking out the loan have been included in the original carrying amount. Financial liabilities may be current or non-current. Financial liabilities are later valued at the periodised acquisition cost using the effective interest rate method. Borrowing costs arising as a result of the acquisition, construction or manufacturing of a qualifying asset are capitalised as part of the acquisition cost of the asset in question when it is probable that they will produce future financial benefit and can be reliably determined. Other borrowing costs are expensed in the period during which they emerged. Fees paid on the establishment of loan facilities are recognised as expenses over the period of the facility to which it relates.

Developer contracting-related debts from contract receivables sold to financing companies are also presented in financial liabilities. The receivables sold to financing companies are included in the current borrowings during the loan period to the extent they are related to housing production or commercial real estates recognised as revenue upon 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.

The Group has applied from January 1, 2010 the IFRIC15 interpretation, according to which sold residential units in own residential development projects are recognised when projects are complete. As a result, all construction-stage contract receivables related to residential housing production or business premises recognised as revenue upon completion must be reported as part of the interest-bearing liabilities on the balance sheet. Previously, this part of the construction-stage contract receivables was reported as an off-balance sheet item.

The fair values of the financial liabilities are market rates if one has been reliably available, or otherwise discounted values or accounting values if this is reasonably close to the fair value. The discount rate used is the rate at which the Group could possibly buy a corresponding item on the closing date.

FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

Currency forward contracts and interest rate swaps associated with business operations and financing to which IAS 39 compliant hedging is not applied have been classified into this category. Derivatives are originally measured at fair value when the Group becomes party to an agreement and is subsequently measured at fair value. Currency forward contracts are used for hedging against the currency exposure of exchange rates and resulting changes in fair value are entered in other operating income and expenses or financial income and expenses in the financial period in which they were incurred. Interest rate swaps are used to hedge against changes in market interest rates, and changes in the fair value of interest rate swaps are entered in financing income or expenses in the financial period in which they were incurred. Derivatives are non-current liabilities when their maturity is more than 12 months (Other liabilities) and current liabilities when the remaining maturity is less than 12 months (Trade and other payables).

FAIR VALUE OF DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

The fair value of derivative instruments equals the value the Group would receive or pay if the derivative contract were transferred. The fair value of exchange rate forward agreements has been assessed by using the market prices at the closing day. These quoted prices for interest rate swap agreements are derived from the discounted future cash flows, and the quoted prices for other agreements are based on general market conditions and common pricing models.

Derivative instruments used in hedge accounting that meet the hedge accounting criteria under IAS 39 are entered in the balance sheet at fair value on the day that the Group becomes counterpart to the agreement. The Group has applied hedge accounting for hedging against the reference rate of floating rate loans (cash flow hedging). The Group documents the relationship between the target and the hedging instruments and assesses the effectiveness of the hedging ratio. The effectiveness of hedging is evaluated in connection with the preparation of each financial statement, at minimum. Changes in the fair value of the effective part of derivative instruments meeting the criteria for cash flow hedging are entered in the fair value reserves in shareholders' equity, taking the tax impact into consideration. Gains and losses recognised in shareholders' equity are transferred to financial income or expenses within the same financial periods as the items of the hedging target.

TREASURY SHARES

If a Group company acquires YIT Corporation shares, the consideration paid for the shares and acquisition-related costs are decreased from shareholders' equity until the shares are nullified or re-circulated. When the company sells its own shares, the direct transaction costs can be decreased from the consideration received, which is then entered in shareholders' equity.

REVENUE RECOGNITION

Income from product and service sales is recorded as revenue at fair value with the indirect taxes, discounts.

GOODS AND SERVICES SOLD

YIT Group designs, constructs and sells residential units and business premises and develops and maintains living infrastructure. Furthermore, in Russia, the Group provides after-sales service and maintenance for consumer customers' new homes. Income from sales of products is recorded when the significant risks, benefits and control associated with the ownership of the goods have transferred to the buyer. Income from short-term services is recorded when the service has been performed.

LONG-TERM SERVICE AGREEMENTS AND CONSTRUCTION CONTRACTS

Long-term service agreements and construction contracts are recorded as revenue on the basis of the degree of completion when the end result of the project can be estimated reliably. The degree of completion of long-term service agreements is calculated on the basis of the share of the estimated total cost of a contract represented by the costs realised at the time of assessment or based on the share of the estimated completion of the contract. The revenue from developer contracting is recognised 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 work in progress included in inventories. Revenue from construction projects including leasing liabilities is recognised as revenue on the basis of the percentage of degree of completion, degree of sale and occupancy rate. Leasing liabilities are treated as contract expenses. A provision for leasing liabilities is made if the remaining unrecognised margin of the construction project is lower than the amount of the remaining leasing liability.

The Group may also carry out a certain construction contract or long-term service agreement through a construction consortium. A construction consortium is not an independent legal unit; instead the contracting parties are directly responsible for its operations and liabilities. Construction contracts and long-term service agreements carried out through a consortium are included in the relevant Group company's reporting and are recorded as revenue on the basis of the degree of completion and the Group's share in the consortium.

OWN RESIDENTIAL AND COMMERCIAL REAL ESTATE DEVELOPMENT PROJECTS

According to IFRIC15 revenue generated from YIT's own residential development projects is recognised when the project is complete i.e. when the residential units are ready to be handed over to the client. Revenue recognition of completed projects is based on degree of sale.

In the case of YIT's commercial real estate development projects, the recognition practice will be evaluated on a case-by-case basis and in accordance with the terms and conditions of each contract. These projects will be recognised when the construction work has started or when the project is complete. The share of income and expenses to be recognised is calculated by using the formula percentage of completion multiplied by the percentage of sale multiplied by the occupancy rate. YIT normally secures the key tenants prior to starting a business premises project and the investor at the early stage of construction of the project.

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 in all circumstances. Revenue recognition on the basis of the degree of completion related to long-term service agreements and construction contracts is based on estimates. If the estimates of the end result of a contract change, the sales and profits recognized are adjusted in the reporting period when the change first becomes known and can be evaluated.

In the last quarter of 2017, YIT changed the method of financing the domestic production of apartments sold to consumers. Previously, YIT has sold the site's contract receivables to the financing bank, and the contract debt has been paid off with the housing corporation loan drawn when the project is completed. YIT has now moved to a market-based financing model in which the housing corporation loan is drawn according to the degree of completion and it finances the construction of the property. The proportion of housing corporation loans related to sold apartments is presented as advances received and the proportion of housing corporation loans related to unsold apartments is presented as interest-bearing debt in the statement of financial position.

INTEREST AND DIVIDENDS

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

ADJUSTMENT ITEMS

Material items not part of the normal business such as gains or losses arising from the divestments of a business or part of a business, impairment of goodwill and plots of land, impairment of tangible assets and impairment of other assets, costs on the basis of statutory personnel negotiations and adaption measures, costs associated with business acquisitions, material effect on profit and loss from disputes based on a decision by a court or arbitration proceedings and costs related to the planned merger transaction.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

When financial statements are prepared in accordance with IFRS, the Group management 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 final actual results may differ from the estimates. The following presents the critical accounting estimates and judgements included in the financial statements:

ESTIMATED IMPAIRMENT OF GOODWILL

Goodwill is tested for any impairment annually in accordance with the accounting policy stated in Note 13. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The cash flows in the value-in-use calculations are based on the management's best estimate of market development for the subsequent years.

The cash flows in the value-in-use calculations reflect the best estimate for different time period, and the sensitivity analysis for discount rate, profitability as well as terminal value have been made. On December 31, 2017, goodwill amounted to EUR 8.1 million.

PERCENTAGE OF COMPLETION REVENUE RECOGNITION OF LONG-TERM PROJECTS

Due to estimates included in the revenue recognition of long-term service agreement and construction projects, revenue and profit presented by financial period only rarely correspond to the equal distribution of the total profit over the duration of the project. When revenue recognition from long-term projects is based on the percentage of completion method, the final result of the projects is regularly and reliably estimated. Calculation of the total income of projects includes estimates on the total expenditure required to complete the project as well as the development of sales prices. If the estimates of the end result of a contract change, the sales and profits recognised are adjusted in the reporting period when the change first becomes known and can be evaluated. 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. In 2017, revenue recognition through percentage of completion method amounted to EUR 1,486.9 million, representing 75 percent of the Group's revenue (Note 3).

INCOME TAXES

The Group is subject to income taxes in several countries. Evaluating the total amount of income taxes at the Group level requires significant consideration, so the amount of total tax includes uncertainty. On December 31, 2017, deferred tax receivables amounted to EUR 53.2 million and deferred tax liabilities amounted to EUR 9.9 million (Note 17).

PROVISIONS

The recognition of provisions is associated with estimates concerning probability and quantity. 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 and Finnish 10-year provisions for commitments are recorded when a project is recognised in the income statement. The amount of the guarantee and Finnish 10-year provisions for commitments in the construction industry provision is set on the basis of experience of the materialization of these commitments. On December 31, 2017, provisions amounted to EUR 72.3 million (Note 23).

PENSION BENEFITS

The current value of pension obligations depends on various actuarial factors and the discount rate used. Changes in the assumptions and discount rate have an effect on the carrying amount of pension liabilities. The discount rate used is the market rate of high-quality corporate bonds or the interest rate of treasury notes for the currency in which the benefits will be realised. The maturity of the reference rate used corresponds substantially to the maturity of the calculated pension liability. Other assumptions are based on actuarial statistics and prevailing market conditions. On December 31, 2017, pension liabilities amounted to EUR 2.1 million (Note 22).

INVENTORIES

On each closing date, the Group assesses the valuing of inventory and possible decrease in value based on its best estimate. The estimates are based on systematic and continuous monitoring. Plot reserves are measured at acquisition cost and the value is impaired only when it is estimated that the building being constructed on the plot will be sold at a price lower than the sum of the price of the plot and the construction costs. The valuing of plot reserves has been made by using time period of 3-4 years. On December 31, 2017, work in progress amounted to EUR 789.5 million, completed housing units amounted to EUR 193.6 million and plot reserves amounted to EUR 570.1 million (Note 18).

TRADE RECEIVABLES

The Group books write-offs or provision on receivables when it is evident that no payment can be expected. Group adopts its policy of valuing trade receivables and the bookings include estimates and critical judgements. The estimates are based on experience on realised write-offs in previous years, empirical knowledge of debt collecting, analysis made by clients and general market situation at the time. On December 31, 2017, trade receivables amounted to EUR 246.0 million (Note 19).

EVALUATION OF THE FUTURE IMPACT OF NEW STANDARDS AND INTERPRETATIONS

IASB has published the following new or amended standards and interpretations, which group has not applied for or EU commission has not approved yet. YIT Group will adopt them in the financial statements for the year 2017 or later.

- The effective date of IFRS 15 Revenue from Contracts with Customers is a financial period beginning on or after 1 January 2018. IFRS 15 specifies how and when to recognise revenue from contracts with customers. The starting point of the standard is a contract with a customer, to which a five-step model should be applied. A key factor in revenue recognition is the transfer of control. Revenue is recognised either over time or at a point in time. Once effective, the new standard will replace current IAS 18 and IAS 11 standards and related interpretations.
- On the basis of the impact analysis, the analysis of the opening balance sheet as at 1 January 2017 and the contract analysis of significant new customer contracts prepared during the financial period, the application of IFRS 15 will not have a material impact either to the amount or the timing of revenue recognition. There are no adjustments to the comparative financials due to the application of IFRS 15. The number of disclosures in the consolidated financial statements will increase.
- The company has identified certain contract elements which will be treated differently compared to the current accounting method. The number of performance obligations accounted for separately will increase mainly in the Building construction, Finland segment where a contract with a customer may cover the construction of several separate buildings and the maintenance service in life-cycle projects. Dividing such contracts with customers in several performance obligations accounted for separately will not have a material impact either to the amount or the timing of revenue recognition at the transition date as the majority is already accounted for sepa-

rately under the current accounting practice. In addition, the number of performance obligations increases if YIT commits to warranty periods that are longer than what has been defined in legislation or in general terms and conditions. In this case, the excess warranty period may be considered as a separate performance obligation and the transaction price allocated to it is recognised as revenue when the service is performed. YIT has offered a small number of warranty periods exceeding the general terms and conditions which are low in value. Therefore, based on management's materiality assessment, they have not been accounted for as separate performance obligations. According to YIT's current revenue recognition policies, the excess warranty period is not separated in revenue recognition.

- Transaction prices are mainly variable in the contracts with customers of YIT. According to IFRS 15, the transaction price expected to be received from the customer, including variable amounts such as penalties and bonus payments based on performance, is determined at the contract inception and re-estimated at the end of each reporting period. Some or all of the amount of the variable consideration estimated is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Due to the application of IFRS 15, the revenue from the bonus payments included in the transaction price may be recognised somewhat earlier compared to the current accounting practice. According to current accounting practice, variable amounts are accounted for once they are reliably determined.
- The criteria in IFRS 15 for revenue recognition over time is fulfilled in majority of contracts with customers of YIT. Therefore, as revenue from majority of contracts with customers is recognised over time under current accounting practice, there will be no significant changes to the timing of revenue recognition. The revenue from residential development projects in the Building construction, Finland segment is recognised at a point in time when the control is transferred to the customer, which is in line with the current accounting practice.
- The company adopts the standard as of 1 January 2018 using a retrospective method and all available transition relief options. In accordance with the retrospective method, in the 2018 consolidated financial statements the company adjusts the disclosures for the comparative financial year to comply with IFRS 15.

- Description of practical expedients:
  - The company does not adjust completed contracts that begun and ended during the financial year 2017.
  - Variable consideration for contracts that were completed by the end of the financial year 2017 were not adjusted for the comparative financial year.
  - The company does not disclose the amount of the transaction price allocated to unsatisfied performance obligations for the comparative financial year, that is as at 31 December 2017, nor does it provide a more detailed description of satisfying the obligations.
  - The company does not adjust contracts that are completed contracts at the beginning of the earliest period presented.
  - The company does not restate contract modifications made before the beginning of the transition period; instead, the company can take into account their aggregate effect when determining the transaction price, unsatisfied and satisfied performance obligations and the allocation of the transaction price to the performance obligations.

- IFRS 16 Leases standard was issued in January 2016. The effective date of the standard is a period beginning on or after 1 January 2019. The standard is applied to lessee's financial statements. All lease agreements are recognised in balance sheet, except minor rental properties and short-term lease agreements.
- According to the current estimate, the adoption of the standard will increase the amount of property, plant and equipment as well as the amount of financial liabilities. The company also has land lease agreements related to construction business, which, according to the preliminary analysis, will be recognised to inventories and interest-bearing liabilities. Asset items related to land lease agreements and financial liabilities are recognised off-balance when the property under construction is sold. According to the preliminary analysis, the standard is not expected to have significant impact on profit for the accounting period or equity.

- IFRS 9 Financial Instruments and associated amendments to various other standards. IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial Instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.

  Classification of debt assets will be driven by the entity's business model for managing the nancial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

  All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

The new impairment model for financial assets is based on expected credit losses, where customer's credit risk is taken into account. This model causes that credit loss recognition will be made earlier. The financial assets of the company mainly consists of trade receivables measured at amortised cost and customer contracts in accordance with IFRS 15. The company will use simplified approach and thus expected credit losses from trade receivables and customer contract assets in accordance with IFRS 15 will be recognised based on historical information with adjustment concerning expectations of the future. The company estimates that recognition of expected credit losses will have negative impact of EUR 0.7 million to equity of opening balance sheet at the date of initial application.

- Amendments to IFRS 10 and IAS 28: The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively.
- The group management is assessing the impact of the standard on the financial statements of the Group.
- There are no other IFRSs, IFRIC interpretations, annual improvements or amendments to IFRSs that are not yet effective that would be expected to have a material impact on the company's consolidated financial statements.

2. SEGMENT INFORMATION

YIT Corporation's segment structure changed from the beginning of 2015. As of January 1, 2015, the Group's three reportable segments are 1) Housing Finland and CEE, 2) Housing Russia and 3) Business Premises and Infrastructure.

The Business Premises and Infrastructure segment comprises business premises construction in Finland, the Baltic countries and Central Eastern Europe, as well as infrastructure services in Finland.

The reason for the change from the previous business segment structure was YIT's aim to revise iits business segment structure to better correspond to the company's new management structure and business areas.

HOUSING FINLAND AND CEE

- Development and construction of housing, holiday homes and entire residential areas.
- Emphasis on own developments

HOUSING RUSSIA

- Development and construction of housing and entire residential areas, emphasis on own developments
- Property maintenance

BUSINESS PREMISES AND INFRASTRUCTURE

- Development and construction of offices, shopping malls, public facilities, assisted living facilities and other business premises
- Renovation projects
- Construction of roads, bridges, tunnels, rail and metro stations, ports and power plants
- Road and street maintenance
- Equipment business

OTHER ITEMS

Other items include Group internal services, rental revenue from external customers and Group level unallocated costs.

SEGMENT REPORTING ACCOUNTING PRINCIPLES

In the Group's segments' reporting to the management, the revenue from own residential and commercial development projects is recognised by multiplying the degree of completion and the degree of sale, i.e. according to the percentage of completion method, which does not fully comply with the Group's IFRS accounting principles. According to the Group's IFRS accounting principles, revenue from our own residential construction projects is recognised on completion and in commercial development projects the recognition practice will be evaluated on a case-by-case basis and in accordance with the terms and conditions of each contract. The share of income and expenses to be recognised is calculated by multiplying the percentage of completion by the percentage of sale multiplied by the occupancy rate. YIT usually sells own commercial development projects to investors either prior to construction or during an early phase. The impact of the difference in reporting principles is shown in the line IFRS adjustment. As a result of the accounting policy, Group figures can fluctuate greatly between quarters.

In addition to group reporting, the interest expenses are capitalised according to IAS 23 standard, which causes differences in operating profit and financial expenses between segment reporting and group reporting.

Capital employed and return on capital employed (%) are included in the reports regularly reviewed by the YIT Group's Management Board. These key indicators are reported regularly to Group's Management. Capital employed is determined as follows:

+ Property, plant and equipment and intangible assets
+ Goodwill
+ Shares in associates and joint ventures
+ Inventories
+ Trade receivables and other non-interest-bearing receivables (excl. items related to taxes, interests and distribution of assets)

= Segment’s assets

- Provisions
- Trade payables
- Advances received
- Other non-interest-bearing liabilities (excl. items related to taxes, interests and distribution of assets)

= Segment's liabilities

Segment's assets – Segment's liabilities = Capital employed

Return on capital employed%

= Segment's operating profit (12 months)

Capital employed (average) *100

Return on Invested capital is calculated as follows:

Capital employed + unallocated assets – unallocated liabilities (excluding interest-bearing debts).

OPERATING SEGMENTS 2017

EUR million	Housing Finland and CEE	Housing Russia	Business Premises and Infrastructure	Other items and eliminations	Group, POC	IFRS adjustments	Group, IFRS
Revenue	**835.2**	**268.3**	**814.7**	**-9.6**	**1,908.6**	**85.2**	**1,993.8**
Group internal	0.0	0.0	9.6	-9.6	0.0		
Revenue from external customers	835.2	268.3	805.1	0.0	1,908.6	85.2	1,993.8
Share of profit from associates and joint ventures	-0.0	0.0	-0.8	0.0	-0.9		-0.9
Operating profit	**76.8**	**3.2**	**50.4**	**-28.1**	**102.3**	**-16.8**	**85.5**
Depreciation and amortisation	-1.6	-0.9	-7.3	-4.4	-14.2		-14.2
Adjusted operating profit	**81.7**	**6.3**	**56.3**	**-22.0**	**122.3**	**-16.8**	**105.6**
Adjusting items	-4.9	-3.2	-5.9	-6.1	-20.0		-20.0
Unallocated items							
Financial income and expenses				-21.1	-21.1	6.5	-14.6
Income taxes				-18.5	-18.5	4.1	-14.3
Result for the period, Group	**76.8**	**3.2**	**50.4**	**-67.6**	**62.8**	**-6.1**	**56.6**
Segment's assets	**741.1**	**469.8**	**575.4**	**19.3**	**1,805.6**	**193.6**	**1,999.2**
Property, plant and equipment, other intangible assets and shares in associated companies and joint ventures	17.4	4.6	148.8	15.4	186.2		186.2
Goodwill	8.1				8.1		8.1
Inventory	588.5	420.0	306.3	0.0	1,314.8	277.7	1,592.5
Other current receivables	127.1	45.2	120.4	3.9	296.5	-84.2	212.3
Unallocated assets				**183.9**	**183.9**	**10.3**	**194.2**
Cash and cash equivalents				89.7	89.7		89.7
Non-current receivables				48.1	48.1		48.1
Tax related items				45.0	45.0	10.3	55.3
Financial items accruals				1.1	1.1		1.1
Total assets	**741.1**	**469.8**	**575.4**	**203.2**	**1,989.5**	**203.9**	**2,193.3**

EUR million	Housing Finland and CEE	Housing Russia	Business Premises and Infrastructure	Other items and eliminations	Group, POC	IFRS adjustments	Group, IFRS
Gross investments	**13.1**	**2.4**	**59.9**	**4.7**	**80.1**		**80.1**
Of which investments in associated companies and joint ventures	12.5	0.0	49.1		61.6		61.6
Segment's liabilities	**309.5**	**73.0**	**374.9**	**-3.4**	**754.0**	**252.5**	**1,006.5**
Provisions and pension obligation	47.8	13.4	9.2	3.9	74.4	-0.0	74.4
Trade payables, other liabilities and accruals	217.3	42.2	184.6	-7.4	436.7	1.2	437.9
Advances received	44.4	17.4	181.1	0.1	242.9	251.3	494.3
Unallocated liabilities				**623.2**	**623.2**	**-1.0**	**622.1**
Borrowings				590.7	590.7	0.0	590.7
Tax related items				23.9	23.9	-1.0	22.9
Financial items accruals				8.5	8.5	0.0	8.5
Total liabilities	**309.5**	**73.0**	**374.9**	**619.7**	**1,377.2**	**251.4**	**1,628.7**
Segment's capital employed	431.6	396.8	200.5	22.7	1,051.6	-58.9	992.7
ROCE (last 12 months)	17.4	0.8	26.2	0.0	0.0	0.0	0.0
Invested capital					**1,203.0**	**-47.6**	**1,155.4**

OPERATING SEGMENTS 2016

EUR million	Housing Finland and CEE	Housing Russia	Business Premises and Infrastructure	Other items and eliminations	Group, POC	IFRS adjustments	Group, IFRS
Revenue	**727.9**	**267.9**	**797.4**	**-9.7**	**1,783.6**	**-105.3**	**1,678.3**
Group internal	0.0	0.0	9.7	-9.7	0.0		0.0
Revenue from external customers	727.9	267.9	787.7	0.1	1,783.6	-105.3	1,678.3
Share of profit from associates and joint ventures	0.0	0.0	-0.6	-0.0	-0.6	0.0	-0.6
Operating profit	**59.9**	**-29.3**	**38.1**	**-15.7**	**52.9**	**-35.2**	**17.7**
Depreciation and amortisation	-2.5	-3.1	-7.0	-3.9	-16.5	0.0	-16.5
Adjusted operating profit	**59.9**	**-2.3**	**38.1**	**-15.7**	**79.9**	**-35.2**	**44.7**
Adjusting items		-27.0			-27.0		-27.0
Unallocated items							
Financial income and expenses				-39.1	-39.1	19.0	-20.1
Income taxes				-6.4	-6.4	1.7	-4.7
Result for the period, Group	**59.9**	**-29.3**	**38.1**	**-61.2**	**7.4**	**-14.5**	**-7.1**
Segment's assets	**741.7**	**524.3**	**531.2**	**19.9**	**1,817.0**	**302.9**	**2,120.0**
Property, plant and equipment, other intangible assets and shares in associated companies and joint ventures	5.8	5.3	100.9	16.6	128.7	0.0	128.7
Goodwill	8.1	-0.0	0.0	0.0	8.1	0.0	8.1
Inventory	614.6	467.6	283.3	0.0	1,365.5	381.1	1,746.6
Other current receivables	113.2	51.3	147.0	3.2	314.7	-78.1	236.6
Unallocated assets				**154.9**	**154.9**	**9.1**	**164.0**
Cash and cash equivalents				66.4	66.4	0.0	66.4
Non-current receivables				35.7	35.7	0.0	35.7
Tax related items				51.5	51.5	9.1	60.7
Financial items accruals				1.3	1.3	0.0	1.3
Total assets	**741.7**	**524.3**	**531.2**	**174.8**	**1,971.9**	**312.1**	**2,284.0**

EUR million	Housing Finland and CEE	Housing Russia	Business Premises and Infrastructure	Other items and eliminations	Group, POC	IFRS adjustments	Group, IFRS
Gross investments	**1.6**	**0.6**	**76.5**	**4.7**	**83.5**	**0.0**	**83.5**
Of which investments in associated companies and joint ventures	0.0	0.0	63.6		63.6	0.00	63.6
Segment's liabilities	**288.2**	**119.1**	**347.3**	**5.5**	**760.1**	**222.0**	**982.2**
Provisions and pension obligation	45.5	19.8	8.8	4.4	78.5	0.0	78.5
Trade payables, other liabilities and accruals	193.4	72.3	165.4	1.1	432.3	-2.5	429.8
Advances received	49.3	27.0	173.0	0.0	249.4	224.5	473.9
Unallocated liabilities				**606.8**	**606.8**	**131.2**	**737.9**
Borrowings				570.3	570.3	129.2	699.5
Tax related items				20.1	20.1	2.0	22.0
Financial items accruals				16.4	16.4	0.0	16.4
Total liabilities	**288.2**	**119.1**	**347.3**	**612.3**	**1,366.9**	**353.2**	**1,720.1**
Segment's capital employed	453.5	405.1	183.9	14.3	1,056.9	80.9	1,137.8
ROCE (last 12 months)	13.4	-7.6	21.6	0.0	0.0	0.0	0.0
Invested capital					**1,175.3**	**88.1**	**1,263.4**

GEOGRAPHICAL INFORMATION

In geographical segments revenues are presented by location of customers and assets are presented by location of assets.

REVENUE FROM EXTERNAL CUSTOMERS

EUR million	2017	2016
Finland	1,383.0	1,233.3
Russia	363.0	271.6
Baltic countries	126.8	104.8
Central Eastern Europe	121.1	68.6
Group total	**1,993.8**	**1,678.3**

NON-CURRENT ASSETS

EUR million	2017	2016
Finland	178.7	121.5
Russia	4.6	5.3
Baltic countries	8.9	9.0
Central Eastern Europe	2.6	1.4
Group total	**194.8**	**137.2**

3. LONG-TERM CONSTRUCTION CONTRACTS

EUR million	2017	2016
Contract revenue recognised as revenue in the period	1,486.9	1,523.9
Contract costs incurred and recognised profits less recognised losses to date for work in progress	1,314.0	1,550.6
Accrued income from long-term projects	59.9	55.1
Advances received	448.2	434.5

The expenditure incurred and the profits recognised for the long-term projects, that exceed the amount invoiced for the project, is presented in “Trade and other receivables” in the balance sheet. Advances received and difference that arises if the expenditure and recognised income are lower than the amount of invoiced for the project, is presented in “Trade and other payables”.

4. OTHER OPERATING INCOME

EUR million	2017	2016
Gains on the sale of tangible and intangible assets [1]	24.9	2.2
Rental income	9.9	8.7
Other income	2.6	2.0
Total	**37.4**	**12.8**

[1] Includes EUR 23.7 million gain on the sale of Kasarmikatu Holding Oy

5. OTHER OPERATING EXPENSES

EUR million	2017	2016
Losses on the sale of tangible and intangible assets	-0.4	-0.4
Rental expenses	-43.8	-43.7
Voluntary indirect personnel expenses	-9.1	-7.9
Other variable expenses for work in progress	-195.6	-196.4
Travel expenses	-10.0	-9.6
IT expenses	-17.8	-1.1
Premises expenses	-7.8	-7.4
Other fixed expenses	-25.2	-15.2
Total	**-309.7**	**-281.7**

AUDITORS' FEES

EUR million	2017	2016
PricewaterhouseCoopers		
Audit fee	-0.8	-0.8
Statements	-0.1	-0.0
Tax services	0.0	-0.0
Other services	-0.8	-0.1
Total	**-1.7**	**-0.9**

Other than audit services to YIT Group provided by PricewaterhouseCoopers Oy amounted to EUR 0.9 million in 2017. The services included statements EUR 0.1 million and other services EUR 0.8 million.

6. DEPRECIATION, AMORTISATION AND IMPAIRMENT

DEPRECIATION, AMORTISATION AND IMPAIRMENT BY CATEGORY

EUR million	2017	2016
Intangible assets		
Allocations	0.0	
Other intangible assets	-3.2	-3.5
Goodwill	0.0	-2.4
Tangible assets		
Buildings and structures	-0.4	-0.5
Machinery and equipment	-8.3	-8.0
Machinery and equipment, finance lease	-0.1	-0.1
Other tangible assets	-2.2	-2.0
Total	**-14.2**	**-16.5**

7. EMPLOYEE BENEFIT EXPENSES

EUR million	2017	2016
Wages and salaries	-223.5	-203.8
Pension costs, defined contribution plan	-3.5	-7.4
Pension costs, defined benefit plan	-0.1	-0.1
Share-based compensations	-5.9	-3.2
Other indirect employee costs	-42.8	-35.9
Total	**-275.7**	**-250.3**

PERSONNEL BY BUSINESS SEGMENT

Average number of personnel	2017	2016
Housing Finland and CEE	1,807	1,748
Housing Russia	1,426	1,471
Business Premises and Infrastructure	2,057	1,947
Group Services	243	194
Total	**5,533**	**5,361**

The key management compensation in total is disclosed in Note 32 Related party transactions.

8. RESEARCH AND DEVELOPMENT EXPENSES

YIT Group's research and development expenses amounted in 2017 to EUR 18.9 million (2016: EUR 15.8 million). The research and development expenses have been mainly recognised as a part of the costs of long-term projects and have been recorded as a project costs.

9. FINANCIAL INCOME AND EXPENSES

EUR million	Note	2017	2016
Financial income			
Dividend income on available for sale investments		0.0	0.0
Interest income on loans and other receivables		1.8	1.5
Changes in fair values on financial instruments at fair value through profit and loss account[1]			
Other financial income from loans and other receivables		0.1	0.2
Financial income, total		**1.9**	**1.7**
Financial expenses			
Interest expenses on liabilities at amortised cost[2]		-14.6	-19.2
Interest expenses on receivables sold to financing companies		-3.3	-3.9
Other financial expenses on liabilities at amortised cost		-5.0	-5.0
Interest expenses on hedging derivatives		-0.4	-0.5
Interest expenses on non-hedging derivatives		-2.3	-2.6
Changes in fair values on financial instruments at fair value through profit and loss account[1]		0.0	-0.4
Interest expenses on finance leases		0.0	0.0
Financial expenses		-25.6	-31.6
Interest expenses capitalised on qualifying assets[3]		6.5	19.0
Financial expenses, total		**-19.1**	**-12.6**

EUR million	Note	2017	2016
Exchange rate differences			
Exchange rate gains		5.6	0.7
Exchange rate losses		-3.0	-9.9
Exchange rate differences, net4		**2.6**	**-9.2**
Financial expenses, net		**-14.6**	**-20.1**

[1] Measurement of interest rate derivatives at fair value.

[2] Interest expenses on liabilities at amortised cost include EUR 0.4 million (in 2016: EUR 0.5 million) of interest expenses on derivatives with hedge accounting applied.

[3] Capitalisation of interest expenses is based on the effective weighted average interest of the Group loan portfolio. Currency-specific factors include the impact of hedging.

[4] Exchange rate differences, net, were mainly caused by realised losses from hedging the rouble against the euro.

10. INCOME TAXES

INCOME TAXES IN THE INCOME STATEMENT

EUR million	2017	2016
Current taxes	22.6	13.2
Taxes for prior years		4.1
Deferred taxes[1]	-8.4	-12.6
Total income taxes	**14.3**	**4.7**

The reconciliation between income taxes in the consolidated income statement and income taxes at the statutory tax rate in Finland 20.0% is as follows:

EUR million	2017	2016
Profit before taxes	**70.9**	**-2.5**
Income taxes at the tax rate in Finland 20.0%	14.2	-0.5
Effect of different tax rates outside Finland	-0.1	-0.1
Tax exempt income and non-deductible expenses	-0.5	2.1
Net results of associated companies and joint ventures	0.0	0.1
Impact of changes in tax rates to deferred taxes	0.8	
Impact of losses for which deferred tax asset is recognised	0.0	-0.1
Impact of losses for which deferred taxes is not recognised	0.4	0.0
Reassessment of deferred taxes	-0.5	3.1
Taxes for prior years		0.1
Income taxes in the income statement	**14.3**	**4.7**

11. EARNINGS PER SHARE

	Undiluted		Diluted	
	2017	**2016**	**2017**	**2016**
Profit attributable to the equity holders of the Company, EUR mill.	56.6	-7.1	56.6	-7.1
Weighted average number of shares, million	125.7	125.6	127.6	127.4
Earnings per share, EUR	0.45	-0.06	0.44	-0.06

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

12. TANGIBLE ASSETS

2017 EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
Historical cost at January 1	2.4	18.6	174.9	21.1	0.0	217.0
Translation differences		-0.4	-0.3	-0.1	0.0	-0.8
Increases		0.4	13.7	1.6	0.0	15.7
Decreases		-0.4	-3.3	-0.3	-0.0	-4.1
Reclassifications		-3.0		-0.3	0.0	-3.3
Historical cost at December 31	**2.4**	**15.2**	**185.0**	**21.9**	**0.0**	**224.4**
Accumulated depreciation at January 1		-11.1	-136.8	-15.9	0.0	-163.8
Translation differences		0.1	0.3	0.1		0.4
Depreciation		-0.5	-8.4	-2.2		-11.1
Accumulated depreciation of reclassifications		3.1	1.2	0.4		4.8
Accumulated depreciation at December 31		**-8.3**	**-143.7**	**-17.6**	**0.0**	**-169.7**
Carrying value January 1	2.4	7.5	38.1	5.2	0.0	53.2
Carrying value December 31	**2.4**	**6.8**	**41.2**	**4.3**	**0.0**	**54.8**

2016 EUR million	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
Historical cost at January 1	2.8	19.1	162.3	16.1	0.1	200.3
Translation differences		1.1	0.9	0.3	0.0	2.3
Increases		0.3	13.5	0.2	0.1	13.9
Decreases	-0.4	-2.0	-1.8	-0.0	-0.1	-4.2
Reclassifications		0.2	0.0	4.7	-0.1	4.8
Historical cost at December 31	**2.4**	**18.6**	**174.9**	**21.1**	**0.0**	**217.1**
Accumulated depreciation at January 1		-11.3	-128.8	-12.8		-152.9
Translation differences		-0.3	-0.8	-0.1		-1.2
Depreciation		-0.5	-8.1	-2.0		-10.6
Accumulated depreciation of reclassifications		1.0	0.9	-1.0		0.8
Accumulated depreciation at December 31		**-11.1**	**-136.8**	**-15.9**		**-163.9**
Carrying value January 1	2.8	7.8	33.5	3.3	0.1	47.4
Carrying value December 31	**2.4**	**7.5**	**38.1**	**5.2**	**0.0**	**53.2**

The government grants received are not material and have been deducted from the carrying value.

FINANCE LEASE ASSETS

Tangible assets include assets leased by finance lease agreements as follows:

EUR million	Buildings and structures 2017	Machinery and equipment 2017	Total 2017	Buildings and structures 2016	Machinery and equipment 2016	Total 2016
Historical cost at January 1	0.4	6.3	6.7	0.3	6.1	6.4
Translation differences	-0.0	-0.1	-0.1	0.1	0.2	0.3
Increases		0.1	0.1			
Decreases						
Reclassifications						
Historical cost at December 31	**0.4**	**6.4**	**6.8**	**0.4**	**6.3**	**6.7**
Accumulated depreciation at January 1	-0.1	-6.2	-6.2	-0.0	-5.9	-6.0
Translation differences	0.0	0.1	0.1	-0.0	-0.2	-0.2
Depreciation	-0.0	-0.1	-0.1	-0.0	-0.1	-0.1
Accumulated depreciation of reclassifications						
Accumulated depreciation at December 31	**-0.1**	**-6.3**	**-6.3**	**-0.1**	**-6.2**	**-6.2**
Carrying value January 1	0.3	0.1	0.5	0.3	0.2	0.5
Carrying value December 31	**0.3**	**0.1**	**0.4**	**0.4**	**0.1**	**0.5**

13. INTANGIBLE ASSETS

2017 EUR million	Goodwill	Allocations from business combinations	Other intangible assets	Advance payments	Total other intangible assets
Historical cost at January 1	**8.1**		**22.9**	**6.6**	**29.5**
Increases			0.4	2.8	3.1
Decreases			-0.5	-0.5	-1.0
Reclassifications			3.8	-3.8	0.0
Translation differences			0.0		0.0
Historical cost at December 31	**8.1**		**26.6**	**5.0**	**31.6**
Accumulated depreciation at January 1			-17.6	0.0	-17.6
Amortisation			-3.2		-3.2
Impairment					
Translation differences					
Accumulated depreciation of reclassifications			0.5		0.5
Accumulated depreciation at December 31			**-20.3**	**0.0**	**-20.3**
Carrying value January 1	8.1		5.4	6.6	11.9
Carrying value December 31	**8.1**		**6.3**	**5.0**	**11.3**

2016 EUR million	Goodwill	Allocations from business combinations	Other intangible assets	Advance payments	Total other intangible assets
Historical cost at January 1	10.9		21.4	8.2	29.7
Increases			1.0	4.2	5.2
Decreases			-0.5	-0.1	-0.6
Reclassifications			1.0	-5.8	-4.8
Translation differences			0.0		0.0
Historical cost at December 31	**10.9**		**22.9**	**6.6**	**29.5**
Accumulated depreciation at January 1			-15.3		-15.3
Amortisation			-3.5		-3.5
Impairment	**-2.8**				
Translation differences			-0.2		-0.2
Accumulated depreciation of reclassifications			1.5		1.5
Accumulated depreciation at December 31	**-2.8**		**-17.6**		**-17.6**
Carrying value January 1	10.9		6.1	8.2	14.3
Carrying value December 31	**8.1**		**5.4**	**6.6**	**11.9**

YIT Group's goodwill is allocated to the business segments and to the cash generating units (CGU) as follows:

EUR million	2017	2016
Baltic countries and Central Eastern Europe	8.1	8.1
Total goodwill	**8.1**	**8.1**

The recoverable amount of all cash generating units (CGU) is based on value in use calculations. The calculations are made on a discounted cash flow method basis, derived from the set out budget for 2018 and the set out strategy of 2019–2020. The most significant assumptions concerning these are related to the development of housing demand and project margins, as well as changes in working capital. Cash flows beyond the strategy period are calculated using the terminal value method. The growth rates for terminal values used were 2% in the Baltic countries and Central Eastern Europe.

The applied discount rate the latest confirmed pre-tax WACC (Weighted Average Cost of Capital) defined by YIT. A WACC of 7.2% (7.6%) was used in the Baltic countries and Central Eastern Europe.

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 exceeded the carrying amount substantially in the Baltic countries and Central Eastern Europe.

SENSITITVITY ANALYSIS

Sensitivity analysis has been carried out for the valuation of the recovarable amounts for the Baltic countries and Central Eastern Europe CGU by changing the assumptions used in the calculations.

Below is presented required changes in assumptions of recoverable amount to correspond book value.

- Pre-tax discount rate: increase more than 4 percentage points
- Terminal growth rate: decrease more than 5 percentage points
- Profitability: decrease more than 50%

In management's opinion, the changes in the basic assumptions shall not be seen as an indication that these factors are likely to materialise. The sensitivity analysis is hypothetical and should therefore be treated with caution.

14. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

	2017			2016		
EUR million	**Associated companies**	**Joint ventures**	**Total**	**Associated companies**	**Joint ventures**	**Total**
Historical costs on January 1	**0.6**	**62.9**	**63.6**	**0.6**	**0.1**	**0.6**
Share of results	0.1	-0.9	-0.8	0.1	-0.7	-0.6
Increases	3.4	58.4	61.8		63.6	63.6
Decreases	-0.5	-3.9	-4.5			
Dividend received during the financial year						
Historical costs on December 31	**3.6**	**116.5**	**120.1**	**0.6**	**62.9**	**63.5**

Associated companies and joint ventures are consolidated in accordance with the equity method.

YIT GROUP'S ASSOCIATED COMPANIES AND JOINT VENTURES AND THEIR COMBINED ASSETS, LIABILITIES, REVENUE AND PROFIT/LOSS

2017 EUR million	Domicile	Assets	Liabilities	Revenue	Profit/Loss	Group's share of net assets	Ownership	Carrying amount
Associated companies								
YIT Talon Tekniikka Oy	Helsinki	8.3	7.1	35.8	-0.9	0.5	48.00%	3.4
Joint ventures								
YCE Housing 1 Ky	Helsinki	21.0	10.0			4.4	40.00%	11.5
Tripla Mall GP Oy	Helsinki	0.0				0.0	38.75%	0.0
Tripla Mall Ky	Helsinki	318.5	54.1		-0.5	102.5	38.75%	102.3
Regenero Oy	Helsinki	92.5	87.4		-0.9	2.5	50.00%	1.9
Trnavske myto a.s.	Bratislava	24.3	21.9	0.7	-0.0	1.2	50.00%	1.0
Konopna Residence s.r.o	Bratislava	2.7	2.6	0.1	-0.0	0.1	40.00%	0.0
Tieyhtiö Vaalimaa Oy	Helsinki	213.2	216.6	5.9	-0.2	-0.7	20.00%	0.1
Total		**680.5**	**399.7**	**42.4**	**-2.6**	**110.6**		**120.1**

2016 EUR million	Domicile	Assets	Liabilities	Revenue	Profit/Loss	Group's share of net assets	Ownership	Carrying amount
Associated companies								
YIT Kuntatekniikka Oy	Mikkeli	2.1	0.7	7.1	0.2	0.6	40.00%	0.6
Joint ventures								
Kasarmikatu Holding Oy	Helsinki	71.1	61.4	0.4	-0.3	3.9	40.00%	3.9
Tripla Mall GP Oy	Helsinki	0.0	0.0		0.0	0.0	38.75%	0.0
Tripla Mall Ky	Helsinki	223.0	70.7		-0.9	59.0	38.75%	58.9
Regenero Oy	Helsinki	0.2	0.0		-0.2	0.1	50.00%	0.1
Konopna Residence s.r.o	Bratislava	2.4	2.4	0.4	0.0	0.0	40.00%	0.0
Tieyhtiö Vaalimaa Oy	Helsinki	148.5	151.8	0.2	-3.0	-0.7	20.00%	0.1
Total		**447.3**	**287.0**	**8.1**	**-4.3**	**62.9**		**63.6**

DESCRIPTIONS OF LINES OF BUSINESS

YIT Talon Tekniikka Oy's line of business is renovation construction in the capital area.

YIT Kuntatekniikka Oy's line of business is to build, maintain and develop good living environments and provide services related to technical infrastructure and properties primarily in the Mikkeli area, and with regard to infrastructure services, also elsewhere in Eastern Finland. The company was liquidated during 2017.

Kasarmikatu Holding Oy invests in the office building in Kasarmikatu in Helsinki. Kasarmikatu Holding Oy was sold during year 2017.

Tripla Mall GP Oy and Tripla Mall Ky's line of business is investmentproperty operations, owning shopping malls and real-estate companies. The associated companies invests in building project Tripla in Pasila.

Regenero Oy:s line of business emphasises on developing large residential, commercial- and office projects in the capital area.

YCE Housing I Ky, Trnavske myto a.s. and Konopna Residence S.r.o invests in property development projects.

Ruoholahti 23 Oy's line of business is to acquire, sell, own, manage and lease properties comprising residential, medical, office and industrial premises, as well as shares in real estate companies related to such premises. The company's line of business also includes construction and property development activities as well as related use and maintenance operations. The company's line of business further includes the provision of management services for properties and premises. The company was liquidated during 2016.

Valtatie 7 Group's line of business is to plan, build, develop, finance and maintain the E18 motorway between Koskenkylä and Kotka. The company was sold to a third party in 2016.

Tieyhtiö Vaalimaa Oy's line of business is to plan, build, develop, finance and maintain the E18 motorway between Hamina and Vaalimaa.

15. AVAILABLE FOR SALE INVESTMENTS

EUR million	2017	2016
Carrying value January 1	0.4	0.4
Decreases		-0.0
Changes in fair values		
Carrying value December 31	**0.4**	**0.4**
Available for sale investments consist of as follows:		
Quoted	0.1	0.1
Unquoted	0.3	0.3
Total	**0.4**	**0.4**

16. NON-CURRENT RECEIVABLES

EUR million	2017 Tasearvo	2017 Käypä arvo	2016 Tasearvo	2016 Käypä arvo
Trade receivables	0.9	0.9	1.2	1.2
Interest-bearing receivables	46.0	46.0	34.6	34.6
Other receivables	0.7	0.7	1.9	1.9
Total	**47.6**	**47.6**	**37.7**	**37.7**

RECONCILIATION TO THE NOTE 27 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR million	2017	2016
Trade receivables	0.9	1.2
Interest-bearing receivables	46.0	34.6
Other receivables	0.7	1.9
Total	**47.6**	**37.7**

Non-current receivables do not include receivables from related parties.

17. DEFERRED TAX ASSETS AND LIABILITIES

EUR million	2017	2016
Deferred tax assets	53.2	54.2
Deferred tax liabilities	-9.9	-17.6
Deferred tax assets, net	**43.4**	**36.6**

CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES

EUR million	2017	2016
Deferred tax assets, net January 1	36.6	22.1
Translation difference	-1.5	1.9
Changes recognised in income statement	8.3	12.5
Changes recognised in comprehensive income	-0.1	0.1
Deferred tax assets, net December 31	**43.4**	**36.6**

CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES BEFORE THE OFFSET

2017 EUR million	January 1	Translation difference	Recognised in the income statement	Recognised in comprehensive income/equity	December 31
Deferred tax assets					
Provisions	16.5	-0.3	-0.9		15.4
Tax losses carried forward	14.4	-0.9	2.4		15.9
Pension obligations	0.4		0.0		0.4
Percentage of completion method	8.2	-0.2	3.2		11.2
Inventories	10.4	-0.3	-4.5		5.6
Other items	6.0	-0.1	1.3	-0.1	7.1
Total deferred tax assets	**55.8**	**-1.8**	**1.6**	**-0.1**	**55.6**
Deferred tax liabilities					
Allocation of intangible assets	2.4				2.4
Accumulated depreciation differences	3.4		0.2		3.6
Pension obligations	0.0				0.0
Percentage of completion method	3.0	-0.1	-0.1		2.9
Inventories	6.9	-0.2	-4.4		2.3
Available-for-sale investments	0.1		-0.0		0.1
Other items	3.4		-2.3		1.1
Total deferred tax liabilities	**19.2**	**-0.3**	**-6.6**	**0.0**	**12.3**

2016 EUR million	January 1	Translation difference	Recognised in the income statement	Recognised in comprehensive income/equity	December 31
Deferred tax assets					
Provisions	13.1	0.7	2.7		16.5
Tax losses carried forward	8.0	1.7	4.7		14.4
Pension obligations	0.2		0.0	0.2	0.4
Percentage of completion method	6.7	0.3	1.2		8.2
Inventories	12.1	1.6	-1.0	-2.3	10.4
Other items	5.2	0.3	0.6	-0.1	6.0
Total deferred tax assets	**45.3**	**4.5**	**8.2**	**-2.2**	**55.8**
Deferred tax liabilities					
Allocation of intangible assets	2.7		-0.3		2.4
Accumulated depreciation differences	3.2		0.2		3.4
Pension obligations	0.0				0.0
Percentage of completion method	6.8	1.2	-5.0		3.0
Inventories	6.5	1.5	1.2	-2.3	6.9
Available-for-sale investments	0.1				0.1
Other items	3.9	-0.0	-0.4		3.4
Total deferred tax liabilities	**23.2**	**2.6**	**-4.3**	**-2.3**	**19.2**

The deferred tax receivables on the taxable losses will be booked to the extent it is expected that the benefit can be deducted from taxable profit in the future.

No deferred tax asset of EUR 1.9 million (2016: EUR 2.6 million) has been recognised on accumulated losses, of which some part is not approved by the tax authorities.

Deferred tax liability on undistributed earnings of subsidiaries, where the tax will be paid on the distribution of earnings, has not been recognised on 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. In 2017 the amount of unrecognised deferred tax liability was EUR 2.8 million (2016: EUR 2.6 million).

18. INVENTORIES

EUR million	2017	2016
Raw materials and consumables	4.3	6.3
Work in progress	789.5	899.9
Land areas and plot-owing companies	570.1	620.7
Shares in completed housing and real estate companies	193.6	171.9
Advance payments	33.8	45.4
Other inventories	1.2	2.4
Total inventories	**1,592.5**	**1,746.6**

The write-downs of inventories were EUR 14.0 million (2016: EUR 20.2 million).

Work in progress include capitalised interests EUR 14.5 million (2016: EUR 32.5 million).

YIT Group has acquired land areas in Finland and abroad for the construction activities. The acquisition of a land area may be done by buying the ownership of property or of shares of a plot-owing company. The goodwill arisen from the acquisitions of plot-owing companies have been included in the total amount of Land areas or Work in progress in inventories.

19. TRADE AND OTHER RECEIVABLES

CARRYING VALUES

EUR million	2017	2016
Trade receivables	113.4	113.0
Loan receivables	1.6	1.8
Accrued income from long-term projects	59.9	55.1
Accrued income	12.5	8.6
Receivables from derivative agreements	0.2	1.2
Other receivables	25.8	55.6
Total	**213.5**	**235.4**

The trade receivables were on average EUR 113.2 million during 2017 (2016: EUR 108.8 million).

RECONCILIATION TO THE NOTE 27 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR million	2017	2016
Loan receivables	1.6	1.8
Trade receivables	113.4	113.0
Accrued income from long-term projects	59.9	55.1
Other receivables	25.8	55.6
Total	**199.2**	**223.8**

20. CASH AND CASH EQUIVALENTS

EUR million	2017 Carrying value	2017 Fair value	2016 Carrying value	2016 Fair value
Cash and cash equivalents	89.7	89.7	66.4	66.4
Money market investments	0.0	0.0	0.0	0.0
Total	**89.7**	**89.7**	**66.4**	**66.4**

CASH AND CASH EQUIVALENTS PRESENTED IN GROUP CASH FLOW STATEMENT

EUR million	2017	2016
Cash and cash equivalents	89.7	66.4
Money market investments	0.0	0.0
Accounts with overdraft facility	0.0	0.0
Total	**89.7**	**66.4**

21. EQUITY

Share capital and treasury shares	Number of outstanding shares	Share capital EUR mill.	Treasury shares EUR mill.
January 1, 2015	125,578,841	149.2	-8.3
Return of treasury shares	-2,186		-0.0
December 31, 2016	**125,576,655**	**149.2**	**-8.3**
January 1, 2016	125,576,655	149.2	-8.3
Return of treasury shares	238,554		1.1
December 31, 2017	**125,815,209**	**149.2**	**-7.2**

At December 31, 2017 the total number of YIT Oyj's shares was 127,223,422 and the share capital amounted to EUR 149.217 thousand euros. All the issued and subscribed shares have been fully paid to the company. Shares do not have a nominal value.

TREASURY SHARES

Changes in own shares of YIT corporation during the financial period:

Time	Amount, pcs.
January 1, 2017	1,646,767
Return of treasury shares	-238,554
December 31, 2017	**1,408,213**

The consideration paid for the treasury shares amounted to EUR 7.2 million and is disclosed as a separate fund in equity. The consideration paid on treasury shares decreases the distributable equity of YIT Corporation. YIT Corporation holds the own shares as treasury shares and has the right to return them to the market in the future.

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 reserve of unrestricted equity in parent company and other reserves based on the regulation of local companies.

TRANSLATION DIFFERENCES

Translation differences include the exchange rate differences recognised in Group consolidation. In addition, on the net investment in foreign subsidiaries, which are hedged with currency forwards, the portion of the gains and losses of effective hedges is recognised in translation differences. There were no hedges of a net investment in a foreign operation in 2017 and 2016.

FAIR VALUE RESERVES

Fair value reserves include movements 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 0.25 euros per share.

SHARE-BASED INCENTIVE PLAN

From 2010, the Group has had a long-term share-based incentive plan for it's key personnel.

INCENTIVE PLAN 2010–2012

The scheme consisted of three earnings periods, i.e. the calendar years 2010, 2011 and 2012. Shares were handed over in 2011, 2012 and 2013 based on the performance in the previous year. A total of approximately 700,000 shares could be rewarded annually, of which a maximum of 20,000 to the President and CEO.

The taxes and tax-like payments arising from the share rewards are covered by a monetary bonus under the terms of the scheme. Employees included in the incentive scheme are obligated to not transfer their shares within two years of having obtained them for the shares based on performance in 2010 and three years for the shares based on performance in 2011 and 2012, i.e. throughout the duration of the commitment period. If the employment of an employee is terminated during the commitment period, the employee must return any shares obtained as rewards to the company free of charge. In the case of shares granted for 2010 and 2011, the commitment period has ended.

INCENTIVE PLAN 2014–2016

The earnings periods of the incentive scheme are the years 2014, 2015 and 2016. Any bonus will be determined on the basis of the indicators decided annually by YIT's Board of Directors for each earnings period and their target levels. Return on investment is the key indicator in the scheme. An additional target related to the Group's cash flow was set for 2014. In 2015, the return on investment target was complemented by a target related to net debt and in 2016 a target related to Earnings per share (EPS). YIT's Board of Directors also decides on the approximately 200 key persons from different YIT countries to be included in the incentive scheme for each earnings period. The same employees are not automatically covered by the scheme during all earnings periods.

During 2017, a total of 238,554 shares were distributed to the participants in accordance with the terms and conditions.

INCENTIVE PLAN 2017–2019

The earnings periods of the incentive scheme are the years 2017, 2018 and 2019. Any bonus will be determined on the basis of the indicators decided annually by YIT's Board of Directors for each earnings period and their target levels. Return on investment is the key indicator in the scheme. An additional target related to customer feedback of the Group, Net Promoter Score, NPS was set for 2017.

A total of approximately 650,000 (2014 and 2015) or approximately 700,000 (2016-2019) shares can be rewarded annually, of which a maximum of 30,000 to the President and CEO and maximum 102,000 shares at December 31, 2017 to the member of the management team, excluding CEO (earnings period 2017). The shares to be granted are already held by YIT as a rule. There is a two-year commitment period associated with each earnings period, after which the shares are transferred to key persons still employed by YIT Group. Shares will be handed over in 2017, 2018, 2019, 2020, 2021, 2022. The board of directors may on a special occasion decide to give a key person a money contribution corresponding to the market price of the shares upon handing over. The employer will cover the taxes and tax-like fees charged to the key employees covered by the scheme in connection with the handing over of the shares. Under all circumstances, the Board has the right to amend the bonuses in a reasonable manner.

GRANTED SHARES IN THE INCENTIVE PLANS

Year	Grant date	Maximum amount of shares	Market value at grant date
2011	March 3, 2011	700,000	20.67
2012	February 29, 2012	700,000	15.80
2014	April 1, 2014	650,000	7.81
2015	March 3, 2015	650,000	5.59
2016	March 9, 2016	700,000	5.13
2017	April 4, 2017	700,000	6.29

COSTS RECOGNISED FOR THE SHARE-BASED INCENTIVE PLAN

		Cost of the financial year, EUR million	
Earning period	Persons	2017	2016
2014	154	0.6	1.1
2015	174	0.9	1.2
2016	250	0.6	0.5
2017	236	1.1	
Total		**3.1**	**2.8**

The accrued liabilities related to the cash-settled part of the compensation amount to EUR 1.3 million (in 2016: EUR 2.0 million). EUR 0.7 million (in 2016: EUR 0.6 million), is related to YIT Group's Management Board.

22. EMPLOYEE BENEFIT OBLIGATIONS

EUR million	2017	2016
Pension benefits		
Obligations in the statement of financial position	2.1	2.1
Income statement charge	0.1	0.1

In 2017 and 2016, the Group had defined benefit pension plans resulting from supplementary pension insurance in Finland. In all plans the pension liability has been calculated based on the number of years employed and the salary level. The pension plans are managed in insurance companies, which follow the local pension legislation in their management.

THE AMOUNTS ARE DETERMINED AS FOLLOWS

EUR million	2017	2016
Present value of funded obligations	15.1	16.0
Fair value of plan assets	-13.0	-13.9
Deficit/surplus	**2.1**	**2.1**
Pension liability, net	**2.1**	**2.1**

DISCLOSED IN THE STATEMENT OF FINANCIAL POSITION AS FOLLOWS

EUR million	2017	2016
Defined benefit pension obligations	2.1	2.1

THE MOVEMENT IN THE DEFINED BENEFIT OBLIGATION OF THE YEAR

EUR million	2017	2016
January 1	16.0	4.2
Adjustment to obligation[1]	0.0	12.8
Current service cost	0.0	0.0
Interest cost	0.2	0.1
Remeasurements	-0.0	-0.0
Benefits paid	-1.1	-1.1
December 31	**15.1**	**16.0**

THE MOVEMENT OF PLAN ASSETS OF THE YEAR

EUR million	2017	2016
January 1	13.9	3.3
Adjustment to plan assets[1]	0.0	11.5
Expected return of plan assets	0.2	0.1
Remeasurments	0.0	0.1
Employer contribution	0.0	0.0
Benefits paid	-1.1	-1.1
December 31	**13.0**	**13.9**

ACTUARIAL ASSUMPTIONS ARE AS FOLLOWS

	2017	2016
Discount rate	1.2%	1.2%
Rate of salary increase	1.3%	1.3%
Rate of pension increases	1.5%	1.5%

FUTURE PAYMENTS

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

EUR million	2017
Due within one year	2.1
Due in 1–5 years	7.9
Due in 5–10 years	8.3
Due in 10–15 years	6.2
Due in 15–20 years	4.4
Due in 20–25 years	2.7
Due in 25–30 years	1.4
Due after more than 30 years	1.0
Total	**34.0**

[1] Adjustments to plan assets and obligation relates to reclassification of certain pension schemes to defined benefit obligation.

23. PROVISIONS

EUR million	Guarantee reserve	10-year commitments in construction	Provisions for loss making projects	Restructuring provisions	Legal provisions	Rental guarantee provisions	Other provisions	Total
January 1, 2017	5.9	47.0	2.5	13.2	0.6	3.9	3.2	76.4
Translation difference	-0.2	0.0	-0.0	0.4	-0.0	0.0	-0.0	0.1
Additions	3.2	10.3	0.1	0.0	0.3	1.8	0.9	16.4
Released during the period	-2.4	-8.5	-1.9	-4.0	-0.4	-1.7	-0.9	-19.8
Reversals of unused provisions	-0.5	0.0	-0.2	0.0			-0.1	-0.8
December 31, 2017	**6.0**	**48.8**	**0.4**	**9.6**	**0.5**	**4.0**	**2.9**	**72.3**
Current	0.6	40.4	0.4	0.0	0.0	3.0	1.5	46.0
Non-current	5.4	8.3	0.0	9.6	0.4	1.0	1.5	26.3
Total	**6.0**	**48.8**	**0.4**	**9.6**	**0.5**	**4.0**	**2.9**	**72.3**

Provisions for contractual guarantees and for Finnish 10-year commitments in construction is determined on the basis of experience in the realisation of commitments.

Provisions for guarantees cover repair costs under the guarantee obligation that follows the completion of a construction project. Provisions for guarantees are determined on the basis of experience in the realisation of commitments.

The 10-year commitment that applies to the construction of housing and business premises in Finland is determined as a whole for all projects subject to the commitment. The amount of the provision is based on index-adjusted historical experience on the basis of experience in the realisation of commitments.

Provisions are booked for loss-making orders when the direct expenditure required to meet obligations exceeds the benefit yielded by the agreement. Restructuring provisions are related to plots located in Moscow and St Petersburgh region so that their value relates to the current dialog with the authorities.

A leasing liability is generally created when the company is under a contractual obligation to be liable for unleased premises in a project. A provision for leasing liabilities is booked when the remaining unrecognised margin of the construction project is lower than the leasing liability related to the project.

For non-current provisions, anticipated cash flows are discounted to the present time. In 2017 the effect of discounting on the total amount of the provisions was EUR -1.2 million (in 2016: EUR -1.7 million).

24. BORROWINGS

NON-CURRENT LIABILITIES

EUR million	2017 Carrying value	2017 Fair value	2016 Carrying value	2016 Fair value
Bonds	149.7	155.6	149.5	152.4
Loans from financial institutions	110.5	106.7	5.4	4.7
Pension loans	49.9	48.9	60.7	56.4
Other loans	34.3	34.3	33.5	33.5
Finance lease liabilities				
Non-current liabilities, total	**344.4**	**345.5**	**249.1**	**247.0**

CURRENT LIABILITIES

EUR million	2017 Carrying value	2017 Fair value	2016 Carrying value	2016 Fair value
Bonds				
Loans from financial institutions	4.5	4.5	84.4	84.4
Overdraft facility used			0.0	0.0
Pension loans	5.5	5.5	21.0	21.0
Commercial papers	150.6	150.6	68.9	68.9
Developer contracting liabilities				
Receivables sold to financing companies[1]			226.0	226.0
Liability in housing corporation loans[2]	85.6	85.6	50.0	50.0
Other loans				
Finance lease liabilities	0.1	0.1	0.1	
Current liabilities, total	**246.3**	**246.3**	**450.4**	**450.3**

In the table are included all other liabilities than presented in Note 25 The fair values of bonds are based on the market price at the closing date.

The fair values of other non-current loans are based on discounted cash flows. The discount rate is defined to be the rate YIT Group was to pay for equivalent external loans at the year-end. It consists of risk free market rate and company and maturity related risk premium of 2.02–3.00% (in 2016: 3.07–4.24%) p.a., and they are classified as Level 2 in the fair value hierarchy.

[1] The construction-stage contract receivables sold to banks and other financing companies totalled EUR 12.9 million (in 2016: qualify for derecognition according to IAS 39.15–37 and AG 36–52. Possible re-purchase liabilities in off-EUR 258.5 million) at year-end. Of this amount, EUR 0.0 million (in 2016: 226.0 million) is included in interest-bearing liabilities on the balance sheet and the remainder comprises receivables which balance sheet items are related to violations in contract agreements. The interest paid on receivables sold to financing companies, EUR 3.3 million (in 2016: EUR 3.9 million), is included in net financial expenses.

[2] The interest on shares in the housing corporation loans of unsold completed residences is recognised in project expenses, because it is included in housing corporation maintenance charges.

BONDS

	Interest rate,%	Currency	Nominal value, EUR mill.
Fixed-rate bonds			
3/2015–2020[1]	6.250	EUR	100.0
3/2016–2021[2]	5.500	EUR	50.0
Total		**EUR**	**150.0**

Terms of the bonds in brief:

[1] Loan period March 25, 2015–March 25, 2020, interest payments bi annually at March 25 and September 25 in arrears. The loan is not secured.

[2] Loan period March 24, 2016–March 24, 2021, interest payments annually at March 24 in arrears. The loan is not secured.

FINANCE LEASE LIABILITIES

EUR million	2017	2016
Finance lease liabilities fall due in as follows:		
Minimum lease payments		
No later than 1 year	0.1	0.1
1–5 years		
Total minimum lease payments	**0.1**	**0.1**
Present value of minimum lease payments		
No later than 1 year	0.1	0.1
1–5 years		
Total present value of minimum lease payments	**0.1**	**0.1**
Future finance charges		
Finance expenses charged to income statement	0.0	0.0

YIT Group's main finance lease agreements are the agreements of buildings, cars, machinery and equipment both in production and offices.

25. TRADE AND OTHER PAYABLES

NON-CURRENT LIABILITIES

EUR million	2017 Carrying value	2016 Carrying value
Trade payables	40.4	43.5
Liabilities of derivative instruments	3.8	7.1
Other liabilities	9.5	0.5
Total non-current payables	**53.7**	**51.0**

CURRENT LIABILITIES

EUR million	2017 Carrying value	2016 Carrying value
Trade payables	155.7	164.4
Accrued expenses	68.8	61.8
Liabilities of derivative instruments	0.2	3.9
Accrued expenses in work in progress	113.3	104.3
Advances received	494.3	473.9
Other payables	54.7	60.8
Total current payables	**887.0**	**869.1**

ACCRUED EXPENSES

EUR million	2017	2016
Accrued employee-related liabilities	45.2	37.4
Interest expenses	4.6	5.4
Other accrued expenses	19.0	19.0

The carrying value of the non-interest bearing liabilities reflects nearly the fair value of them.

RECONCILIATION TO THE NOTE 27 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR million	2017	2016
Non-current liabilities	53.7	51.0
Derivatives	-3.8	-7.1
Total	**50.0**	**43.9**
Current trade and other payables	887.0	869.1
Accrued expenses	-68.8	-61.8
Derivatives	-0.2	-3.9
Accrued expenses in work in progress	-113.3	-104.3
Total	**704.7**	**699.0**

26. NOMINAL VALUES AND FAIR VALUES OF DERIVATIVE INSTRUMENTS

NOMINAL VALUES

EUR million	2017	2016
Foreign exchange forward contracts	22.4	52.1
Hedge accounting applied		
Interest rate swaps	5.0	40.0
Hedge accounting not applied		
Interest rate swaps	270.0	295.0
Interest rate forward contracts, total	**275.0**	**335.0**

FAIR VALUES

EUR million	2017 Positive fair value (carrying value)	2017 Negative fair value (carrying value)	2017 Net value	2016 Positive fair value (carrying value)	2016 Negative fair value (carrying value)	2016 Net value
Foreign exchange forward contracts						
Hedge accounting applied						
Hedge accounting not applied	0.2	-0.2	0.0	1.2	-3.9	-2.7
Total	**0.2**	**-0.2**	**0.0**	**1.2**	**-3.9**	**-2.7**
Interest rate derivatives						
Hedge accounting applied		-0.1	-0.1		-0.4	-0.4
Hedge accounting not applied		-3.7	-3.7		-6.7	-6.7
Total		**-3.8**	**-3.8**		**-7.1**	**-7.1**

All derivatives are hedges according to the Group's financial risk management policy, but hedge accounting, as defined in IAS 39, is only applied to certain derivative contracts. Foreign exchange forward contracts are mainly designated as hedges of financial items and have been charged to P/L in financial income/expenses. The duration of the Group's interest bearing loans has been increased by interest rate derivatives. Changes in the fair value of derivatives with hedge accounting applied are recognised in the fair value reserve in equity and changes in the fair value of derivatives with hedge accounting not applied are recognised through profit or loss (Notes 25 and 27). All the interest rate derivatives to which hedge accounting is applied are long-term agreements corresponding to the maturity of the hedged liability.

The interest rate risk of sold receivables linked to the floating Euribor and commercial paper portfolio has been hedged with interest rate derivatives. Changes in the fair value of these interest rate derivatives are recognised in profit and loss.

27. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

2017

EUR million	Available for sale investments	Loans and other receivables	Held for trading	Derivatives/ hedge accounting	Finance liabilities	Carrying value	Fair value	Note
Valuation	Fair value	Measured at amortised cost	Fair value	Fair value	Measured at amortised cost			
Non-current financial assets								
Available for sale investments, listed shares	0.1					0.1	0.1	15
Available for sale investments, unlisted shares	0.3					0.3		15
Receivables								
Trade receivables, interest-bearing and other receivables		47.6				47.6		16
Current financial assets								
Receivables								
Loan receivables		1.6				1.6	1.6	19
Trade receivables and other receivables		199.2				199.2		19
Derivatives (hedge accounting not applied)			0.2			0.2	0.2	19
Cash and cash equivalents		89.7				89.7	89.7	20
Total by valuation group	**0.4**	**338.1**	**0.2**			**338.7**	**91.6**	
Non-current financial liabilities								
Borrowings					344.4	344.4	345.4	24
Other liabilities								
Trade payables and other liabilities					50.0	50.0		25
Derivatives (hedge accounting applied)						0.0	0.0	25, 26
Derivatives (hedge accounting not applied)			3.6			3.6	3.6	25, 26
Current financial liabilities								
Borrowings					246.4	246.4	246.4	24
Trade payables and other liabilities					704.7	704.7		25
Derivatives (hedge accounting applied)				0.1		0.1	0.1	25, 26
Derivatives (non hedge accouting)			0.3			0.3	0.3	25, 26
Total by valuation group			**3.9**	**0.1**	**1,345.4**	**1,349.4**	**596.0**	

2016

EUR million	Available for sale investments	Loans and other receivables	Held for trading	Derivatives/ hedge accounting	Finance liabilities	Carrying value	Fair value	Note
Valuation	**Fair value**	**Measured at amortised cost**	**Fair value**	**Fair value**	**Measured at amortised cost**			
Non-current financial assets								
Available for sale investments, listed shares	0.1					0.1	0.1	15
Available for sale investments, unlisted shares	0.3					0.3		15
Receivables								
Trade receivables, interest-bearing and other receivables		37.7				37.7		16
Current financial assets								
Receivables								
Loan receivables		1.8				1.8	1.8	19
Trade receivables and other receivables		223.8				223.8		19
Derivatives (hedge accounting not applied)			1.2			1.2	1.2	19
Cash and cash equivalents		66.4				66.4	66.4	20
Total by valuation group	**0.4**	**329.7**	**1.2**			**331.3**	**69.5**	
Non-current financial liabilities								
Borrowings					249.1	249.1	247.0	24
Other liabilities								
Trade payables and other liabilities					43.9	43.9		25
Derivatives (hedge accounting applied)				0.3		0.3	0.3	25, 26
Derivatives (hedge accounting not applied)			6.7			6.7	6.7	25, 26
Current financial liabilities								
Borrowings					450.4	450.4	450.4	24
Trade payables and other liabilities					699.0	699.0		25
Derivatives (hedge accounting applied)				0.1		0.1	0.1	25, 26
Derivatives (non hedge accouting)			3.9			3.9	3.9	25, 26
Total by valuation group			**10.6**	**0.4**	**1,442.5**	**1,453.5**	**708.3**	

28. FINANCIAL RISK MANAGEMENT

YIT Group is exposed to a variety of financial risks in its business operations. The main risks are liquidity risk, credit risk and market risks including foreign exchange and interest rate risk. The objective of the Group's financial risk management is to minimise the uncertainty which the changes in financial markets cause to the Group's financial performance.

The Board of Directors has approved a treasury policy for the Group. The Group Treasury is responsible for the practical implementation of the policy in association with the business units. In the operating units and subsidiaries the financing is carried out by financial personnel and management. Responsibilities between the Group Treasury and operating units are defined in the Group's treasury policy. Operating units are responsible for providing the Group Treasury with timely and accurate information on financial position, cash flows and foreign exchange position in order to ensure the Group's efficient risk management. In addition to the above, the Group's treasury policy defines the principles and methods for financial risk management, cash management and specific financing-related areas e.g. commercial guarantees, relationships with financiers and customer financing.

INTEREST RATE RISK

The Group has interest-bearing receivables related to cash and cash equivalents. Otherwise its revenues and operating cash flows are mostly independent of changes in market interest rates.

Interest rate risk arises mainly from the Group's current and non-current loans and the related interest rate derivatives. In addition, the Group has interest-bearing bank receivables. Loans issued at floating interest rates expose the Group to cash flow interest rate risk, which is hedged by interest rate derivatives. To manage the interest rate risk, the Board of Directors has defined a duration target of two years for loans and for the related interest rate derivative hedges. The duration may be deviated from by +/- 1.5 years upon the decision of Vice President, Group Treasurer. In order to meet the duration target, part of the loans at floating rates are converted to fixed rate using interest rate swaps. At the end of 2017, the duration of loans including the hedging derivatives was 2.31 years (2016: 2.46 years).

At the end of 2017, an interest rate swap hedged the interest rate risk of a floating-rate loan with a nominal value of EUR 5 million (2016: EUR 10 million) pegged to the 1-month Stibor interest rate. The hedged cash flows will be realized within next year. The hedging ratio has been found to be effective and, according to accounting policies, changes in the fair value of the interest rate swap are recognised in the fair value reserve in equity. In addition, the interest rate risks of two floating-rate loans with nominal values of EUR 30 million and EUR 50 million pegged to the 1-month Euribor interest rate are hedged with interest rate swaps to which hedge accounting as set out in IAS 39 is not applied, and the fair value changes of these interest rate derivatives are recognised as financial income and expenses in the income statement in accordance with accounting policies (Note 9).

In addition to non-current loans, the duration target guides the management of the interest rate risk related to the pricing of housing company loans and the commercial paper portfolio. Hedging decisions for this exposure are made by the Vice President, Group Treasurer of the Group. At the end of 2017, the Group used interest rate derivatives to hedge the interest rate risk related to housing company loans with a nominal value of EUR 40 million pegged to the 3-month Euribor interest rate on average. In addition, the risk related to the pricing of the commercial paper portfolio, with a nominal value of EUR 151 million, pegged to the 3-month Euribor on average, was hedged at the end of 2017. Hedge accounting as set out in IAS 39 is not applied and the fair value changes are recognised as financial income and expenses in the income statement in accordance with accounting policies (Note 9).

Loans issued at fixed interest rates comprised approximately 92% (2016: approximately 89%) of the loan portfolio at the balance sheet date. The weighted average effective interest rate of the loans at fixed rate was 3.14% (2016: 3.08%). The weighted average effective interest rate of the loans at floating rates was 3.24% (2016: 6.83%). The weighted average effective interest rate of the portfolio as a whole was 3.15% (2016: 3.48%). These figures include the effect of derivative instruments. Interest rate derivatives increased the weighted average effective interest rate of the loan portfolio as a whole by 0.42 (2016: 0.41) percentage points.

In addition to the duration target, the management monitors the effect of the possible change in interest rate level on the Group's financial result on a quarterly basis (effect of one percentage point change in interest rate level on yearly net interest expenses). The effect on yearly net interest expenses would have been EUR 0.6 million net of tax at the closing date (2016: EUR 0.5 million). In addition, the effect of fair valuation of interest rate derivatives for which hedge accounting is not applied would have been EUR 5.2 million (2016: EUR 7.7 million) net of tax on the profit for the period when interest rates rise by one percentage point. If interest rates would have decreased by one percentage point, the effect would have been EUR -5.5 million net of tax on the profit for the period (2016: EUR -8.1 million).

The calculation is based on the maturities of the Group's interest-bearing net debt depending on the reference interest rate:

REPRISING SCHEDULE OF THE INTEREST BEARING NET DEBT

EUR million	2017	2016
< 1 month	203.7	-24.4
1–3 months	0.1	61.1
3–12 months	-210.9	-149.8
1–5 years	-447.9	-488.9
> 5 years		3.5
Total	**-455.0**	**-598.6**

The figures in the table are nominal values. Off-balance sheet receivables sold to financial institutions amounting to EUR 12.9 million (2016: EUR 32.6 million) are included in the above IFRS figures.

A change of one percentage point in interest rates on the balance sheet date would have affected the consolidated balance sheet by EUR 0.0 million (2016: EUR 0.2 million) net of tax. The effect would have changed the fair values of the interest rate derivatives in hedge accounting, in the fair value reserve in equity.

In addition to interest-bearing net debt, the foreign exchange forward contracts associated with the intra-Group loans and the hedging of the foreign exchange risk of certain commercial contracts expose the Group's result to interest rate risk. The Group's external loans are mainly denominated in euros, but the subsidiaries are financed in their functional currency. The currencies of the intra group loans in 2017 were the Russian rouble, Czech koruna and Polish złoty. As the parent company hedges the receivables denominated in foreign currency, the parent company has to pay the interest rate difference between the foreign currency and the euro. During the financial year, a relatively large difference in interest rates between the euro and the Russian rouble had an effect on hedging costs.

At the balance sheet date, a change of three percentage points in the interest rate differential between the euro and other currencies would have had an impact of EUR 0.6 million (2016: EUR 0.8 million) on the profit for the period net of tax. The sensitivity analysis is based on the foreign exchange forward contracts outstanding at the balance sheet date.

CREDIT AND COUNTERPARTY RISK

The Group's credit risk is related to clients with open balances or with long-term agreements and to the counterparties to cash and cash equivalents and derivative agreements. The Group Treasury is responsible for the counterparty risk of the derivative instruments and cash and cash equivalents. Operating units are responsible for the credit risk related to operating items, such as trade receivables. Customers and the nature of the agreements differ between the Group's segments. Customer-specific credit risk management is carried out in the segments' finance departments in cooperation with the operating units.

The counterparties of financial instruments are chosen based on the management's estimate of their reliability. The Board of Directors accepts the main banks used by the Group and counterparties to the current investments and derivative instruments and their limits. According to the treasury policy, it is possible to make short-term investments related to liquidity management. No impairment has been recognised on the derivative instruments or the cash and cash equivalents in the period. The management does not expect any credit losses from counterparties to financing assets or derivative instruments.

The Group manages credit risk related to operating items by holding the ownership of project constructions until payment is received; taking advance payments; accelerated payment programmes of projects; payment guarantees; site-specific mortgages; credit risk insurance policies; and careful examination of clients' background information. In addition, selling of receivables to financial institutions is used in the management of the credit risk of operations. The background of the new customers is examined thoroughly by, for example, acquiring credit information. The Group does not have any significant concentrations of credit risk as the clientele is widespread and geographically divided into the countries in which the Group operates. Trade receivables related to sales of office buildings which are paid only when the ownership is transferred, and the related risk of insolvency of the counterparty, are typically transferred to banks and financial institutions. These transfers meet the conditions set out in IAS 39 for derecognition of financial assets.

During the financial period no material credit losses were recognised. The operating units are not expecting any unusual credit risk arising from trade receivables or construction contracts.

As a result of the partial demerger registered on June 30, 2013, YIT Corporation bears secondary liability amounting to EUR 18.4 million for certain Group and bank guarantees transferred to Caverion Corporation if Caverion cannot cope with these obligations.

ANALYSIS OF TRADE RECEIVABLES

	2017			2016		
EUR million	Carrying value	Impaired	Gross	Carrying value	Impaired	Gross
Not past due[1]	97.8		97.8	98.1		98.1
1–90 days	11.4		11.4	11.2	-0.1	11.3
91–180 days	0.5	-0.0	0.5	0.8	-0.0	0.8
181–360 days	1.1	-0.0	1.0	0.7	-0.1	0.8
Over 360 days	3.5	-0.1	3.4	3.4	-0.3	3.7
Total	**114.2**	**-0.2**	**114.0**	**114.3**	**-0.5**	**114.7**

[1] There are no material trade receivables that would be otherwise past due but whose terms have been renegotiated. For additional information on trade receivables, please see notes 16 and 19.

SET-OFF ARRANGEMENTS FOR FINANCIAL INSTRUMENTS

A) ASSETS

				Amounts related to assets that have not been set off on the balance sheet		
EUR million	Gross amount of the asset item	Amount set-off on the balance sheet	Amount shown on the balance sheet	Financial instruments	Cash collateral	Net
31.12.2017						
Exchange rate derivatives	0.2	0.0	0.2	-0.2		0.0
Interest rate derivatives						
Trade receivables	114.2		114.2			114.2
31.12.2016						
Exchange rate derivatives	1.2	0.0	1.2	-1.2		0.0
Interest rate derivatives	0.0	0.0	0.0			0.0
Trade receivables	114.3		114.3			114.3

B) LIABILITIES

				Amounts related to assets that have not been set off on the balance sheet		
EUR million	Gross amount of the liability item	Amount set-off on the balance sheet	Amount shown on the balance sheet	Financial instruments	Cash collateral	Net
31.12.2017						
Exchange rate derivatives	0.2	0.0	0.2	-0.2		0.0
Interest rate derivatives	3.8		3.8			3.8
Accounts payable	196.2		196.2			196.2
31.12.2016						
Exchange rate derivatives	3.9	0.0	3.9	-1.2		2.7
Interest rate derivatives	7.1	0.0	7.1			7.1
Accounts payable	207.9		207.9			207.9

A set-off arrangement that can be implemented is related to derivative assets and liabilities. If such a choice is not made, financial assets and liabilities are settled in gross amounts, but both parties of a general set-off arrangement are entitled to the net settlement of all such monetary amounts if the other party neglects to fulfil its obligations.

LIQUIDITY RISK

The management continuously evaluates and monitors the amount of funding required by the Group's business activities to ensure adequate liquid funds to finance its operations, repay its loans at maturity and to finance dividend. The funding requirements are evaluated based on a financial budget prepared every six months, a monthly financial forecast and short-term, timely cash planning. The Group Treasury is responsible for the adequacy of funding, the availability of different sources of funding and the controlled maturity profile of external loans.

The Group uses cash and cash equivalents, committed credit facilities and accounts with overdraft facilities to manage the liquidity risk. On the balance sheet date, YIT had the entire undrawn EUR 200 million credit facility and EUR 73.7 million of overdraft facilities available. The credit facility is valid until January 2020. YIT's cash reserves amounted to EUR 89.7 million (2016: EUR 66.4 million) at the end of 2017. The management and acquisition of the Group's funding is centralised to the Group Treasury. As the cash management is centralised to the Group Treasury, the use of liquid funds can be optimised between the different units of the Group.

In addition to normal financing transactions, YIT has secured a Bridge Term Facility to cover the need for financing of the planned merger and a new EUR 300 million revolving credit facility for the use of the company after the merger.

In the last quarter of the year, YIT changed the method of financing the domestic production of housing sold to consumers. Previously, YIT has sold the project's contract receivables to the financing bank, and the contract debt was paid off with the housing corporation loan drawn when the project is completed. YIT adopted the financing model of current market practices, where the housing company loan is drawn according to the site's percentage of completion to finance the site's construction. Housing company loans relating to work in progress amounted to EUR 188.0 million at the end of the year, of which the share of sold apartments, EUR 123.5 million, has been recognised in advances received and the rest, EUR 64.5 million, is reported on the balance sheet as interest-bearing liabilities. At the end of the year, undrawn committed housing company loan agreements amounted to approximately EUR 269.4 million.

The following table describes the contractual maturities of the financial liabilities. The amounts are undiscounted. The interest flows of floating-rate loans and derivative instruments are based on interest rates prevailing on December 31, 2017 (December 31, 2016). Cash flows of foreign currency denominated loans are translated into euros at the foreign currency rates prevailing at the balance sheet date. Cash flows of foreign currency forward contracts are translated into euros at forward rates.

CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL LIABILITIES AND INTEREST PAYMENTS AT DECEMBER 31, 2017

EUR million	2018	2019	2020	2021	2022	2023-	Total	Note
Bonds	8.9	8.9	105.8	52.7			176.3	24, 27
Loans from financial institutions	7.3	2.8	111.8				121.9	24, 27
Pension loans	6.2	50.7					56.9	24, 27
Receivables sold to banks/financial institutions[1]							0.0	24, 27
Housing corporation loans[2]	86.3						86.3	
Finance lease liabilities	0.1						0.1	24, 27
Other financial liabilities[2]				9.8	9.8	19.6	39.2	24, 27
Commercial papers	151.0						151.0	24, 27
Trade and other payables	704.7						704.7	25, 27
Interest rate derivatives								
Hedge accounting applied	0.1						0.1	25, 26, 27
Hedge accounting not applied	2.1	1.8	1.2	0.4	0.2		5.7	25, 26, 27
Foreign currency derivatives								
Cash outflow	-22.4						-22.4	25, 26, 27
Cash inflow	22.4						22.4	25, 26, 27

CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL LIABILITIES AND INTEREST PAYMENTS AT DECEMBER 31, 2016

EUR million	2017	2018	2019	2020	2021	2022–	Total	Note
Bonds	8.9	8.9	8.9	105.8	52.7		185.2	24, 27
Loans from financial institutions	86.8	4.6					91.4	24, 27
Pension loans	22.2	9.8	52.3				84.3	24, 27
Receivables sold to banks/financial institutions[1]	212.6	14.8					227.4	24, 27
Housing corporations loans[2]	50.0						50.0	
Finance lease liabilities	0.1						0.1	24, 27
Other financial liabilities[2]					9.8	29.4	39.2	24, 27
Commercial papers	69.0						69.0	24, 27
Trade and other payables	699.0						699.0	25, 27
Interest rate derivatives								
Hedge accounting applied	0.8	0.5					1.3	25, 26, 27
Hedge accounting not applied	2.3	2.1	1.7	1.2	0.5	0.2	8.0	25, 26, 27
Foreign currency derivatives								
Cash outflow	-52.1						-52.1	25, 26, 27
Cash inflow	49.4						49.4	25, 26, 27

[1] Receivables sold to banks and financial institutions are related to residential development projects and they are set off by housing corporation loans withdrawn upon the completion of construction and by payments made by the buyers of the residential units.
[2] Includes the shares in the housing corporation loans of unsold completed residential projects which are transferred to the buyers of residential units in conjunction with the sale.

FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign exchange risks arising from the currencies of the countries in which it operates. The risk arises mainly from the assets and liabilities on the balance sheet and net investments in foreign operations. In addition, commercial contracts of the subsidiaries cause foreign exchange risk. However, the contracts are mainly made in the units' own functional currencies.

The objective of managing foreign exchange risk at YIT is to reduce the uncertainty caused by foreign exchange rate movements on profit through cash flows and the valuation of commercial receivables and liabilities. By decision of the Board of Directors, the net investments in foreign operations are not hedged from the changes in foreign exchange rates.

The change in foreign exchange rates decreased the value of the Group's net investments in equity by EUR 31.5 million compared to the end of the previous year. An increase or decrease of 20 percentage points in the euro exchange rate against other currencies would have had an impact of EUR 43.3 million on translation differences under consolidated shareholders' equity at the balance sheet date.

INVESTMENTS DENOMINATED IN FOREIGN CURRENCY

EUR million	2017	2016
RUB	443.8	441.7
CZK	39.6	25.2
PLN	16.6	9.3

According to the Group's treasury policy, the business units and the subsidiaries are responsible for identifying the foreign exchange risk related to their foreign currency denominated cash flows and reporting it to the Group Treasury. All firm commitments must be hedged unless the Vice President, Group Treasurer decides otherwise. Hedging by business units is performed by intra-Group transactions with the parent company as the counterparty. The Group Treasury hedges the Group net position and takes care of all external hedging transactions. The Group does not apply hedge accounting as set out in IAS 39 to hedge its foreign exchange risk. Accordingly, the fair value changes in derivative instruments are recognised in the consolidated income statement according to the accounting policies. In 2017, the most significant currency related to commercial agreements and their hedges was the Russian rouble. If the euro had strengthened by 20 percentage points against the rouble at the balance sheet date, the fair valuation of the foreign exchange forward contracts related to commercial agreements would have caused a foreign exchange loss of EUR 0.7 million net of tax.

Loans taken by the parent company are mainly denominated in euro, but the intra-Group loans are given in the functional currency of each subsidiary. The parent company hedges this foreign exchange risk by using foreign exchange forward contracts and currency options, as necessary.

In addition to the foreign exchange differences from intra-group loans and related hedges, strengthening or weakening of the euro would not have had a material impact on the result of the Group if the translation difference in consolidation is not considered. The sensitivity analysis takes into consideration the foreign exchange derivative contracts made for hedging both the internal and external loans and receivables which offset the effect of changes in foreign exchange rates.

THE GROUP'S EXTERNAL LOANS BY CURRENCY

	External loans		Adjusted by derivative contracts	
EUR million	2017	2016	2017	2016
EUR	586.3	665.6	569.6	682.9
RUB		24.9	1.2	-0.4
SEK	4.5	9.0		0.0
CZK			15.7	12.6
PLN			4.3	4.4
Total	**590.7**	**699.5**	**590.7**	**699.5**

The division of trade receivables and payables by currencies corresponds to the functional currencies of the charging and the charged companies. Accordingly, no open foreign exchange risk is included.

CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to maintain the optimal strategic capital structure. The Group's capital risk management aims to safeguard its long-term ability to continue as a going concern, to increase shareholder value and secure the company's ability to pay dividends.

In YIT's business operations capital is particularly tied up in plot reserves, their development and ongoing construction production. In business where investments are small, such as infrastructure construction, the objective is effective turnover of net working capital. In the more capital-intensive business operations, such as residential development projects and real estate development projects, capital investments must be adjusted according to the market conditions by decreasing or increasing the number of plot investments and project start-ups. The amount and structure of capital is also controlled by adjusting the amount of dividend, acquiring the company's own shares, issuing new shares or selling assets in order to reduce debt.

YIT monitors its capital structure on the basis of the equity ratio. The strategic goal for YIT's equity ratio set by the Board of Directors is 40% (POC).

YIT Corporation's credit facility agreement, bonds and some of the bank loan agreements include a financial covenant linked to YIT's equity ratio. In addition, the credit facility agreement and one bank loan agreement include a covenant linked to YIT's gearing. The financial covenants require an IFRS equity ratio of at least 25 per cent and a gearing ratio under 150 per cent. The covenants were not breached during the financial period. The Group's IFRS equity ratio was 33.2 per cent and gearing 88.7 per cent on the balance sheet date.

FAIR VALUE ESTIMATION

The Group measures the fair value measurement hierarchy as follows:

Level 1: The fair values of financial instruments are based on quoted prices in active markets. A market can be considered active if quoted prices are regularly available and the prices represent the actual value of the instrument in liquid trading.

Level 2: Financial instruments are not traded in active and liquid markets. The value of a financial instrument can be determined based on market value and potentially partially derived value measurement. If, however, the factors affecting the fair value of the instrument are available and observable, the instrument belongs to level 2.

Level 3: The valuation of a financial instrument is not based on observable market data, and other factors affecting the fair value of the instrument are not available and observable.

The following table presents the Group's assets and liabilities that are measured at fair value and their levels.

ASSETS

	2017		2016	
EUR million	**Level 1**	**Level 2**	**Level 1**	**Level 2**
Available-for-sale investments				
Derivatives (hedge accounting not applied)		0.2		1.2
Total assets		**0.2**		**1.2**

LIABILITIES

	2017		2016	
EUR million	**Level 1**	**Level 2**	**Level 1**	**Level 2**
Derivatives (hedge accounting not applied)		3.9		10.6
Derivatives (hedge accounting applied)		0.1		0.4
Total liabilities		**4.0**		**11.0**

In the past financial year, there were no transfers between level 1 and level 2. At the balance sheet date, the Group had no assets categorised at level 3.

Specific valuation techniques used to value financial instruments include: the use of quoted market prices or dealer quotes for similar instruments; the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date; the fair value of the remaining financial instruments is determined using discounted cash flow analysis. All the resulting fair value estimates are included in level 2 except for unlisted equity securities and holdings.

NET DEBT

EUR million	2017	2016
Cash and cash equivalents	89.7	66.4
Interest-bearing receivables	46.0	34.6
Current liabilities	-246.3	-450.4
Non-current liabilities	-344.5	-249.1
Net debt	**-455.0**	**-598.5**

	Assets		Liabilities		
	Cash	Interest-bearing receivables	Short term loans	Long term loans	Total
Net debt 31.12.2015	**122.2**		**-385.1**	**-266.1**	**-529.0**
Cash flows	-55.8	34.6	40.4	-83.4	-64.3
Exchange rate differences			**-0.2**	**-4.9**	**-5.1**
Other changes without cash flow			**-105.5**	**105.3**	**-0.2**
Net debt 31.12.2016	**66.4**	**34.6**	**-450.4**	**-249.1**	**-598.5**
Cash flows	**23.3**	**11.4**	**216.1**	**-105.6**	**145.2**
Exchange rate differences			**-1.4**	**-0.1**	**-1.5**
Other changes without cash flow			**-10.5**	**10.3**	**-0.2**
Net debt 31.12.2017	**89.7**	**46.0**	**-246.2**	**-344.5**	**-455.0**

29. OTHER LEASE AGREEMENTS

YIT GROUP AS LESSEE

The future minimum lease payments under non-cancellable operating leases:

EUR million	2017	2016
No later than 1 year	29.1	27.6
1–5 years	59.6	73.2
Later than 5 years	9.1	17.5
Total	**97.8**	**118.3**

The lease payments of non-cancellable operating leases charged to the income statement in 2017 amounted to EUR 22.1 million (in 2016: EUR 22.5 million).

The YIT group has leased the office facilities in use. The operating lease agreements of office facilities have a period of validity of up to 8 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 also include the liabilities of operating lease agreements of employee cars, which have the average duration of four years. The Group has also sold plots and transferred preliminary agreements for the sale of plots to funds. The minimum lease payments for these plot leases have been calculated until the probable start time. They are included in the figures in the above table, and they total EUR 13.4 million (2016: EUR 13.7 million).

YIT GROUP AS LESSOR

The future minimum lease receivables under non-cancellable operating leases:

EUR million	2017	2016
No later than 1 year	6.8	6.7
1–5 years	18.0	17.5
Later than 5 years	8.6	8.4
Total	**33.4**	**32.5**

The Group has primarily subleased business premises it leases from others. The operating lease agreements of office facilities have a period of validity of up to eight years. The index, renewal and other terms of the lease agreements of office facilities vary. Most of the agreements include the possibility of continuing after the initial expiry date. The minimum lease amount is calculated until the earliest possible date of termination.

30. COMMITMENTS AND CONTINGENT LIABILITIES

EUR million	2017	2016
Guarantees on behalf of associated companies and joint ventures	5.0	5.0
Other commitments		
Rental guarantees for clients	4.4	3.9
Investment commitments		
Investment commitments	22.4	57.4
Purchase commitments	265.2	285.2

As a result of the partial demerger registered at 30 June 2013, YIT Corporation has secondary liability for guarantees transferred to Caverion Corporation, with a maximum total amount of EUR 18.4 million at December 31, 2017 (2016: EUR 37.4 million).

YIT Corporation has guaranteed obligations of its subsidiaries. At December 31, 2017, the total amount of these guarantees was EUR 1,023.7 million (2016: EUR 1,429.2 million).

Repurchase commitments are primarily preliminary agreements for plot acquisition, which are realised when conditions specified in the preliminary agreement are met, such as the confirmation of the area plan. Investment commitments are primarily related to investment in Tripla Mall according the terms in the shareholders agreement.

The Group is involved in legal proceedings in preparation and pending that are connected to ordinary operations and whose outcomes are difficult to predict. Prudence has been applied in the evaluations. It is the understanding of the Group that the legal proceedings do not have a significant effect on the Group's result.

31. SUBSIDIARIES

(Excluding the real estate companies presented in inventories)

Name	Domicile	Nature of business	Ownership of the parent company (%)	Ownership of the Group (%)	Ownership of non-controlling interest (%)
Shares in subsidiaries, owned by the parent company					
YIT Construction Ltd	Helsinki	Construction	100.00%	100.00%	
YIT Equipment Ltd	Urjala	Construction machinery and equipment rental	100.00%	100.00%	
YIT Information Services Oy	Helsinki	IT services	100.00%	100.00%	
YIT IT East Oy	Helsinki	Holding company		100.00%	
OOO YIT Information Systems	St. Petersburg	IT services		100.00%	
Shares in subsidiaries, owned by YIT Construction Ltd					
AS YIT Ehitus	Tallinn	Construction		100.00%	
AS Koidu Kinnisvara	Tallinn	Construction		100.00%	
SIA YIT Celtnieciba	Riga	Construction		100.00%	
YIT Invest Export Oy	Helsinki	Holding company		100.00%	
AO YIT Moskovia	Moscow	Construction		100.00%	
OOO YIT-Service	Moscow	Property maintenance		100.00%	
AO YIT Stroi	Moscow	Construction		100.00%	
OOO YIT Service	St. Petersburg	Property maintenance		100.00%	
Urepol Oy	Helsinki	Holding company		100.00%	
AO YIT Don	Rostov	Construction		100.00%	
OOO SP YIT Don	Rostov	Construction		100.00%	
OOO YIT Don Service	Rostov	Property maintenance		100.00%	
AB YIT Kausta	Kaunas	Construction		100.00%	
UAB YIT Kausta Bustas	Vilnius	Construction		100.00%	
YIT Salym Development Oy	Helsinki	Holding company		100.00%	
AO YIT Saint-Petersburg	St. Petersburg	Construction		100.00%	

Name	Domicile	Nature of business	Ownership of the parent company (%)	Ownership of the Group (%)	Ownership of non-controlling interest (%)
Tortum Oy Ab	Helsinki	Holding company		100.00%	
AO YIT Uralstroi	Yekaterinburg	Construction		100.00%	
OOO YIT Comfort	Yekaterinburg	Construction		99.96%	0.04%
OOO Ural YIT Service	Yekaterinburg	Property maintenance		100.00%	
OOO YIT Tyumen	Tumen	Construction		100.00%	
OOO YIT Service Tyumen	Tumen	Property maintenance		100.00%	
Finn-Stroi Oy	Helsinki	Holding company		100.00%	
AO YIT CityStroi	Moscow	Construction		99.83%	0.17%
OOO Hetber	Moscow	Construction		99.83%	0.17%
OOO Emerkom-Spetstroi	Moscow	Construction		99.83%	0.17%
OOO YIT CityService	Moscow	Property maintenance		100.00%	
ZAO TPK Strojmaterialy	Moscow	Construction		100.00%	
YIT Jupiter Oy	Helsinki	Holding company		100.00%	
YIT Mars Oy	Helsinki	Holding company		100.00%	
YIT Saturnus Oy	Helsinki	Holding company		100.00%	
YIT Sirius Oy	Helsinki	Holding company		100.00%	
AO YIT VDSK	Voskresensk	Construction		99.98%	0.02%
YIT Uranus Oy	Helsinki	Holding company		100.00%	
YIT Neptunus Oy	Helsinki	Holding company		100.00%	
OOO YIT Kazan	Kazan	Construction		100.00%	
OOO YIT Service Kazan	Kazan	Property maintenance		100.00%	
YIT Stavo s.r.o[1]	Prague	Construction		92.00%	8.00%
YIT Slovakia a.s.	Bratislava	Construction		100.00%	
YIT Development SP. Z O.O.	Warsaw	Construction		100.00%	
OOO YIT SSC	Kazan	Administration, management, support services		100.00%	
YIT Plus sp. Z O.O.	Warsaw	Property maintenance		100.00%	
ZWIRN Offices s.r.o	Bratislava	Property development		100.00%	

[1] YIT Group's share in YIT Stavo s.r.o is 100% in IFRS accounting, because the minority share of 8% YIT is assessed to be a share based payment to the management.

32. RELATED PARTY TRANSACTIONS

The Group's related parties include key executives, associated companies, joint ventures, and companies outside of the Group that a person in an executive position in the YIT Group can be expected to exercise influence over. Key executives include the members of the Board of Directors and the Management Board.

EUR million	2017	2016
Sales of goods and services		
Associates and joint ventures	180.3	211.1
Purchases of goods and services		
Other related parties	15.7	11.8
Trade and other receivables		
Associates and joint ventures	1.1	13.2
Other related parties		0.3
Trade and other payables		
Associates and joint ventures		
Other related parties	1.0	1.7

Goods and services to related parties are sold on the basis of price lists in force with non-related parties.

KEY MANAGEMENT COMPENSATION

EUR million	2017	2016
Salaries and other short-term employee benefits	3.4	2.7
Termination benefits	1.5	1.9

Includes the salaries and benefits of the President and CEO, the Deputy to the President and CEO and the members of the Group Management Board.

SALARIES AND FEES

EUR	2017	2016
President and CEO	841,824	600,862
Other Management Board members	2,584,610	2,071,060
Board of Directors		
Reino Hanhinen[1]		20,100
Kim Gran[1]		12,050
Satu Huber	58,500	57,800
Erkki Järvinen	71,700	55,050
Inka Mero[2]	58,500	42,800
Juhani Pitkäkoski	75,000	63,850
Teuvo Salminen[1]		12,800
Tiina Tuomela	46,800	
Matti Vuoria[2]	99,000	67,100
Board of Directors, total	**409,500**	**331,550**

[1] Member of the Board until March 15, 2016

[2] Member of the board since March 15, 2016

PENSION, RETIREMENT AGE AND RIGHT TO DISMISS

The contractual retirement age of the President and CEO and the Executive Vice President and deputy to the CEO has been set at 62. In other respects, the statutory retirement ages apply to the members of the Management Board. The contractual pension of the CEO and his deputy amounts to 60% of salary accounted according to Finnish employment pension law. The pension scheme is benefit-based.

The contractual period of notice is from six to nine months. If the company terminates the contract, the CEO and his deputy shall also be paid separate compensation amounting to 12 months' salary.

ACCRUAL-BASED PENSION EXPENDITURE IN 2017

	2017		2016	
EUR million	Statutory pensions	Supplementary pension security	Statutory pensions	Supplementary pension security
President and CEO	0.1	0.0	0.1	0.0
Other Management Board members	0.1	0.0	0.3	0.0
Total	**0.2**	**0.0**	**0.4**	**0.0**

The members of the Board of Directors are not insured in terms of TyEL (Employees' Pensions Act) or supplementary pension for their meeting fees.

LOANS TO RELATED PARTIES

There are no loans to related parties in the end of financial year.

EVENTS AFTER THE REVIEW PERIOD

January 12, 2018 YIT raises its estimate regarding the adjusted operating profit for 2017 and books a cost related to revaluation of balance sheet items. YIT provided preliminary financial information regarding the adjusted operating profit and revenue for 2017. The preliminary adjusted operating profit exceeded the given guidance and the preliminary revenue is in accordance with the guidance. YIT revaluates balance sheet values of several plots or balance sheet items in Finland and Lithuania reported under Business Premises and Infrastructure and Housing Finland and CEE segments. Only minor revaluations were made in Housing Russia segment. The cost to be booked now was announced to be EUR 14 million at the most.

January 26, 2018 The FCCA has given the final approval decision for the merger of YIT and Lemminkäinen, which is intended to be completed on February 1, 2018.

January 31, 2018 The Boards of Directors of both companies approved the completion of the merger on January 31, 2018 and the merger has been notified in the Finnish Trade Register so that the merger is completed on February 1, 2018.

In January, residential sales to consumers are estimated to be around 120 units in Finland (1/17: around 150), around 80 units in the CEE countries (1/17: around 80) and nearly 200 units in Russia (1/17: around 150).

Parent company, financial statements, FAS

Income statement, Parent company

EUR million	Note	2017	2016
Other operating income	2	26.4	28.4
Personnel expenses	3	-14.8	-13.1
Depreciation and value adjustments	4	-1.1	-1.1
Other operating expenses	5	-41.6	-29.9
Operating loss		**-31.2**	**-15.7**
Financial income and expenses	6	22.2	21.5
Profit before appropriations		**-9.0**	**5.9**
Appropriations	7	49.4	25.6
Income taxes	8	-8.2	-6.8
Net profit for the financial period		**32.3**	**24.7**

Balance sheet, Parent company

EUR million	Note	31.12.2017	31.12.2016
Assets			
Non-current assets			
Intangible assets	9		
Intangible rights		1.1	0.5
Other capitalize expenditure		0.9	1.5
Advance payments		0.0	0.8
Total intangible assets		2.0	2.7
Tangible assets	9		
Land and water areas		0.9	0.9
Buildings and structures		1.4	1.5
Machinery and equipment		0.5	0.4
Other tangible assets		0.1	0.1
Total tangible assets		2.8	2.9
Investments	10		
Shares in Group companies		718.3	718.3
Other shares and holdings		0.1	0.1
Total investments		718.4	718.4
Total non-current assets		**723.2**	**724.0**
Current assets			
Long-term receivables	11		
Receivables from group companies		**208.4**	**211.4**
Receivables from associated companies		7.7	0.0
		216.1	**211.4**
Receivables	11		
Trade receivables		0.1	0.9
Receivables from group companies		174.3	123.7
Receivables from associated companies		0.9	0.0
Other receivables		0.5	0.5
Accrued income		3.7	3.0
Total receivables		179.5	128.1
Current investments	12	0.0	0.0
Cash and cash equivalents		66.9	39.7
Total current assets		**462.5**	**379.2**
Total assets		**1,185.7**	**1,103.2**

EUR million	Note	31.12.2017	31.12.2016
Equity and liabilities			
Equity	13		
Share capital		149.2	149.2
Other reserves			
Non restricted equity reserve		8.9	8.2
Fair value reserve		-0.1	-0.4
Retained earnings		266.0	267.8
Net profit for the financial year		32.3	24.7
Total equity		**456.3**	**449.6**
Appropriations	13		
Accumulated depreciation difference		0.5	0.5
Provisions	14	**1.9**	**2.2**
Liabilities			
Non-current liabilities	16		
Bonds		150.0	150.0
Loans from credit institutions		110.5	5.4
Pension loans		50.0	60.8
Non-current liabilities to group companies		3.8	7.1
Total non-current liabilities		314.3	223.2
Current liabilities	17		
Loans from credit institutions		4.5	84.5
Pension loans		5.5	21.0
Advances received		0.1	0.0
Trade payables		3.3	1.4
Current liabilities to group companies		236.9	234.1
Other current liabilities		151.4	74.1
Accrued expenses		11.1	12.6
Total current liabilities		412.7	427.7
Total liabilities		**727.0**	**651.0**
Total equity and liabilities		**1,185.7**	**1,103.2**

Cash flow statement, Parent company

EUR million	2017	2016
Cash flow from operating activities		
Profit / loss before appropriations	-9.0	5.9
Adjustments for:		
Depreciations	1.1	1.1
Reversal of accrual-based items	0.6	0.0
Gains on the sale of tangible and intangible assets	0.0	0.4
Financial income and expenses	-22.2	-21.5
Cash flow before change in working capital	-29.5	-14.2
Change in working capital		
Change in trade and other receivables	-6.5	6.0
Change in trade and other payables	-1.0	2.4
Net cash flow from operating activities before financial items and taxes	-37.0	-5.8
Purchase of treasury shares	1.2	0.0
Interest paid	-35.9	-116.0
Dividends received	0.0	0.0
Interest received and financial income	52.8	79.3
Taxes paid	-10.0	1.0
Net cash generated from operating activities	**-28.9**	**-41.5**
Cash flow from investing activities		
Purchases of tangible and intangible assets	-0.4	-0.9
Proceeds from sale of tangible and intangible assets	0.0	0.6
Increase in investments	0.0	-390.0
Proceeds from sale of other investments	0.0	0.0
Net cash used in investing activities	**-0.4**	**-390.3**

EUR million	2017	2016
Cash flow from financing activities		
Change in loan receivables	-28.1	479.3
Change in current loans	88.3	-13.0
Proceeds from borrowings	110.0	50.0
Repayment of borrowings	-112.7	-131.4
Dividends paid and other distribution of assets	-27.6	-27.6
Group contributions received	26.6	9.9
Net cash used in financing activities	**56.5**	**367.1**
Net change in cash and cash equivalents	**27.2**	**-64.6**
Cash and cash equivalents at the beginning of the financial year	39.7	104.3
Cash and cash equivalents transferred in merger	0.0	0.0
Cash and cash equivalents at the end of the financial year	66.9	39.7

Notes to the Parent company financial statements

1 PARENT COMPANY ACCOUNTING PRINCIPLES

YIT Corporation's financial statements are prepared in accordance with the principles of Finnish accounting legislation. The financial statements are prepared for 12 months in the financial period January 1– December 31, 2017.

ITEMS DENOMINATED IN FOREIGN CURRENCIES

Foreign currency business transactions are recognised at the exchange rate of the transaction date. Receivables and liabilities denominated in foreign currencies open on the closing date are valued at the exchange rate of the closing date. Changes in the value of foreign currency denominated loans, deposits and other balance sheet items are recognised under financial income and expenses in the income statement.

DERIVATIVE INSTRUMENTS

Foreign currency forward contracts are valued at the exchange rate of the closing date on the balance sheet, and changes in their value are booked under financial income and expenses in the income statement. The changes in the fair value of the interest rate swaps in hedge accounting have been recognized in the fair value reserve in equity whereas the changes in the fair value of the interest swaps to which hedge accounting is not applied have been booked as financial income and expenses. Interest related to interest rate swaps are recognised under interest income and expenses in the income statement, and interest accrued is entered under accrued income and accrued expenses on the balance sheet.

NON-CURRENT ASSETS AND DEPRECIATION

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

Depreciation periods are as follows:

Intangible assets	
Goodwill	5 years
IT programs	5 years
Other capitalised expenditure	5–10 years
Tangible assets	
Buildings	40 years
Structures	5–10 years
Machinery and equipment	3–10 years

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

PROVISIONS

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

MANAGEMENT OF FINANCIAL RISKS AND INSTRUMENTS

The management of YIT's financial risks is focused on the Group Treasury in the parent company. The financial risk management principles are presented in the notes to the consolidated financial statements in the section Financial risk management.

CASH AND CASH EQUIVALENTS

The cash and cash equivalents in the cash flow statement consist of cash, bank deposits that can be withdrawn on demand and other short-term liquid investments.

Changes in the fair value of hedging instruments used to hedge foreign currency denominated loans, deposits or other balance sheet items are recognised under financial items in the income statement.

RESEARCH AND DEVELOPMENT EXPENSES

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

PENSIONS

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

LEASING

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

TAXES

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

2. OTHER OPERATING INCOME

EUR million	2017	2016
Rent income	15.7	15.9
Service income	10.6	12.2
Other	0.1	0.3
Total	**26.4**	**28.4**

3. INFORMATION CONCERNING PERSONNEL AND KEY MANAGEMENT

EUR million	2017	2016
Personnel expenses		
Wages, salaries and fees	11.6	10.1
Pension expenses	1.7	1.4
Other indirect personnel costs	1.5	1.6
Total	**14.8**	**13.1**
Salaries and fees to the management		
President and executive Vice President	1.6	1.1
Members of the Board of Directors	0.5	0.3
Total	**2.1**	**1.4**

	2017	2016
Average personnel	149	129

AUDITORS' FEES

EUR million	2017	2016
PricewaterhouseCoopers Oy		
Audit fee	0.2	0.2
Statements	0.1	0.0
Tax services	0.0	0.0
Other services	0.8	0.1
Total	**1.1**	**0.3**

4. DEPRECIATION AND VALUE ADJUSTMENTS

EUR million	2017	2016
Depreciation on other capitalised expenditures	0.8	0.7
Depreciation on buildings and structures	0.2	0.2
Depreciation on machinery and equipment	0.2	0.2
Total	**1.1**	**1.1**

5. OTHER OPERATING EXPENSES

EUR million	2017	2016
Rents	14.5	14.4
Cost of premises	6.6	6.7
Administration costs	12.6	4.7
Merger loss	0.0	0.0
Other	8.0	4.1
Total	**41.6**	**29.9**

6. FINANCIAL INCOME AND EXPENSES

EUR million	2017	2016
Dividend income		
From others	0.0	0.0
Total	**0.0**	**0.0**
Interest income from non-current investments		
From Group companies	12.6	18.4
Other interest and financial income		
From Group companies		
Interest and other financial income	29.0	44.9
Exchange rate gain	3.1	83.6
From associated companies	0.9	
From other companies	0.1	0.1
Total	**33.1**	**128.5**
Other interest and financial expenses		
Interest expenses to Group companies		
Interest expenses	-2.6	-2.8
Exchange rate loss	-2.1	-68.7
Interest expenses on derivatives	-2.7	-3.1
Interest expenses to others	-13.2	-17.2
Other expenses to others	-4.9	-5.1
Total	**-25.5**	**-96.9**
Exchange rate gains	4.6	8.0
Fair value change in derivatives	2.7	-8.8
Exchange rate losses	-5.2	-27.7
Total	**2.0**	**-28.5**
Total financial income and expenses	**22.2**	**21.5**

7. APPROPRIATIONS

EUR million	2017	2016
Appropriations		
Change in depreciation difference	0.0	-0.1
Group contributions	49.2	26.6
Change in provisions	0.3	-0.8
Total	**49.4**	**25.6**

8. INCOME TAXES

EUR million	2017	2016
Income taxes on extraordinary items	0.0	0.0
Income taxes on operating activities	8.2	6.6
Income taxes on previous years	0.0	0.2
Total	**8.2**	**6.8**

9. CHANGES IN FIXED ASSETS

INTANGIBLE ASSETS

EUR million	2017	2016
Intangible rights		
Historical cost at January 1	1.1	0.8
Transfers between lines	0.8	0.2
Decreases	0.0	0.0
Historical cost at December 31	1.9	1.1
Accumulated depreciation and value adjustments January 1	0.7	0.6
Depreciation for the period	0.2	0.0
Accumulated depreciation and value adjustments December 31	0.9	0.7
Book value at December 31	**1.1**	**0.5**
Other capitalised expenditures		
Historical cost at January 1	11.3	11.2
Increases	0.1	0.0
Decreases	0.0	0.0
Historical cost at December 31	11.3	11.3
Accumulated depreciation and value adjustments January 1	9.8	9.1
Depreciation for the period	0.6	0.7
Accumulated depreciation and value adjustments December 31	10.4	9.8
Book valuet at December 31	**0.9**	**1.5**
Advance payments		
Historical cost at January 1	0.8	0.3
Transfers between lines	-0.8	-0.2
Increases	0.0	0.7
Decreases	0.0	0.0
Book valuet at December 31	**0.0**	**0.8**
Total intangible assets	**2.0**	**2.7**

TANGIBLE ASSETS

EUR million	2017	2016
Land and water areas		
Historical cost at January 1	0.9	1.2
Decreases		-0.4
Book value at December 31	**0.9**	**0.9**
Buildings and structures		
Historical cost at January 1	5.5	7.0
Increases	0.1	
Decreases		-1.5
Historical cost at December 31	5.6	5.5
Accumulated depreciation and value adjustments January 1	4.0	4.7
Accumulated depreciation of decreases	0.0	-0.9
Depreciation for the period	0.2	0.2
Accumulated depreciation and value adjustments December 31	4.1	4.0
Book value at December 31	**1.5**	**1.5**
Machinery and equipment		
Historical cost at January 1	7.8	7.7
Increases	0.2	0.2
Historical cost at December 31	8.1	7.8
Accumulated depreciation and value adjustments January 1	7.4	7.2
Depreciation for the period	0.2	0.2
Accumulated depreciation and value adjustments December 31	7.6	7.4
Book value at December 31	**0.5**	**0.4**
Other tangible assets		
Historical cost at January 1	0.5	0.5
Historical cost at December 31	0.5	0.5
Accumulated depreciation and value adjustments January 1	0.4	0.4
Accumulated depreciation and value adjustments December 31	0.4	0.4
Book value at December 31	**0.1**	**0.1**
Total tangible assets	**2.8**	**2.9**

10. INVESTMENTS

EUR million	2017	2016
Shares in Group companies		
Historical cost at January 1	718.3	328.3
Increases	0.0	390.0
Decreases	0.0	0.0
Historical cost at December 31	**718.3**	**718.3**
Other shares and holdings		
Historical cost at January 1	0.1	0.1
Historical cost at December 31	**0.1**	**0.1**
Total investments	**718.4**	**718.4**

11. RECEIVABLES

NON-CURRENT RECEIVABLES

EUR million	2017	2016
Receivables from Group companies	208.4	211.4
Receivables from associated companies	7.7	
Loan receivables	216.1	211.4

CURRENT RECEIVABLES

EUR million	2017	2016
Receivables from Group companies		
Trade receivables	9.1	1.7
Loan receivables	80.1	85.4
Other receivables	79.7	29.0
Accrued income	5.4	7.5
Total	**174.3**	**123.7**
Accrued receivables from associated companies	0.9	
Accrued receivables, intra group		
Accrued interest receivables	1.8	1.4
Exchange rate derivatives	0.1	2.2
Other receivables	3.6	3.9
Total	**5.4**	**7.5**
Accrued receivables		
Exchange rate derivatives	0.2	1.2
Accrued tax receivables	0.0	0.0
Other receivables	3.6	2.3
Total	**3.7**	**3.5**

12. CASH AND CASH EQUIVALENTS

CURRENT INVESTMENTS

EUR million	2017	2016
Market value	0.0	0.0
Carrying value	0.0	0.0
Difference	**0.0**	**0.0**

13. EQUITY

EUR million	2017	2016
Share capital		
Share capital January 1	149.2	149.2
Fair value reserve December 31	**149.2**	**149.2**
Fair value reserve January 1	-0.4	0.0
Decreases	0.3	-0.4
Fair value reserve December 31	**-0.1**	**-0.4**
Non restricted equity reserve		
Non restricted equity reserve January 1	8.2	8.3
Return of treasury shares	0.7	0.0
Non restricted equity reserve December 31	**8.9**	**8.2**
Retained earnings		
Retained earnings January 1	300.9	303.8
Dividends paid and other distribution of assets	-27.6	-27.6
Treasury shares January 1	-8.3	-8.3
Transfer of treasury shares	1.1	0.0
Return of treasury shares	0.0	0.0
Retained earnings December 31	**266.0**	**267.8**
Net profit for the financial period	32.3	24.7
Total retained earnings	**298.3**	**292.5**
Total equity	**456.3**	**449.6**

DISTRIBUTABLE FUNDS AT DECEMBER 31

EUR million	2017	2016
Non restricted equity reserve	8.9	8.2
Retained earnings	266.0	267.8
Net profit for the financial period	32.3	24.7
Distributable fund from shareholders' equity	**307.2**	**300.7**

TREASURY SHARES OF YIT CORPORATION

	2017	2016
Amount	1,408,213	1,646,767
% of total share capital	1.11%	1.29%
% of voting rights	1.11%	1.29%

APPROPRIATIONS

EUR million	2017	2016
Accumulated depreciation difference January 1	0.5	0.3
Increase	0.0	0.1
Accumulated depreciation difference December 31	**0.5**	**0.5**

14. PROVISIONS

EUR million	2017	2016
Other provisions	1.9	2.2

15. DEFERRED TAX RECEIVABLES AND LIABILITIES

DEFERRED TAX RECEIVABLES

EUR million	2017	2016
Postponed depreciation	0.1	0.1
Other temporary differences	0.4	0.4
Total	**0.5**	**0.5**

DEFERRED TAX LIABILITIES

EUR million	2017	2016
Accumulated depreciation difference	0.1	0.1

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

16. NON-CURRENT LIABILITIES

BONDS

EUR million	2017	2016
Fixed-rate bond 1/2015, 2015–2020, interest 6.250%	100.0	100.0
Fixed-rate bond 3/2016, 2016–2021, interest 5.500%	50	50.0
Total	**150.0**	**150.0**
Loans from credit institutions	110.5	5.4
Pension loans	50.0	60.8
Accrued liabilities	3.8	
Total	**164.3**	**66.1**

17. CURRENT LIABILITIES

LIABILITIES TO GROUP COMPANIES

EUR million	2017	2016
Trade payables	2.3	1.1
Other liabilities	233.8	232.3
Accrued expenses	0.7	0.7
Total	**236.9**	**234.1**

ACCRUED EXPENSES, INTRA-GROUP

EUR million	2017	2016
Interest expenses	0.6	0.4
Exchange rate derivatives	0.1	0.3
Other expenses	0.0	0.0
Total	**0.7**	**0.7**

ACCRUED EXPENSES

EUR million	2017	2016
Personnel expenses	5.0	4.1
Interest expenses	4.5	5.1
Other expenses	1.6	3.5
Total	**11.1**	**12.6**

18. COMMITMENTS AND CONTINGENT LIABILITIES

MORTGAGES GIVEN AS SECURITY FOR LOANS

EUR million	2017	2016
Leasing commitments for premises		
Payable during the current financial year	12.7	12.6
Payable in subsequent years	51.6	64.7
Total	**64.4**	**77.3**
Operating leasing commitments		
Payable during the current financial year	0.0	0.0
Payable in subsequent years	0.0	0.1
Total	**0.0**	**0.1**
Other commitments		
Other commitments	1.7	1.7
Guarantees		
On behalf of Group companies	1,023.7	1,429.2

DERIVATIVE CONTRACTS

EUR million	2017	2016
External foreign currency forward contracts		
Fair value	0.0	-2.7
Value of underlying instruments	22.4	52.1
Internal foreign currency forward contracts		
Fair value	0.0	1.9
Value of underlying instruments	5.2	12.4
Interest rate swaps and future contracts		
Fair value	-3.8	-7.1
Value of underlying instruments	275.0	335.0

CONTRACTUAL MATURITY ANALYSIS OF DERIVATIVE CONTRACTS AT DECEMBER 31, 2017

EUR million	2018	2019	2020	2021	2022	2023–	Total
Interest rate swaps, cash outflows							
Hedge accounting applied	-0.1						-0.1
Hedge accounting not applied	-2.1	-1.8	-1.2	-0.4	-0.2		-5.7
External foreign currency forward contracts							
Cash outflow	-22.4						-22.4
Cash inflow	22.4						22.4
Internal foreign currency forward contracts							
Cash outflow	-5.2						-5.2
Cash inflow	5.2						5.2

CONTRACTUAL MATURITY ANALYSIS OF DERIVATIVE CONTRACTS AT DECEMBER 31, 2016

EUR million	2017	2018	2019	2020	2021	2022–	Total
Interest rate swaps, cash outflows							
Hedge accounting applied	-0.8	-0.5					-1.3
Hedge accounting not applied	-2.3	-2.1	-2.0	-1.0	-0.5	-0.2	-8.0
External foreign currency forward contracts							
Cash outflow	-52.1						-52.1
Cash inflow	53.3						53.3
Internal foreign currency forward contracts							
Cash outflow	-12.4						-12.4
Cash inflow	14.3						14.3

Level 1: The fair values of financial instruments are based on quoted prices in active markets. A market can be considered active if quoted prices are regularly available and the prices represent the actual value of the instrument in liquid trading.

Level 2: Financial instruments are not traded in active and liquid markets. The value of a financial instrument can be determined based on market value and potentially partially derived value measurement. If, however, the factors affecting the fair value of the instrument are available and observable, the instrument belongs to level 2.

Level 3: The valuation of a financial instrument is not based on observable market data, and other factors affecting the fair value of the instrument are not available and observable. The following table presents the Group's assets and liabilities that are measured at fair value and their levels.

Following table presents the Group's assets and liabilities that are measured at fair value and their levels.

ASSETS

	2017		2016	
EUR million	**Level 1**	**Level 2**	**Level 1**	**Level 2**
Available-for-sale investments				
Derivatives (hedge accounting not applied)		0.2		1.2
Total assets		**0.2**		**1.2**

LIABILITIES

	2017		2016	
EUR million	**Level 1**	**Level 2**	**Level 1**	**Level 2**
Derivatives (hedge accounting not applied)		3.9		10.6
Derivatives (hedge accounting applied)		0.1		0.4
Total liabilities		**4.0**		**11.0**

19. SALARIES AND FEES TO THE MANAGEMENT

The aim of YIT's remuneration systems is to reward good performance, increase the personnel's motivation and commit the company's management and its employees to the company's objectives in the long term.

DECISION-MAKING REGARDING REMUNERATION

YIT Corporation's Annual General Meeting decides on the fees for the Board of Directors. The Board of Directors decides on the salary and fees and other terms of employment of the CEO and other key Group employees, such as the CEO's deputy and members of the Group's Management Board.

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

The Shareholders' Nomination Board of YIT Corporation is a body comprised of the company's shareholders or their representatives, the duty of which is to prepare proposals on the election and remuneration of the members of the Board of Directors for the Annual General Meeting.

REMUNERATION OF BOARD MEMBERS

The Annual General Meeting 2017 decided that the Board of Directors be paid remuneration as follows:

- Chairman: EUR 79,200 per year
- Vice Chairman: EUR 60,000 per year
- Members: EUR 46,800 per year

The Nomination Board proposed to the General Meeting, that as a condition for the annual remuneration the members of the Board of Directors are obliged, directly based on the Annual General Meeting's decision, to use 40 percent of the fixed annual remuneration for purchasing YIT's shares from the market at a price formed in trading at Nasdaq Helsinki's stock exchange list. The purchase will be carried out within two weeks from the publication of the Interim Review for the period January 1, 2017 to March 31, 2017.

In addition, a meeting fee of EUR 550 is paid for each Board and committee meeting. Per diems for trips in Finland and abroad are paid in accordance with the State's travel compensation regulations. The fees of the Board of Directors remained the same as in the previous year. No other fees or benefits were paid to Board members.

In line with the resolutions of the Annual General Meeting of YIT held on March 16, 2017, the Extra-Ordinary General Meeting resolved that the new members of the Board of Directors of YIT to be elected for a term of office commencing on the date of registration of the execution of the merger and expiring at the end of the first Annual General Meeting of YIT following the date of registration of the execution of the merger be paid the following remuneration:

- to the Chairman of the Board EUR 79,200 per year,
- to the Vice Chairman of the Board of Directors and the Chairman of the Audit Committee EUR 60,000 per year
- EUR 46,800 per year to the other members of the Board of Directors.

The annual remuneration of the new Board members elected hereunder shall be paid in proportion to the length of their term of office.

In addition to the fixed annual remuneration, the new members of the Board of Directors will be paid a meeting fee of EUR 550 per meeting and the new members of the committees of the Board of Directors will be paid a meeting fee of EUR 550 per each committee meeting. Per diems were resolved to be paid for trips in Finland and abroad in accordance with the State's travelling compensation regulations.

The award and payment of the fixed annual remuneration is contingent on the Board members committing to purchase directly based

EUR	Board remuneration	Board meetings	Audit committee	Personnel committee	Total 2017	Total 2016
Reino Hanhinen	0	0	0	0	0	20,100
Kim Gran	0	0	0	0	0	12,050
Satu Huber	58,500	4,950	550	2,200	66,200	57,800
Erkki Järvinen	71,700	5,500	3,300	0	80,500	55,050
Inka Mero	58,500	5,500	0	2,200	66,200	42,800
Juhani Pitkäkoski	75,000	5,500	3,300	0	83,800	63,850
Tiina Tuomela	46,800	4,950	2,750	0	54,500	
Teuvo Salminen		0	0	0		12,800
Matti Vuoria	99,000	5,500	0	2,200	106,700	67,100
Board total	**409,500**	**31,900**	**9,900**	**9,900**	**457,900**	**331,550**

on the resolution of the Extraordinary General Meeting YIT Corporation shares from a regulated market (Nasdaq Helsinki Ltd.) at a sum corresponding to 40% of their fixed annual remuneration at a price determined in the public trading, and that the shares in question will be purchased directly on behalf of the Board members. The shares shall be purchased by a financial intermediary based on a purchase order given on behalf of the Board member within two weeks of the publication of the first interim report to be published after the execution of the merger. Otherwise the resolutions on Board remuneration made by the Annual General Meeting held on March 16, 2017 shall remain in force unaffected.

The above resolutions on remuneration of the Board of Directors are conditional and will become effective upon the registration of the execution of the merger.

PROPOSAL FOR FEES FOR 2018

The Extra-Ordinary General meeting resolved on September 12, 2017, against current rules of procedure, that three largest shareholders flagged to shareholders' register on the time of merger have the right to nominate members to the Nomination Board. If the date of registration of the execution of the merger is not work day, the following day work day should be used.

In addition it was resolved that if the merger has not been executed by November 1, 2017, the Nomination Board should have reasonable time to prepare its suggestion prior to the Annual General Meeting 2018.

Otherwise current rules of procedure will be followed. The structure and proposals of the Nomination Board will be announced later with a separate stock exchange release.

MANAGEMENT REMUNERATION

The remuneration paid to the Group's Management Board is comprised of:

- Fixed salary
- Fringe benefits, such as company car and meal benefit
- Annual performance-based bonus, and
- Long-term incentive schemes, such as share-based incentive scheme and pension benefits.

ACCRUAL-BASED PENSION EXPENDITURE

	2017		2016	
EUR	Statutory pensions	Supplementary pension security	Statutory pensions	Supplementary pension security
President and CEO	135,667	3,795	122,696	3,795
Deputy to the President and CEO	97,369	0,	91,395	15,204
Total	**233,036**	**3,795**	**214,091**	**19,000**

The members of the Board of Directors are not insured in terms of TyEL (Employees' Pensions Act) or supplementary pension for their meeting fees.

PERFORMANCE-BASED BONUSES

The basis of remuneration is a fixed salary, in addition to which most of the Group's salaried employees are included in a short-term performance-based bonus scheme. The Board of Directors confirms the criteria for the payment of performance-based bonuses every six months.

The bonuses paid are determined on the basis of the realisation of personal profit objectives, the Group's financial result, and the attainment of profitability, growth and development objectives. Performance and development discussions are an essential part of the management by key results system. In these discussions, employees and their superiors agree on the key objectives and their relative weighting and review the fulfilment of the previously agreed objectives. The key principles and objectives for the result period influencing the personal performance-based bonuses are specified at the business division and unit level.

The maximum annual performance-based bonus paid to the CEO and the Management Board may equal 50–60 per cent of their annual taxable pay excluding the performance-based bonus. Other monetary rewards in use at YIT include years-of-service bonuses.

SHARE-BASED INCENTIVE SCHEMES

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

The first scheme consisted of three earnings periods, i.e. the calendar years 2010, 2011 and 2012. Shares were handed over in 2011, 2012 and 2013 based on the performance in the previous year. A total of approximately 700,000 shares could be rewarded annually, of which a maximum of 20,000 to the President and CEO. In the case of shares granted for 2010, 2011 and 2012, the commitment period has ended.

The earnings periods of the second incentive scheme are the years 2014, 2015 and 2016. Any bonus will be determined on the basis of the indicators decided annually by YIT's Board of Directors for each earnings period and their target levels. Return on investment is the key indicator in the scheme. An additional target related to the Group's cash flow was set for 2014. The targets for 2015 were Return on investment and Net debt and for 2016 were return on investment and Earnings per share . YIT's Board of Directors also decides on the approximately 200 key persons from different YIT countries to be included in the incentive scheme for each earnings period. The same employees are not automatically covered by the scheme during all earnings periods. In the case of shares granted for 2014, the commitment period has ended.

The earnings periods of the third incentive scheme are the years 2017, 2018 and 2019. Any bonus will be determined on the basis of the indicators decided annually by YIT's Board of Directors for each earnings period and their target levels. Return on investment is the key indicator in the scheme. An additional target related to the Group's net promoter score (NPS) was set for 2017.

A total of approximately 650,000 (2014 and 2015) and 700,000 (2016-2019) shares can be rewarded annually, of which a maximum of 30,000 to the President and CEO and 102 000 to the Group Management Board (excluding CEO, earning period 2017). The shares to be granted are already held by YIT as a rule. There is a two-year commitment period associated with each earnings period, after which the shares are transferred to key persons still employed by YIT Group. Shares will be handed over in 2017, 2018, 2019, 2020, 2021 and 2022. The Board of Directors may on a special occasion with adequate reasoning resolve to hand over a key person the amount of money which is equivalent to the market price of hand-over time. The employer will cover the taxes and tax-like fees charged to the key employees covered by the scheme in connection with the handing over of the shares. Under all circumstances, the Board has the right to amend the bonuses in a reasonable manner.

PENSION, RETIREMENT AGE AND TERMINATION COMPENSATION

The contractual retirement age of the CEO is 62. In other respects, the statutory retirement ages apply to the members of the Management Board. The contractual pension of the CEO amounts to 60% of salary accounted according to Finnish employment pension law. The pension scheme is benefit-based.

The contractual period of notice is for from six months to nine months. If the company terminates the contract, the CEO and the deputy of the CEO, shall also be paid separate compensation amounting to 12 months' salary.

EUR	Fixed salary	Fringe benefits	Bonuses	Share-based incentive schemes	Total 2017	Total 2016
President and CEO	457,766	14,065	164,984	205,009	841,824	600,862
Total Management Board, excl. CEO	1,622,016	73,121	402,761	486,712	2,584,610	2,071,060

REMUNERATION PAID TO THE CEO AND MANAGEMENT BOARD IN 2017

Kari Kauniskangas served as the President and CEO of YIT Corporation. He was paid a performance-based bonus of EUR 78,979 in March 2017 based on the results of July–December 2016. Based on the results of January–June 2017, the President and CEO was paid a performance-based bonus EUR 86,005 in September.

In 2017 according to share based incentive scheme Kari Kauniskangas was granted 7,750 shares and The members of The Group Management Board who are still at The Group Management Board the end of the year 2017 were granted 22,940 shares (excluding CEO) based on the result of the earning period 2016. These shares and thereto related monetary bonus (monetary bonus cover the taxes and tax-like fees) will be handed over and paid in 2019 by the rules of share based incentive scheme. By the rules of share-based incentive scheme, instead of shares, can also be handed over the amount of money which is equivalent to the market price of hand-over time.

PRESIDENT AND CEO

Kari Kauniskangas, Chairman, President and CEO

OTHER MANAGEMENT BOARD:

- Tero Kiviniemi, Executive Vice President, deputy to the President and CEO, Head of the Business Premises and Infrastructure segment until October 9, 2017
- Esa Neuvonen, Chief Financial Officer, CFO, and since October 9, 2017 deputy to the President and CEO
- Timo Lehmus, Head of the Business Premises and Infrastructure segment since October 9, 2017
- Teemu Helppolainen, Head of The Housing Russia segment
- Antti Inkilä, Head of The Housing Finland and CEE segment
- Juha Kostiainen, Senior Vice President, Sustainable Urban Development
- Juhani Nummi, Senior Vice President, Business Development
- Pii Raulo, Senior Vice President, Human Resources

Board of Directors' proposal for the distribution of distributable equity

The distributable equity of YIT Corporation on December 31, 2017 is:

Retained earnings	266,005,019.56
Profit for the period	32,266,156.86
Retained earnings, total	298,271,176.42
Non-restricted equity reserve	8,908,505.61
Distributable equity, total	307,179,682.03

The Board of Directors proposes to the Annual General Meeting that the distributable equity be disposed of as follows:

Payment of a dividend from retained earnings EUR 0,25 per share to shareholders	31,453,802.25
Remains in distributable equity	275,725,879.78

No significant changes have taken place in the company's financial position after the end of the financial year. The company's liquidity is good and, in the view of the Board of Directors, the proposed dividend payout does not jeopardize the company's solvency.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.25 per share will be paid calculated with the number of shares outstanding on January 31, 2018. The total amount of proposed dividends is EUR 31,453,802.25, representing 55.6% of the net profit for the reporting period (IFRS) and is in accordance with the long-term financial targets.

When assessing the divident proposal, the Board of Directors of the company has reviewed the company's solvency, result and financial position from the perspectives of the situations preceding and subsequent to the merger. In the merger, Lemminkäinen's shareholders will receive 3.6146 new shares in YIT for each share in Lemminkäinen owned by them. As a result of the merger, the number of YIT's shares increases to 211,099,853 shares, of which 1,408,213 shares are held by the company in total. Considering the number of shares after the merger, a dividend of approximately EUR 52,422,910 is proposed to be paid, representing 92.6% of the net profit for the reporting period (IFRS).

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

Helsinki, January 31, 2018

Matti Vuoria
Chairman

Juhani Pitkäkoski
Vice chairman

Satu Huber

Erkki Järvinen

Inka Mero

Tiina Tuomela

Kari Kauniskangas
President and CEO

Auditor's Report

TO THE ANNUAL GENERAL MEETING OF YIT CORPORATION

OPINION

IN OUR OPINION

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

WHAT WE HAVE AUDITED

We have audited the financial statements of YIT Corporation (business identity code 0112650-2) for the year ended 31 December 2017. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

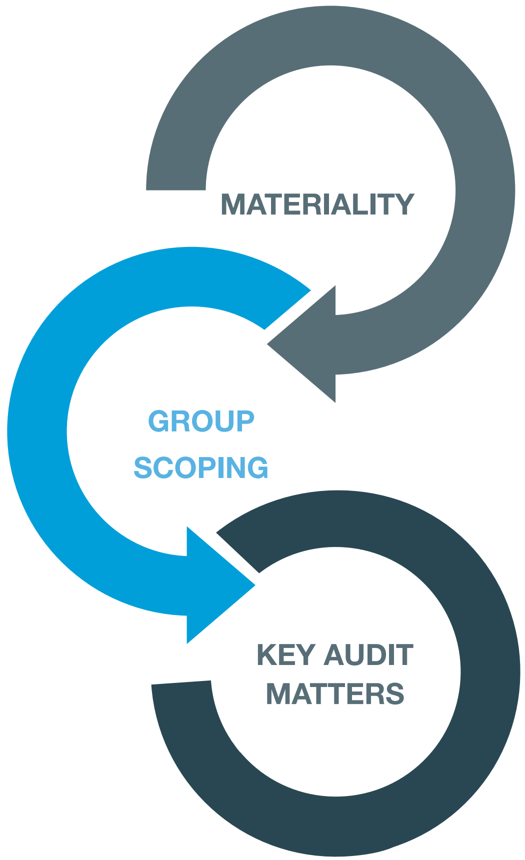
We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 5. Other Operating Expenses/Auditors' Fees to the Financial Statements.

OUR AUDIT APPROACH

OVERVIEW

- Overall group materiality was € 12 million, which is determined based on a combination of net sales, profit before taxes and total assets.
- We performed audits on significant companies in Finland (4), Russia (5), Estonia (1), Lithuania (1), Czech Republic (1) and Slovakia (1).
- **Key audit matters:** Accounting for long-term contracts:
  - revenue recognition, work in progress and provisioning
  - Inventory: valuation of slow moving land plots and completed housing units.



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

MATERIALITY

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

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

- **Overall group materiality**
  € 12 million
- **How we determined it**
  Combination of net sales, profit before taxes and total assets
- **Rationale for the materiality benchmark applied**
  We chose a combination of net sales, profit before taxes and total assets as benchmark because, in our view, in absence of steady profits and in the specific circumstances of the group, it represents a stable and relevant way to measure the performance of the group. The benchmark used is within the range of acceptable quantitative materiality thresholds in auditing standards.

HOW WE TAILORED OUR GROUP AUDIT SCOPE

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

We determined the type of work that needed to be performed at reporting units by us, as the group engagement team, or component auditors from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we issued specific instructions to reporting component auditors which included our risk analysis, materiality and audit approach to centralised systems. We visited 1 component abroad and communicated regularly with all reporting component auditors throughout our audit.

We performed audits of the component financial information at companies in Finland (4), Russia (5), Estonia (1), Lithuania (1), Czech Republic (1) and Slovakia (1) which are considered significant either because of their individual financial significance or because they are likely to include significant risks of material misstatement due to their specific nature or circumstances. We also performed specified audit procedures at an additional 3 reporting components in Russia.

In addition to the work we performed on the consolidation process, we performed analytical procedures for the remaining components to corroborate our assessment that there were no significant risks of material misstatement within those components.

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTER IN THE AUDIT OF THE GROUP	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Accounting for long-term contracts: revenue recognition, work in progress and provisioning Refer to the notes 1. Accounting principles of the financial statement -"Income recognition" and "Critical accounting estimates and judgements" and 2. Segment information - " Accounting principles in segment reporting" to the consolidated financial statements According to the Group's IFRS accounting principles, revenue from residential projects for consumers is recognised upon completion. In segment reporting long-term construction contracts including residential projects for consumers are recorded as revenue on the basis of the degree of completion (POC-method) when the end result of the project can be estimated reliably. The degree of completion is calculated on the basis of the share of costs incurred or completion of a physical proportion of the work. The revenue from self-developed projects is recorded on the basis of the percentage of completion and the degree of sale. Revenue from construction projects including rental liabilities is recorded on the basis of the percentage of completion, degree of sale and degree of rental rate. Profit on contracts is a key area for our audit because of the judgement involved in preparing suitable estimates of the forecast costs and revenue on contracts. An error in the contract forecast could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period. These judgements include the expected recovery of costs arising from the variations to the contract requested by the customer, claims made against the contractor and rental liabilities. An error in the inclusion of these amounts in the contract forecast could result in a material error in the level of recognised profit or loss.	Our audit procedures included understanding and testing of the company's controls as well as substantive testing of accounting for long-term contracts. Our testing of the company's controls focused on the IT systems used by the company. Our substantive testing of accounting for long-term contracts focused on 1) evaluating the appropriateness of the used accounting methods, 2) accuracy and reliability of the estimates, 3) accuracy and completeness of the recognised revenue and profit, as follows: • We performed analytical substantive procedures at project level for revenue and gross margin • We read the contracts of selected new projects and evaluated the appropriateness of used accounting method • We tested revenue and cost estimates for selected projects by comparing the estimates to supporting documents and by discussing with project management • We tested the degree of completion for selected projects by recalculating the degree of completion based on actual costs at the time of assessment. When completion of a physical proportion of the contract work method was used, we obtained appropriate evidence based on the circumstances to support the stage of completion • We compared estimated margins in previous year-end with actual outcomes for projects completed during the current year to ensure the accuracy and reliability of the project estimates • We tested the accuracy of revenue and profit recognised using the POC-method for selected projects by recalculating • We tested calculations supporting the transformation from POC reporting to IFRS reporting to ensure the accuracy and completeness of the transactions. Our substantive testing focused particular on the mega projects: Mall of Tripla and E18 Hamina-Vaalimaa motorway in Business Premises and Infrastructure segment.
Inventory: valuation of slow moving land plots and unsold completed housing units Refer to the notes 1. Accounting principles of the financial statement - "Accounting principles- Inventories" and "Critical accounting estimates and judgements-Inventories" to the financial statements On 31 December 2017 land plot reserve amounted to € X million and completed units amounted to € X million. Inventories are measured either at the lower of acquisition cost or net realisable value (i.e. the estimated selling price less the estimated expenditure on product completion and sale). In estimating the net realisable value of completed housing, the available market information is taken into account. In assessing the net realisable value of plots of land, their intended use is taken into account. We considered slow moving land plots and completed housing units to constitute a focus area of the audit as there is a risk that they are valued above their recoverable amount. A change in the company's forecast estimate of sales price and/or build cost could have a material impact on the carrying value of inventories in the financial statements.	We reviewed management's monitoring system supporting the carrying values and challenged the key assumptions underlying these values as follows: • We discussed with management on their intention to develop slow moving land plots • We inspected the documentation supporting the estimated net realisable values and assessed the reasonability of the estimates by comparing them to other similar projects in the area • We analysed management's forecasted sales prices of completed housing units by comparing them on a sample basis to sales prices achieved and the current list prices. We focused our work on those land plots with the greatest estimation uncertainty over the net realisable value and therefore profit outcome. These in particular included land plots in Housing Russia segment.

We have no key audit matters to report with respect to our audit of the parent company financial statements. There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

OTHER REPORTING REQUIREMENTS

APPOINTMENT

YIT Corporation become a public interest entity on 4 September 1995. We have been the auditors of YIT Corporation all that time it has been a public interest entity.

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 5 February 2018

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant (KHT)

Key financial figures

INCOME STATEMENT

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
EUR million	**IFRS[1]**	**IFRS[1]**	**IFRS[1]**	**IFRS[1]**	**IFRS[1]**	**IFRS[1]**	**IFRS[1]**	**IFRS[1]**	**IFRS**	**IFRS**
Revenue	1993.8	1,678.3	1,732.2	1,778.6	1,743.0	1,988.9	4,382.1	3,787.6	3,485.6	3,939.7
change from previous year,%	18.8	-3.1	-2.6	2.0	-12.4		15.7	8.7	-11.5	6.3
of which activities outside Finland	610.9	445.0	492.1	616.1	488.4	586.4	2,607.7	2,343.6	1,885.7	2,072.9
Operating income and expenses	-1,894.0	-1,644.1	-1,638.5	-1,671.2	-1,621.5	-1,770.3	-4,142.9	-3,531.6	-3,283.9	-3,647.4
Depreciation, amortisation and impairment	-14.2	-16.5	-12.1	-12.6	-17.4	-20.6	-39.6	-35.9	-33.6	-31.8
Operating profit	85.5	17.7	81.6	94.8	104.0	198.0	200.0	220.1	168.1	260.6
% of revenue	4.3	1.1	4.7	5.3	6.0	10.0	4.6	5.8	4.8	6.6
Financial income and expences, net	-14.6	-20.1	-20.3	-20.5	-9.0	-14.2	-24.7	-25.3	-58.6	-67.5
Profit before taxes	70.9	-2.5	61.3	74.3	95.0	183.8	175.2	194.8	109.5	193.1
% of revenue	3.6	-0.1	3.5	4.2	5.5	9.2	4.0	5.1	3.1	4.9
Profit for the period	56.6	-7.1	47.2	55.8	70.2	142.3	125.1	140.6	68.1	134.3
% of revenue	2.8	-0.4	2.7	3.1	4.0	7.2	2.9	3.7	2.0	3.4
Attributable to										
Equity holders of the parent company	56.6	-7.1	47.2	55.9	70.3	141.2	124.5	140.3	68.3	132.9
Non-controlling interest	0.0	0.0	0.0	-0.1	-0.1	1.1	0.6	0.3	-0.2	1.4

[1] YIT has applied the IFRIC 15 Agreements for the Construction of Real Estate IFRS interpretation from the start of the financial period beginning on January 1, 2010 (the figures are comparable from the beginning of 2009).
Income statements for the years 2007–2011 include the items related to YIT's Building Services business, which were transferred to Caverion Group in the partial demerger on June 30, 2013.

BALANCE SHEET

EUR million	2017 IFRS[1]	2016 IFRS[1]	2015 IFRS[1]	2014 IFRS[1]	2013 IFRS[1]	2012 IFRS[1]	2011 IFRS[1]	2010 IFRS[1]	2009 IFRS	2008 IFRS
Assets										
Intangible assets	54.8	53.2	47.3	55.4	65.2	110.6	110.8	106.7	99.8	104.6
Goodwill	8.1	8.1	10.9	10.9	10.9	346.6	347.5	350.9	291.0	291.0
Tangible assets	11.3	11.9	14.1	11.3	7.1	61.8	54.1	50.5	32.8	35.1
Investments	120.5	64.0	1.1	1.6	1.3	3.9	6.9	6.1	5.3	6.3
Inventories	1,592.5	1,746.6	1,528.4	1,682.6	2,045.8	1,894.4	1,672.6	1,484.9	1,477.6	1,509.9
Receivables	316.3	333.8	242.5	272.2	332.9	1,073.0	1,106.4	969.7	697.7	825.3
Current investments	0.0	0.0	5.0	0.6	0.0	0.0	0.0	0.3	0.0	36.4
Cash and cash equivalents	89.7	66.4	117.2	198.8	76.3	175.7	206.1	148.0	173.1	165.3
Total assets	**2,193.3**	**2,284.0**	**1,966.6**	**2,233.4**	**2,539.5**	**3,666.0**	**3,504.5**	**3,117.1**	**2,777.1**	**2,973.9**
Equity and liabilities										
Share capital	149.2	149.2	149.2	149.2	149.2	149.2	149.2	149.2	149.2	149.2
Other equity	415.4	414.6	373.8	381.0	535.4	851.0	769.5	730.8	611.9	653.9
Non-controlling interest			0.1	0.3	0.4	3.3	2.5	2.9	3.0	4.6
Provisions	72.3	76.4	61.0	60.9	61.5	103.4	106.4	94.7	89.5	86.9
Non-current liabilities										
Interest-bearing	344.5	249.1	266.1	275.2	305.1	517.1	522.9	504.6	502.0	516.2
Non interest-bearing	65.7	70.7	29.8	39.4	50.1	174.3	162.7	114.4	87.7	92.1
Current liabilities										
Interest-bearing	246.3	450.4	385.1	620.2	552.9	404.9	423.6	284.6	200.2	330.1
Advances received	494.3	473.9	376.9	402.8	514.3	566.6	458.3	349.3	418.7	346.8
Other non interest-bearing	405.7	399.6	324.7	304.4	370.5	896.1	909.3	886.6	714.8	794.2
Total shareholders' equity and liabilities	**2,193.3**	**2,284.0**	**1,966.6**	**2,233.4**	**2,539.5**	**3,666.0**	**3,504.5**	**3,117.1**	**2,777.1**	**2,973.9**

[1] YIT has applied the IFRIC 15 Agreements for the Construction of Real Estate IFRS interpretation from the start of the financial period beginning on January 1, 2010 (the figures are comparable from 2009).
The balance sheet for the comparison years 2007–2012 includes the assets and liabilities related to YIT's Building Services business, which were transferred to Caverion Group in the partial demerger on June 30, 2013.

OTHER KEY FIGURES

		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
		IFRS[1]	IFRS[1]	IFRS[1]	IFRS[1]	IFRS[1]	IFRS[1]	IFRS[1]	IFRS[1]	IFRS	IFRS
Operating cash flow after investments	EUR million	164.5	-43.1	183.7	151.9	-87.9	49.9	-17.3	-61.7	229.8	-19.4
Cash flow from operating activities	EUR million	235.4	36.1	195.7	159.5	-92.5	72.1	17.4	6.8	260.9	47.8
Return on equity	%	10.0	-1.3	9.0	9.1	8.2	15.0	13.9	17.1	8.9	16.5
Return on investment	%	7.2	1.6	6.4	6.4	6.1	10.9	12.0	14.4	11.0	17.5
Equity ratio	%	33.2	31.2	32.9	29.2	34.3	32.5	30.2	31.9	32.4	30.7
Net interest-bearing debt	EUR million	455.0	598.6	529.0	696.0	781.7	746.2	740.4	640.9	529.1	644.5
Gearing ratio	%	88.7	112.3	101.1	129.9	112.0	73.9	80.4	72.6	69.2	79.8
Gross capital expenditures on non-current assets	EUR million	80.1	83.5	12.0	13.9	20.2	44.6	48.7	129.7	27.9	85.2
% of revenue	%	4.0	5.0	0.7	0.8	1.2	0.9	1.1	3.4	0.8	2.2
Research and development expenditure	EUR million	18.9	15.8	15.8	14.5	15.0	7.5	20.1	17.5	15.2	19.0
% of revenue	%	0.9	0.9	0.9	0.8	0.9	0.4	0.5	0.5	0.4	0.5
Order backlog as at December 31	EUR million	2,912.7	3,048.2	2,467.3	2,507.1	3,184.6	3,108.6	4,148.6	3,535.7	2,983.3	3,233.7
of which orders from abroad	EUR million	803.1	972.8	898.3	1,061.4	1,617.8	1,484.0	2,066.9	1,857.7	1,885.7	2,072.9
Number of employees at December 31		5,427	5,261	5,340	5,881	6,172	6,691	25,996	25,832	23,480	25,784
Average number of employees		5,533	5,361	5,613	6,116	6,575	6,730	26,254	24,317	24,497	25,057

[1] YIT has applied the IFRIC 15 Agreements for the Construction of Real Estate IFRS interpretation from the start of the financial period beginning on January 1, 2010 (the figures are comparable from 2009).
The balance sheet for the comparison years 2007–2012 and other items for the comparison years 2007–2011 include items related to YIT's Building Services business, which were transferred to Caverion Group in the partial demerger on June 30, 2013.

SHARE-RELATED KEY FIGURES

		2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
		IFRS[1]	IFRS[1]	IFRS[1]	IFRS[1]	IFRS[1]	IFRS[1]	IFRS[1]	IFRS[1]	IFRS	IFRS
Earnings per share	EUR	0.45	-0.06	0.38	0.44	0.56	1.13	0.99	1.12	0.55	1.05
Earnings per share, diluted	EUR	0.44	-0.06	0.37	0.44	0.56	1.13	0.99	1.12	0.55	1.05
Equity per share	EUR	4.49	4.49	4.16	4.26	5.56	8.02	7.33	7.04	6.09	6.38
Dividend per share	EUR	0.25	0.22[2]	0.22	0.18	0.38	0.75	0.70	0.65	0.40	0.50
Dividend per earnings	%	55.6	-388.8[2]	58.5	40.9	67.9	66.6	70.5	57.9	73.2	47.6
Effective dividend yield	%	3.92	2.9[2]	4.2	4.2	3.7	5.1	5.7	3.5	2.8	10.9
Price per earnings ratio (P/E-ratio)	%	14.2	-134.1	13.9	9.7	18.1	13.1	12.5	16.7	26.3	4.4
Share price trend											
Average price	EUR	6.94	6.14	5.65	7.35	13.01	14.9	15.28	16.35	8.52	10.89
Low	EUR	5.97	4.32	4.26	4.17	8.67	11.87	10.04	12.98	4.31	3.70
High	EUR	8.09	8.07	7.21	10.70	17.88	17.25	21.92	19.00	14.49	19.99
Price at December 31	EUR	6.37	7.59	5.24	4.27	10.16	14.78	12.38	18.65	14.45	4.58
Market capitalisation at December 31	EUR million	801.4	953.1	658.0	536.2	1,276.0	1,853.2	1,550.9	2,332.7	1,807.4	576.2
Share turnover trend											
Share turnover, pcs	1,000	154,955	127,791	157,857	144,276	111,193	96,887	151,023	127,537	190,057	295,156
Share turnover of shares outstanding	%	123.2%	101.8	125.7	114.9	88.6	77.3	120.6	102.0	151.8	232.2
Weighted average number of shares outstanding	1,000	125,730	125,577	125,582	125,587	125,529	125,352	125,210	125,078	125,167	127,104
Weighted average number of shares outstanding, diluted	1,000	127,636	127,366	126,773	126,237	125,529	125,352	125,210	125,078	125,167	127,104
Number of shares outstanding at December 31	1,000	125,815	125,577	125,579	125,584	125,590	125,384	125,271	125,078	125,078	125,798

[1] YIT has applied the IFRIC 15 Agreements for the Construction of Real Estate IFRS interpretation from the start of the financial period beginning on January 1, 2010 (the figures are comparable from 2009).

[2] Board of Directors' proposal to Annual General Meeting

The balance sheet for the comparison years 2007–2012 and other items for the comparison years 2007–2011 include the items related to YIT's Building Services business, which were transferred to Caverion Group in the partial demerger on June 30, 2013.

FINANCIAL DEVELOPMENT BY QUARTER

		Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016
Revenue	EUR million	612.4	420.2	509.0	452.2	525.0	419.3	396.4	337.6
Operating profit	EUR million	44.1	15.6	21.1	4.7	25.3	-20.9	6.6	6.7
% of revenue	%	7.2%	3.7%	4.1%	1.0%	4.8	-5.0	1.7	2.0
Financial income and expenses	EUR million	-4.6	-3.3	-6.4	-0.3	-3.6	-3.9	-4.9	-7.8
Profit before taxes	EUR million	39.5	12.2	14.7	4.5	21.8	-24.8	1.8	-1.2
% of revenue	%	6.4%	2.9%	2.9%	1.0%	4.1	-5.9	0.4	-0.3
Total balance sheet assets	EUR million	2,326.0	2,225.0	2,214.5	2,335.0	2,284.0	2,219.2	2,108.4	2,035.4
Earnings/share	EUR	0.25	0.08	0.09	0.03	0.12	-0.18	0.01	-0.01
Equity/share	EUR	4.49	4.29	4.24	4.54	4.49	4.09	4.23	4.07
Share price at the end of period	EUR	6.37	6.92	7.32	6.34	7.59	7.17	6.45	4.97
Market capitalisation at the end of period	EUR million	801.4	870.6	921.0	796.2	953.1	900.4	810.0	624.1
Return on investment, rolling 12 months	%	7.2%	5.7%	2.7%	1.5%	1.6	1.8	3.6	4.9
Return on equity	%	10.0%				-1.3			
Equity ratio	%	33.2%	30.6%	30.7%	31.1%	31.2	30.1	32.9	31.5
Net interest-bearing debt at the end of period	EUR million	455.0	626.2	573.3	551.1	598.6	577.9	556.6	554.5
Gearing ratio	%	88.7%	124.0%	115.0%	103.6%	112.3	118.9	104.8	108.6
Gross capital expenditures	EUR million	30.5	20.6	11.7	17.3	19.5	12.9	48.1	2.9
Order backlog at the end of period	EUR million	2,912.7	2,924.2	2,969.7	3,088.9	3,048.2	3,072.0	3,124.1	2,575.2
Personnel at the end of period		5,427	5,533	5,776	5,407	5,261	5,282	5,632	5,276

REVENUE BY BUSINESS SEGMENT

EUR million	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016
Housing Finland and CEE	206.4	184.0	200.0	244.8	210.0	167.0	184.8	166.0
Housing Russia	95.6	52.0	62.8	57.8	84.0	76.0	58.8	49.1
Business Premises and Infrastructure	254.9	183.7	197.5	178.7	222.4	203.1	222.5	149.4
Other items	-2.6	-2.4	-2.5	-2.1	-2.8	-2.3	-2.4	-2.1
Group total, segment reporting	**554.3**	**417.3**	**457.8**	**479.2**	**513.7**	**443.8**	**463.7**	**362.4**
IFRS adjustment	58.2	2.9	51.1	-26.9	11.4	-24.5	-67.3	-24.8
Group total, IFRS	**612.4**	**420.2**	**509.0**	**452.2**	**525.0**	**419.3**	**396.4**	**337.6**

OPERATING PROFIT BY BUSINESS SEGMENT

EUR million	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016
Housing Finland and CEE	20.2	17.5	19.8	19.4	18.4	12.9	15.8	12.9
Housing Russia	3.0	0.6	1.3	-1.8	2.8	-26.3	-2.7	-3.1
Business Premises and Infrastructure	26.6	9.8	9.3	4.7	11.2	8.2	12.7	6.0
Other items	-9.4	-6.7	-6.5	-5.6	-3.7	-2.7	-5.6	-3.7
Group total, segment reporting	**40.4**	**21.2**	**24.0**	**16.7**	**28.7**	**-8.0**	**20.2**	**12.1**
IFRS adjustment	3.7	-5.7	-2.9	-12.0	-3.3	-12.9	-13.5	-5.4
Group total, IFRS	**44.1**	**15.6**	**21.1**	**4.7**	**25.3**	**-20.9**	**6.6**	**6.7**

ORDER BACKLOG BY BUSINESS SEGMENT

EUR million	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016
Housing Finland and CEE	985.0	890.0	909.3	842.8	833.4	880.2	865.7	857.2
Housing Russia	345.5	373.7	392.3	474.6	463.4	451.1	495.6	508.7
Business Premises and Infrastructure	1,238.0	1,263.9	1,264.2	1,300.9	1,316.3	1,309.5	1,352.8	880.9
Group total, segment reporting	**2,568.5**	**2,527.5**	**2,565.7**	**2,618.3**	**2,613.1**	**2,640.7**	**2,714.1**	**2,246.8**
IFRS adjustment	344.2	396.7	403.9	470.6	435.2	431.3	410.1	328.4
Group total, IFRS	**2,912.7**	**2,924.2**	**2,969.7**	**3,088.9**	**3 048.2**	**3 072.0**	**3 124.1**	**2 575.2**

KEY FIGURES ACCORDING TO SEGMENT REPORTING (POC)

EUR million	Q4/2017	Q3/2017	Q2/2017	Q1/2017	Q4/2016	Q3/2016	Q2/2016	Q1/2016
Profit before taxes	33.7	15.4	19.5	12.6	21.3	-17.0	10.2	-0.8
Profit for the review period[1]	26.0	12.3	15.5	8.9	16.1	-15.9	7.9	-0.6
Earnings per share, EUR	0.21	0.10	0.12	0.07	0.13	-0.13	0.06	0.00

[1] Attributable to equity holders of the parent company

Investors

B66 BUSINESS CENTRE, KAUNAS, LITHUANIA

YIT aims to create added value for its shareholders

TASKS AND OBJECTIVES

The aim of our investor relations is to support the appropriate valuation of YIT shares by continuously and consistently communicating all essential information concerning the company to all market parties. We want to serve private investors as well as institutional investors and analysts, both in Finland and abroad. Our aim is to increase interest in the company among equity and debt investors as well as analysts, improve the loyalty of current shareholders and reach new investors and analysts interested in the company.

Our Investor Relations function is responsible for planning and implementing investor communications, as well as daily contacts with shareholders and analysts, and arranging investor meetings. Producing interim reports, financial statements bulletins, stock exchange releases, investor reports, investor news and investor presentations are among our most important tasks. In addition to reporting, investor relations activities cover the Capital Markets Day, events for analysts and the media, conference calls, road show meetings, participation in investor conferences and events, and meetings with investors and analysts. All inquiries by investors are centrally managed by Investor Relations. Our investor relations work also involves collecting and analysing investor feedback and information on the ownership structure, as well as information related to shares and bonds issued by the company for the needs of the management and Board of Directors.

YIT's disclosure policy complies with Finnish legislation and the guidelines of the stock exchange and the Finnish Financial Supervisory Authority concerning disclosure obligations and the handling of undisclosed information (inside information).

OPERATIONS IN 2017

MERGER PLANS

The merger plans of YIT and Lemminkäinen have kept the investor relations team busy. Key milestones during the year included the announcement of the merger in June, the preparation of the merger prospectus and the Extraordinary General Meeting. The team has also been actively involved in communications, preparing materials and responding to questions concerning the merger. Before the General Meetings of both companies, the CEO, CFO and Vice President for Investor Relations met with YIT shareholders at home and abroad. The international destinations visited before the General Meeting were Stockholm, Paris, London and the Netherlands. The discussions and questions revolved around the background of and reasons for the planned merger. Shareholders were naturally also interested in the synergies expected from the merger, the strategy of the merged company and the potential challenges. Decisions on the strategy of the merged company will be made by its Board of Directors after the merger.

MEETINGS AND EVENTS

We met approximately 800 investors and analysts during the year (excluding visitors at fairs). YIT arranged 12 road show days with the company's management, meeting investors in Europe and North America. The number of meetings was lower than in the previous year due to the merger plans.

We met domestic private investors at various events and participated in the Sijoitus Invest fair organised at the Messukeskus fair centre in Helsinki. We published seven Investor Reports intended for private investors. The aim of the Investor Reports is to inform private investors of the topical themes of road show discussions. In late September, we organised our Capital Markets Day at the YIT-built Finnish Nature Centre Haltia in Espoo. The event covered the Group's current topics, such as the Partnership Properties segment established at the beginning of 2018, major projects, personnel issues and the situation regarding the planned merger with Lemminkäinen. No changes to the Group's strategy or financial targets were announced.

More than 40 analysts and investors attended the event in person and over 50 people watched it online. During a break, the visitors had the chance to get a preview of an apartment using a virtual reality headset, learn more about the Group's service business in Russia, and take a look at the next-generation Smartti sauna. Dinner was served at the Töölön pysäköintilaitos parking facility construction site.

In late summer, we invited the analysts who follow YIT to spend a day with the Group's senior management and discuss housing services. At the turn of November–December, we organised our traditional Christmas lunch for analysts in Helsinki. As part of the Christmas lunch event, we also took the opportunity to visit a premium office property located at Kasarminkatu 21.

ANALYSTS FOLLOWING YIT

According to YIT's information, at least the following brokerage firms publish investment analyses on YIT. These parties follow YIT on their own initiative, and we cannot be held responsible for their statements.

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Up-to-date analyst contact information is available on our website.

KASARMIKATU 21, HELSINKI

YIT SHARE (YIT)

YIT Corporation's shares are listed on Nasdaq Helsinki. The company has one series of shares. The shares are included in the book-entry system maintained by Euroclear Finland Ltd.

- **Listing:** Nasdaq Helsinki
- **Listing date:** September 4, 1995
- **Trading currency:** EUR
- **Segment and sector:** Large Cap
- **Trading code:** YIT
- **ISIN code:** FI0009800643
- **Reuters ID:** YIT HE
- **Bloomberg ID:** YIT FH

In 2017, YIT shares were included in the following indices, among others:

- OMX GES Ethical Finland Index
- OMX GES Sustainability Finland GI Index
- OMX Helsinki
- OMX Helsinki 25
- OMX Helsinki Construction & Materials GI
- OMX Helsinki Industrials GI
- OMX Helsinki Benchmark_GI
- OMX Nordic

YIT'S RESULT PUBLICATIONS IN 2018

YIT's Financial Statements Bulletin for 2017 was published on Thursday, February 1, 2018. YIT will also publish two interim reports and a half-year report in 2018:

- Interim Report for January–March on April 26, 2018
- Half Year Report for January–June on July 26, 2018
- Interim Report for January–September on October 25, 2018

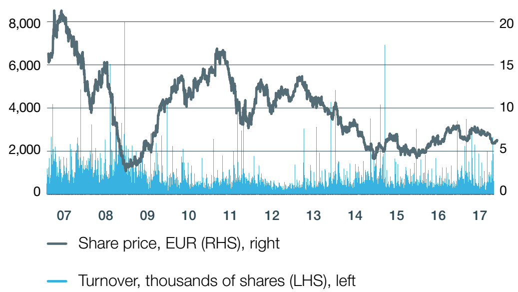
The Financial Statements Bulletin, Interim Reports and Half-Year Report will be published at approximately 8:00 a.m. Finnish time. Prior to the Financial Statements Bulletin and each Interim Report, YIT observes silent periods, which begin on January 1, April 1, July 1 and October 1, and last until the publication of the respective financial report. During silent periods, YIT's representatives will not comment on the company's financial position or meet capital market representatives.

RESULT PUBLICATION AND WEBCASTS

YIT holds a news conference for investors and the media in connection with the publication of interim reports and financial statements. Webcasts of the publication events can be viewed on the YIT website, both live and subsequently as recordings.

SHARE PRICE DEVELOPMENT IN COMPARISON TO OMX HELSINKI INDEX

SHARE PRICE DEVELOPMENT AND TURNOVER ON NASDAQ HELSINKI



YIT's trading code changed on February 1, 2018. The new trading code is YIT.

ORDERING PUBLICATIONS AND RELEASES

YIT's annual reports, interim reports, Investor Reports and other publications can be ordered on YIT's website or from YIT's investor communications: tel. +358 40 357 0905 or by e-mail at investorrelations@yit.fi. Releases can be ordered directly to your e-mail on our website.

INVESTOR INFORMATION ON THE INTERNET

The Investors section of YIT's redesigned website includes content such as:

- Financial reports, stock exchange releases, investor presentations and webcast recordings
- Monthly updated data on our major shareholders and the company's statutory insiders and their shareholdings
- Share trading data
- Tools for analysing the share, such as share price search and a total return calculator for calculating the value of your investment in YIT
- Consensus estimates of our earnings
- IR calendar displaying information such as investor events and road show dates
- Investor Reports in English and Finnish, discussing topical matters of interest to investors

In addition, YIT's Investor Relations distributes topical information on YIT, key macroeconomic indicators and investor events on social media using the Twitter account @YITInvestors.

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Information for shareholders

ANNUAL GENERAL MEETING

YIT Corporation's Annual General Meeting will be held in Helsinki on March 16, 2018, starting at 10:00 a.m. Finnish time (GMT +2) in the Kokoustamo section of the Messukeskus Expo & Convention Centre (address: Messuaukio 1, FI-00100 Helsinki, Finland). Check-in for those who have registered for the meeting, distribution of ballots and serving of coffee will start at 9:00 a.m.

PARTICIPATION RIGHTS

In order to have the right to participate in the Annual General Meeting, a shareholder must be registered in the company's shareholder register, which is maintained by Euroclear Finland Ltd, no later than the record date of the Annual General Meeting on March 6, 2018. Shareholders whose shares are registered in their personal Finnish book-entry accounts are registered in the company's shareholder register.

A shareholder whose shares are nominee-registered and who wishes to participate in the Annual General Meeting and exercise their right to vote must be entered in the company's shareholder register by March 13, 2018, by 10:00 a.m. in order to participate in the meeting.

NOTICE OF MEETING

The notice of meeting is published no later than three weeks before the meeting on the company's website. The notice contains the agenda, the names of the persons nominated for seats on the Board of Directors and the nominated auditor. Resolution proposals, documents presented to the Annual General Meeting and the presentation of the nominees for the Board of Directors will also be published on our website.

REGISTRATION

Registration for the Annual General Meeting began on February 15, 2018, and will end on March 13, 2018 at 10:00 a.m. Registration is possible online through YIT Corporation's website.

- By telephone on +358 20 770 6890, Monday to Friday from 9 a.m. to 4 p.m.

The shareholder's name and personal identification number or business ID, as well as the name of his/her eventual assistant or proxy representative must be given in connection with the registration.

Any proxy documents should be mentioned in connection with the registration and they should be delivered as originals to YIT Corporation, Viivi Kuokkanen, PO Box 36, FI-00621 Helsinki, Finland, prior to the end of the registration period. Alternatively, a copy of the proxy may be sent by e-mail to viivi.kuokkanen@yit.fi, in addition to which the original proxy must be presented at the meeting.

PAYMENT OF DIVIDEND

The Board of Directors proposes to the Annual General Meeting that a dividend of 25 cents (EUR 0.25) per share be paid from 2017. The dividend is paid to a shareholder who, by the dividend record date (March 20, 2018), has been entered as a shareholder in the company's shareholder register maintained by Euroclear Ltd.

The Board of Directors proposes that the dividend be paid on April 12, 2018.

SHAREHOLDER RIGHTS

Shareholders have the right to have items included on the agenda of the Annual General Meeting, provided they demand, in writing, that the Board of Directors do so early enough so that the item can be included in the notice of the meeting. In order to have their items included on the agenda of the Annual General Meeting 2018, shareholders had to present their requests to YIT's corporate services by January 4, 2018.

Shareholders have the right to raise questions at the General Meeting, as set out in the Limited Liability Companies Act.

A shareholder or shareholders who own at least 10 per cent of all the company's shares may demand that an extraordinary general meeting be convened.

The minutes of the Annual General Meeting are made available for inspection by shareholders within two weeks of the meeting at YIT's head office (Panuntie 11, Helsinki, Finland) and on our website on March 30, 2018 at the latest.

The construction site arrangements for the renovation of the Suomenlinna tunnel were nominated for the Rakentamisen Ruusu award 2017.

ADDRESS CHANGES OF SHAREHOLDERS

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

If the account is handled by Euroclear Finland Ltd, notifications of a change of address should be sent to: Euroclear Finland Ltd,
P.O. Box 1110, FI-00101 Helsinki, Finland
Street address: Urho Kekkosen katu 5 C, 8th floor
Telephone (switchboard): 020 770 6000
E-mail: info.finland@euroclear.eu

IMPORTANT DATES RELATED TO THE ANNUAL GENERAL MEETING

- Registration opened: February 15, 2018
- Record date of Annual General Meeting: March 6, 2018
- Registration closes: March 13, 2018 at 10:00 a.m.
- Annual General Meeting: March 16, 2018 at 10:00 a.m.
- Dividend record date: March 20, 2018
- Proposed dividend payment: April 12, 2018

More information on the Annual General Meeting is available on our website.

Together we can do it.

#livingcity

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