Q4

Financial Statements
Bulletin 2016

Financial Statements Bulletin 2016: Turn to growth, the apartments and large projects as the growth engine

Unless otherwise noted, the figures in brackets refer to the corresponding period in the previous year.

Segment reporting, POC

Residential projects for consumers recognised as income in line with sales and construction[1]

October–December

- Revenue increased by 10% to EUR 513.7 (468.5) million. At comparable exchange rates, revenue increased by 9%.
- Adjusted operating profit amounted to EUR 28.7 (16.6) million and adjusted operating profit margin was 5.6% (3.6%).
- In October-December 2016, there were no adjustments.
- Order backlog decreased by 1% from the end of September, amounting to EUR 2,613.1 million.
- Operating cash flow after investments amounted to EUR -21.4 (43.4) million.

January–December

- Revenue increased by 8% to EUR 1,783.6 (1,651.2) million. At comparable exchange rates, revenue increased by 9%.
- Adjusted operating profit amounted to EUR 79.9 (76.0) million and adjusted operating profit margin was 4.5% (4.6%).
- EUR -27.0 (-10.4) million adjustments were booked in the period.
- Operating cash flow after investments amounted to EUR -43.1 (183.7) million.
- Board of Directors proposes a dividend of EUR 0.22 (0.22).

Group reporting, IFRS

Residential projects for consumers recognised as income upon completion[1]

October–December

- Revenue increased by 3% to EUR 525.0 (511.6) million.
- Operating profit amounted to EUR 25.3 (28.4) million and operating profit margin was 4.8% (5.5%).

January–December

- Revenue decreased by 3% to EUR 1,678.3 (1 732.2) million.
- Operating result amounted to EUR 17.7 (81.6) million and operating profit margin was 1.1% (4.7%).
- Adjusted operating profit amounted to EUR 44.7 (91.9) million and adjusted operating profit margin was 2.7% (5.3 %).

Guidance for 2017 (segment reporting, POC)

The Group revenue is estimated to grow by 0–10%.

The adjusted operating profit[2] is estimated to be in the range of EUR 90–105 million.

The adjusted operating profit does not include material reorganisation costs, impairment or other items impacting comparability.

[1]In segment reporting, the revenue and profit are recognised by multiplying the percentage of completion by the percentage 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 residential projects for consumers is recognised upon completion. Furthermore, in Group reporting, part of the interest expenses are capitalised according to the IAS 23 standard, which causes differences in operating profit and financial expenses between segment reporting and Group reporting.

[2] Due to the new guidelines from the European Securities and Market Authority concerning alternative performance measures, the performance measure "operating profit excluding non-recurring items" is replaced with "adjusted operating profit". The content of adjustments equals items previously disclosed as non-recurring items and consist of material reorganization costs and impairment, among others. Adjusted operating profit is disclosed to improve comparability between reporting periods.

Kari Kauniskangas, President and CEO:

The year 2016 was a turning point for us. The start of the year saw the weakest quarter of the previous cycle and, near the end of the year, we achieved the target of the capital release programme set out in our strategy in 2013, albeit to a certain extent at the expense of profitability. In September, we announced our renewed strategy for the next three-year period, which also marked a shift in our focus from cash flow and the capital release actions to growth while continuing to improve profitability. We will further continue enhancing the capital efficiency as a part of normal business by utilizing partnership models, releasing capital from Russia and improving the capital turnover. Our order backlog in Finland and the CEE countries grew to an excellent level during the year, which creates a strong foundation for the new year. We started and won several large projects in 2016, with one of the most significant being the Tampere light rail contract signed in November, for which we recorded approximately EUR 110 million in our order backlog. Our profitability is trending in the right direction in all of our business segments, and the final quarter of the year was already quite promising.

In the Business Premises and Infrastructure segment, revenue grew by almost 30% last year, while the operating profit nearly doubled. We secured the financing and sale of the Mall of Tripla in 2016. The development of the shopping mall's occupancy rate has exceeded our expectations. Towards the end of the year, we also signed a letter of intent on the implementation of the hotel that is part of the project. The large-scale projects are progressing on schedule and on budget. We also won several new significant projects in the last quarter of the year.

In October–December, strong market demand and our demand-matched product offering were reflected in residential sales to consumers. The profitability of the Housing Finland and CEE segment improved, with the operating profit margin rising to 8.7%. Our goal in the segment is to further improve profitability by increasing consumer sales and the offering of affordable apartments in growth centres. Last year in Finland, nearly 70% of our residential start-ups and approximately 60% of our residential sales were directly to consumers. This represents a significant change from the previous year and it is an important factor in enabling future growth and increasing profitability.

The Housing Russia segment's operating profit was positive in the fourth quarter thanks to strong residential sales. The stronger ruble supported our indicators towards the end of the year. During the year, the restructuring programme in Russia was completed. Late in the year, we achieved a lower level of production volume, as planned, and we will continue to release capital from Russia by further improving capital turnover to finance growth in other markets.

I thank our customers for the trust and co-operation, as well as our own personnel and partners for commitment and enthusiastic work to achieve our targets.

Key figures

Group reporting, IFRS

EUR million	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Revenue	**525.0**	**511.6**	**3%**	**1,678.3**	**1,732.2**	**-3%**
Operating profit	**25.3**	**28.4**	**-11%**	**17.7**	**81.6**	**-78%**
Operating profit margin, %	**4.8%**	**5.5%**		**1.1%**	**4.7%**	
Profit before taxes	21.8	21.4	2%	-2.5	61.3	
Profit for the review period[1]	15.0	16.0	-6%	-7.1	47.2	
Earnings per share, EUR	0.12	0.13	-6%	-0.06	0.38	
Operating cash flow after investments	-21.4	43.4		-43.1	183.7	
Net interest-bearing debt at end of period	633.1	529.0	20%	633.1	529.0	20%
Gearing ratio at end of period, %	112.3%	101.1%		112.3%	101.1%	
Equity ratio at end of period, %	31.2%	32.9 %		31.2%	32.9%	

Segment reporting, POC

EUR million	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Revenue	**513.7**	**468.5**	**10%**	**1,783.6**	**1,651.2**	**8%**
Housing Finland and CEE	210.0	220.8	-5%	727.9	777.8	-6%
Housing Russia	84.0	61.6	36%	267.9	266.4	1%
Business Premises and Infrastructure	222.4	188.5	18%	797.4	615.6	30%
Other items	-2.8	-2.4		-9.7	-8.6	
Operating profit	**28.7**	**16.6**	**72%**	**52.9**	**65.7**	**-19%**
Operating profit margin, %	**5.6%**	**3.6%**		**3.0%**	**4.0%**	
Adjusted operating profit	**28.7**	**16.6**	**72%**	**79.9**	**76.0**	**5%**
Housing Finland and CEE	18.4	13.4	38%	59.9	56.0	7%
Housing Russia	2.8	0.7	284%	-2.3	10.9	
Business Premises and Infrastructure	11.2	7.5	48%	38.1	22.7	68%
Other items	-3.7	-5.0		-15.7	-13.5	
Adjusted operating profit margin, %	**5.6%**	**3.6%**		**4.5%**	**4.6%**	
Housing Finland and CEE	8.7%	6.0%		8.2%	7.2%	
Housing Russia	3.3%	1.2%		-0.9%	4.1%	
Business Premises and Infrastructure	5.0%	4.0%		4.8%	3.7%	
Adjustments				**-27.0**	**-10.4**	
Profit before taxes	21.3	6.1	249%	13.8	27.0	-49%
Profit for the review period[1]	16.1	4.6	253%	7.4	20.0	-63%
Earnings per share, EUR	0.13	0.04	253%	0.06	0.16	-63%
Return on investment (last 12 months), %	4.7%	5.3%		4.7%	5.3%	
Net interest-bearing debt at end of period	503.9	460.8	9%	503.9	460.8	9%
Equity ratio at end of period, %	35.1%	35.5%		35.1%	35.5%	
Order backlog at end of period	2,613.1	2,172.9	20%	2,613.1	2,172.9	20%

[1] Attributable to equity holders of the parent company

	1–12/16	1–12/15	Change
Dividend per share, EUR	0.22[2]	0.22	

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

Accounting principles applied in the Financial Statements Bulletin

YIT reports on its operations in accordance with IFRS guidelines, where the company applies, for example, the IFRIC 15 guidelines. 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 percentage of completion based segment reporting (POC). Therefore, the company's performance is described in the explanatory statement of the financial statements bulletin also according to segment reporting. The effects of the differences of the recognition principles are presented in detail in the tables to the financial statements bulletin.

Group financial development, group reporting (IFRS)

Residential projects for consumers recognised as income upon completion

IFRS, EUR million	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Revenue	525.0	511.6	3%	1,678.3	1,732.2	-3%
Operating profit	25.3	28.4	-11%	17.7	81.6	-78%
Operating profit margin, %	4.8%	5.5%		1.1%	4.7%	
Adjusted operating profit	25.3	28.4	-11%	44.7	91.9	-51%
Adjusted operating profit margin, %	4.8%	5.5%		2.7%	5.3%	
Profit before taxes	21.8	21.4	2%	-2.5	61.3	
Profit for the review period[1]	15.0	16.0	-6%	-7.1	47.2	
Earnings per share, EUR	0.12	0.13	-6%	-0.06	0.38	
Order backlog at end of period	3,048.2	2,467.3	24%	3,048.2	2,467.3	24%
Effective tax rate, %	30.9%	24.4%		-189.8%	22.9%	

[1] Attributable to equity holders of the parent company

October–December

The Group's IFRS revenue increased by 3% year-on-year. At comparable exchange rates, revenue increased by 4%. Revenue increased due to high number of residential project completions in Finland and especially Russia.

IFRS operating profit was EUR 25.3 million and the Group's operating profit margin was 4.8% (10–12/15: 5.5%). During the period, the margins of completed projects in Russia were at a modest level.

January–December

The Group's IFRS revenue decreased by 3% year-on-year. At comparable exchange rates, revenue decreased by 2%.

IFRS operating profit decreased by 78% to EUR 17.7 million, and the Group's operating margin was 1.1% (1–12/15: 4.7%). The operating profit includes adjustments of EUR -27.0 million related to revaluation of the book values of plots in the Housing Russia segment.

The Group's adjusted operating profit decreased by 51%, and adjusted operating profit margin was 2.7% (1–12/15: 5.3%). Profitability was burdened by the modest projects margins of completed projects in Russia, among other things.

Acquisitions and capital expenditure

IFRS, EUR million	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Gross capital expenditure on non-current assets	19.5	3.4	467%	83.5	12.0	596%
% of revenue	3.7%	0.7%		5.0%	0.7%	
Depreciation	6.7	3.1	119%	16.5	12.1	36%

YIT did not make any business acquisitions in 2016. Gross capital expenditure on non-current assets amounted to EUR 83.5 million, or 5.0 % of revenue.

Investments to construction equipment amounted to EUR 12.8 million (1–12/15: EUR 3.6 million) and investments to information technology totaled EUR 5.3 million (1–12/15: EUR 5.1 million). Other investments including investments in shares amounted to EUR 65.4 million (1–12/15: EUR 3.3 million), and consisted mainly of investments in the joint ventures of the Tripla project and the Kasarminkatu office project.

Cash flow and invested capital

IFRS, EUR million	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Operating cash flow after investments	-21.4	43.4		-43.1	183.7	
Cash flow of plot investments	-32.2	-53.3	-40%	-104.7	-138.1	-24%

IFRS, EUR million	12/16	12/15	Change	12/16	9/16	Change
Invested capital	1,263.4	1,174.3	8%	1,263.4	1,192.3	6%
Return on investment (last 12 months), %	1.6%	6.4%		1.6%	1.8%	

Operating cash flow after investments was EUR -43.1 million (1–12/15: EUR 183.7 million). The company paid dividends of EUR 27.6 million for 2015 in compliance with the resolution of the Annual General Meeting.

Cash flow of plot investments decreased by 24% to EUR -104,7 million (1–12/15: EUR -138.1 million), especially due to low number of plot acquisitions in Russia.

Invested capital increased by 8% from the level of the end of the previous year, and return on investment weakened due to modest operating profit.

Capital structure and liquidity position

IFRS, EUR million	12/16	12/15	Change	12/16	9/16	Change
Net interest-bearing debt	633.1	529.0	20%	633.1	611.4	4%
Cash and cash equivalents	66.4	122.2	-46%	66.4	66.8	-1%
Interest-bearing debt	699.5	651.2	7%	699.5	678.1	3%
Bonds	149.5	204.9	-27%	149.5	149.5	0%
Commercial papers	68.9	38.8	78%	68.9	69.8	-1%
Construction-stage financing	309.6	213.8	45%	309.6	276.9	12%
Pension loans	81.7	102.6	-20%	81.7	90.4	-10%
Bank loans	89.8	91.1	-1%	89.8	91.5	-2%
Average interest rate, %	3.48%	3.86%		3.48%	3,65%	
Revolving credit facilities	200.0	300.0	-33%	200.0	300.0	-33%
Overdraft facilities	74.6	63.2	18%	74.6	64.8	15%
Equity ratio, %	31.2%	32.9%		31.2%	30.1%	
Gearing ratio, %	112.3%	101.1%		112.3%	118.9%	

IFRS, EUR million	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Net financial expenses	-3.6	-7.0	-49%	-20.1	-20.3	-1%

At the year-end, YIT's liquidity position was strong. Cash and cash equivalents amounted to EUR 66.4 million, in addition to which YIT had undrawn overdraft facilities amounting to EUR 74.6 million. YIT signed a new EUR 200 million syndicated unsecured revolving credit facility with its core banks to refinance the syndicated EUR 300 million unsecured revolving credit facility maturing 2018.

One of the most significant financing transactions during 2016 was the financing package for the Mall of Tripla with competitive terms. A consortium consisting of the European Investment Bank (EIB), the Nordic Investment Bank (NIB), Danske Bank and Handelsbanken granted the project 10-year project credits amounting to a total of approximately EUR 300 million, which will finance half of the construction of the Mall of Tripla.

In March, YIT issued an unsecured EUR 50 million bond as a private placement targeted to domestic institutional investors. The bond matures on March 24, 2021, and carries a coupon of 5.500%.

YIT's revolving credit facility, the bonds issued in 2015 and 2016 and a part of 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 one bank loan include a covenant requiring the Group's gearing ratio based on the IFRS balance sheet to be below 150.0%.

At the end of the year, the equity ratio was 31.2% and the gearing ratio was 112.3%. The deterioration of the key ratios compared to the previous year resulted partly from the write-down booked in September and a booking of an interest-bearing plot acquisition payable of EUR 33.5 million for the third quarter related to Tripla project's parking spaces which will be built for a third party. An interest-bearing receivable of the same amount was booked in the balance sheet related to the obligation to redeem the parking spaces in question. The booked interest-bearing receivable is not included in the net debt.

The total amount of interest-bearing debt was EUR 699.5 million and net debt was EUR 633.1 million. A total of EUR 105.5 million of long-term loans will mature during 2017.

Net financial expenses decreased year-on-year and amounted to EUR 20.1 million (1–12/15: EUR 20.3 million). Interest expenses at the amount of EUR 19.0 million (1–9/15: EUR 18.4 million) were capitalized in accordance with IAS 23. During the year, financial expenses were increased by increased exchange rate differences and on the other hand decreased due to less losses on interest rate derivatives and increased IAS 23 capitalizations.

The interests on participations in housing corporation loans are included in housing corporation charges and are thus booked in project expenses. In 2016, interests on the participations amounted to EUR 2.2 million in (1–12/15: EUR 3.1 million).

At the end of year, EUR 26.2 million of the capital invested in Russia was debt investments (12/15: EUR 98.6 million) and EUR 362.8 million was equity investments or similar permanent net investments (12/15: EUR 219.0 million). In accordance with YIT's hedging policy, the debt investments 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 sales and construction

Revenue

POC, EUR million	10–12/16	10–12/15	Change	Change[1]	1–12/16	1–12/15	Change	Change[1]
Revenue	**513.7**	**468.5**	**10%**	**9%**	**1,783.6**	**1,651.2**	**8%**	**9%**
Housing Finland and CEE	210.0	220.8	-5%	-5%	727.9	777.8	-6%	-6%
Housing Russia	84.0	61.6	36%	32%	267.9	266.4	1%	10%
Business Premises and Infrastructure	222.4	188.5	18%	18%	797.4	615.6	30%	30%
Other items	-2.8	-2.4			-9.7	-8.6		

[1]At comparable exchange rates

October–December

The Group's revenue based on segment reporting increased by 10% year-on-year. At comparable exchange rates, revenue increased by 9%. Revenue grew in the Business Premises and Infrastructure segment especially due to the progress in Mall of Tripla project, office building sold in Vilnius and E18 Hamina–Vaalimaa motorway projects.

Likewise, revenue developed positively in the Housing Russia segment as sales activity was strong and the completion rate of sold units was high. In Housing Finland and CEE, revenue decreased due to less capital release actions in Finland and the sales mix shift from investor projects to consumer sales.

January–December

The Group's revenue based on segment reporting increased by 8% year-on-year. At comparable exchange rates, revenue increased by 9%.

Revenue grew especially in the Business Premises and Infrastructure segment thanks to the progress in Mall of Tripla project. In Housing Finland and CEE, revenue decreased due to less capital release actions in Finland and the sales mix shift from investor projects to consumer sales.

Revenue by geographical area, %, POC	10-12/16	10-12/15	1-12/16	1-12/15
Finland	69%	76%	74%	73%
Russia	16%	13%	15%	16%
The CEE countries	15%	11%	11%	11%

Result

POC, EUR million	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Operating profit	**28.7**	**16.6**	**72%**	**52.9**	**65.7**	**-19%**
Operating profit margin, %	**5.6%**	**3.6%**		**3.0%**	**4.0%**	
Adjustments				**-27.0**	**-10.4**	
Adjusted operating profit	**28.7**	**16.6**	**72%**	**79.9**	**76.0**	**5%**
Housing Finland and CEE	18.4	13.4	38%	59.9	56.0	7%
Housing Russia	2.8	0.7	284%	-2.3	10.9	
Business Premises and Infrastructure	11.2	7.5	48%	38.1	22.7	68%
Other items	-3.7	-5.0		-15.7	-13.5	
Adjusted operating profit margin, %	**5.6%**	**3.6%**		**4.5%**	**4.6%**	
Housing Finland and CEE	8.7%	6.0%		8.2%	7.2%	
Housing Russia	3.3%	1.2%		-0.9%	4.1%	
Business Premises and Infrastructure	5.0%	4.0%		4.8%	3.7%	

October–December

The Group's operating profit based on segment reporting increased by 72% to EUR 28.7 million and operating profit margin was 5.6% (10–12/15: 3.6%). The Housing Finland and CEE segment's operating profit improved due to the supply of products corresponding to demand and resulting strong apartment sales and positive development in sales mix. The Business Premises and Infrastructure segment's profitability improved due to the progress in Mall of Tripla project, among other things.

Changes in foreign exchange rates had negative impact of EUR 0.1 million on operating profit.

January–December

The Group's operating profit based on segment reporting decreased by 19% year-on-year. Operating profit margin was 3.0% (1–12/15: 4.0%). The operating profit includes adjustments of EUR -27.0 million related to revaluation of the book values of plots in the Housing Russia segment.

Adjusted operating profit increased by 5% to EUR 79.9 million. The Housing Finland and CEE segment's operating adjusted profit improved due to the supply of products corresponding to demand and resulting strong apartment sales and positive development in sales mix. The Business Premises and Infrastructure segment's profitability improved due to the increased volume and the improved margin content of the order backlog.

Changes in foreign exchange rates had positive impact of EUR 0.3 million on adjusted operating profit.

POC, EUR million	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Profit before taxes	21.3	6.1	249%	13.8	27.0	-49%
Profit for the review period[1]	16.1	4.6	253%	7.4	20.0	-63%
Earnings per share, EUR	0.13	0.04	253%	0.06	0.16	-63%
Effective tax rate, %	24.3%	24.9%		46.3%	25.5%	

[1] Attributable to equity holders of the parent company

Order backlog

POC, EUR million	12/16	12/15	Change	12/16	9/16	Change
Order backlog	**2,613.1**	**2,172.9**	**20%**	**2,613.1**	**2,640.7**	**-1%**
Housing Finland and CEE	833.4	802.7	4%	833.4	880.2	-5%
Housing Russia	463.4	508.5	-9%	463.4	451.1	3%
Business Premises and Infrastructure	1,316.3	861.6	53%	1,316.3	1,309.5	1%

The order backlog increased by 20% from the end of 2015. At the end of December, 60% of the order backlog had been sold (12/15: 49%).

Changes in foreign exchange rates increased the order backlog by EUR 93.6 million from the end of 2015.

Invested capital

POC, EUR million	12/16	12/15	Change	12/16	9/16	Change
Invested capital	1,175.3	1,131.5	4%	1,175.3	1,130.7	4%
Return on investment (last 12 months), %	4.7%	5.3%		4.7%	3.6%	

Invested capital increased by 4% year-on-year. Return on investment decreased to 4.7% (5.3%) as operating profit decreased.

One of YIT's key focus areas is to improve capital efficiency. At Capital Markets Day held in September, YIT stated that its capital release program targeting EUR 380 million was nearly completed. In September, slow-moving assets, located in Russia and included in the capital release program, were reduced by an impairment charge of EUR 18.0 million.

The external reporting of the progress of the capital release program was ended in September at YIT's Capital Markets Day. The improvement of the capital turnover will continue as a part of normal business.

Housing Finland and CEE

Operating environment

Consumer confidence picked up in 2016 in Finland, which was also seen as an improvement in residential demand in the consumer segment. Demand focused especially on small, affordable apartments in growth centres. Towards the end of the year, a slight pick-up could be seen in the demand for larger apartments. Investor demand remained on a good level.

Economy remained solid in the CEE countries, and consumer confidence remained on a good level. Residential prices stayed stable on average and demand on a good level.

Mortgage interest rates were on a low level in all operating countries and the availability of financing was good. In Finland, new drawdowns of mortgages increased year-on-year.

POC, EUR million	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Revenue	210.0	220.8	-5%	727.9	777.8	-6%
Operating profit	18.4	13.4	38%	59.9	56.0	7%
Operating profit margin, %	8.7%	6.0%		8.2%	7.2%	
Adjusted operating profit	18.4	13.4	38%	59.9	56.0	7%
Adjusted operating profit margin, %	8.7%	6.0%		8.2%	7.2%	
Operative invested capital at end of period	453.5	437.1	4%	453.5	437.1	4%
Return on operative invested capital (last 12 months), %	13.4%	11.0%		13.4%	11.0%	
Order backlog at end of period	833.4	802.7	4%	833.4	802.7	4%

October–December

The segment's revenue decreased by 5% year-on-year as capital release actions decreased.

The segment's operating profit increased by 38% year-on-year, and operating profit margin improved to 8.7% (10–12 /15: 6.0%). Profitability improvement was driven by reduction in capital release actions and favourable development in the sales mix.

In October-December, the unit sales to consumers were on a good level and focused mainly on recently started projects.The share of consumer sales in Finland was 72% (12/15: 50%). In the fourth quarter, YIT began new Smartti projects in five cities. In Tampere, the company started the Ranta-Tampella area project, for which sales began very well.

In October-December, YIT sold 72 apartments to investors as a bundle deal in Finland. Also, agreements were signed on the construction of 111 apartments to investors in Finland.

In the CEE countries, unit sales increased by 93% in October-December. In addition to consumer sales, YIT sold an apartment building project to a cooperative in Prague. The agreement comprises 90 apartments.

In December, YIT involved in establishing a fund that invests in housing development projects in the CEE countries. The company sold two first projects to the fund in December, one in Prague, Czech Republic and one in Tallinn, Estonia. The value of the deals for YIT was approximately EUR 20 million, comprising 150 apartments.

January–December

The segment's revenue decreased 6% year-on-year. The decline in revenue is explained by reduction in capital release actions in Finland and sales mix shifting to consumers from investors.

The segment's operating profit increased by 7% year-on-year and the operating profit margin rose to 8.2% (1–12/15: 7.2%).

During the review period, YIT aimed at shifting its customer focus in Finnish housing from investors to consumers, in line with its strategy. Consumer start-ups were increased by 43% year-on-year and the unit sales to consumers grew by 28%. The Smartti concept aimed at increasing the supply of affordable and flexible apartments in Finland was launched to support the strategy implementation. The objective of starting nine new Smartti concept apartment projects in Finland was achieved.

The strategy execution progressed as planned also in the CEE countries. In 2016, the number of start-ups increased by 27% year-on-year. Expansion to Poland proceeded with the first plot acquisition and the project start-up. In addition, new projects were started actively also in other operating countries.

In December, YIT involved in establishing a fund that invests in housing development projects in the CEE countries. The company sold two first projects to the fund in December, one in Prague, Czech Republic and one in Tallinn, Estonia. The value of the deals for YIT was approximately EUR 20 million, comprising 150 apartments.

Residential construction in Finland, units	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Sold	858	659	30%	2,730	3,192	-14%
of which initially started to consumers[1]	690	395	75%	1,838	1,715	7%
Start-ups	584	579	1%	2,877	2,864	0%
of which to consumers	416	315	32%	1,985	1,387	43%
Completed	489	253	93%	2,535	2,626	-3%
of which to consumers	260	180	44%	1,087	1,600	-32%
Under construction at end of period	3,842	3,500	10%	3,842	3,500	10%
of which sold at end of period, %	69%	73%		69%	73%	
For sale at end of period	1,406	1,259	12%	1,406	1,259	12%
of which completed	201	302	-33%	201	302	-33%
Plot reserve in the balance sheet at end of period, EUR million	154.0	134.0	15%	154.0	134.0	15%
Plot reserve at end of period[2], floor sq. m.	2,044,160	1,628,500	26%	2,044,160	1,628,500	26%
Cost of completion at end of period, EUR million	264	213	24%	264	213	24%

[1] Includes apartments sold to residential funds: 10–12/16: 72 units; 10–12/15: 66 units; 1–12/16: 242 units; 1–12/15: 464 units.

[2] Includes pre-agreements and rental plots.

Residential construction in the CEE countries, units	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Sold	560	290	93%	1,197	1,023	17%
Start-ups	209	331	-37%	1,300	1,021	27%
Completed	237	189	25%	703	717	-2%
Under construction at end of period	2,043	1,442	42%	2,043	1,442	42%
of which sold at end of period, %	47%	40%		47%	40%	
For sale at end of period	1,227	1,014	21%	1,227	1,014	21%
of which completed	151	145	4%	151	145	4%
Plot reserve in the balance sheet at end of period, EUR million	123.5	112.7	10%	123.5	112.7	10%
Plot reserve at end of period, floor sq. m.	485,000	558,000	-13%	485,000	558,000	-13%
Cost of completion at end of period, EUR million	105	72	46%	105	72	46%

Housing Russia

Operating environment

The uncertainty of Russian economy continued to be reflected in the residential market, although stabilisation of the situation was seen during the summer. Demand focused especially on small apartments, consumers preferring projects with high completion rate.

Residential prices remained stable on average. Consumer confidence stayed at low levels and growth in real wages was weak.

The state mortgage subsidy program for new apartments ran until the end of 2016. The mortgage interest rates for new apartments were on a level of around 12%.

POC, EUR million	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Revenue	84.0	61.6	36%	267.9	266.4	1%
Operating profit	2.8	0.7	284%	-29.3	0.6	
Operating profit margin, %	3.3%	1.2%		-10.9%	0.2%	
Adjusted operating profit	2.8	0.7	284%	-2.3	10.9	
Adjusted operating profit margin, %	3.3%	1.2%		-0.9%	4.1%	
Operative invested capital at end of period	405.1	363.0	12%	405.1	363.0	12%
Return on operative invested capital (last 12 months), %	-7.6%	0.2%		-7.6%	0.2%	
Order backlog at end of period	463.4	508.5	-9%	463.4	508.5	-9%

October–December

The segment's revenue increased by 36% year-on-year. At comparable exchange rates, revenue increased by 32 % supported by good residential sales and high completion rate of sold apartments.

The operating profit was EUR 2,8 million and the operating profit margin was 3.3% (10–12 /15: 1.2%). Weakening of the ruble had a negative impact of EUR 0.1 million on operating profit.

Profitability was improved by the increased apartment sales and the decreased fixed costs.

In the fourth quarter, YIT started projects in St. Petersburg, Kazan, Moscow region and Yekaterinburg, among others. In addition, YIT acquired a plot in St. Petersburg for which the plan is to build approximately 800 apartments.

The share of residential deals financed with mortgages was 49% (10–12/15: 58%). At the end of December YIT was responsible for the service and maintenance of over 26,000 apartments in Russia.

January–December

The segment's revenue increased by 1% year-on-year. At comparable exchange rates, revenue increased by 10%.

The operating result turned negative and the operating profit margin was -10.9% (1–12/15: 0.2%). In September, YIT revaluated the segment's book values of assets. YIT recognised a EUR 18.0 million impairment charge related to the plots located in Russia and decided at the same time that the primary method of divestment of these plots is to sell them. Additionally, YIT booked a cost of EUR 9.0 million to the book value of four plots located in Moscow region so that their value relates to the current dialog with the authorities related to the changed in regulatory requirements and conflicts in the investment requirements compared to the initial investment requirements.

The adjusted operating result was EUR -2.3 million and adjusted operating profit margin was -0.9% (1–12/15: 4.1%). Profitability was weighed down by the changes in project margins, among other things.

Weakening of the ruble had a positive impact of EUR 0.2 million on adjusted operating profit.

The share of residential deals financed with mortgages was 51% (1–12/15: 50%).

The Housing Russia segment's revised residential development division structure became effective in January 2016. The divisions are St. Petersburg, Moscow (City and region) and Russian regions (Rostov-on-Don, Yekaterinburg, Kazan and Tyumen). The number of apartments under construction is reported with the new division structure.

At the end of December YIT was responsible for the service, maintenance and living services of over 26,000 apartments in Russia.

Residential construction in Russia, units	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Sold	925	721	28%	3,523	3,129	13%
Start-ups	1,125	742	52%	2,782	2,542	9%
Completed[1]	2,392	2,018	19%	4,278	4,053	6%
Under construction at end of period	6,618	8,100	-18%	6,618	8,100	-18%
of which sold at end of period, %	37%	40%		37%	40%	
For sale at end of period	4,591	5,329	-14%	4,591	5,329	-14%
of which completed	414	484	-14%	414	484	-14%
Plot reserve in the balance sheet at end of period[2], EUR million	238.7	174.7	37%	238.7	174.7	37%
Plot reserve at end of period[2], floor sq. m.	2,115,000	2,193,000	-4%	2,115,000	2,193,000	-4%
Cost of completion at end of period, EUR million	181	220	-18%	195	220	-11%

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

Under construction at end of period, units	12/16	12/15	Change	12/16	9/16	Change
St. Petersburg	2,271	3,211	-29%	2,271	2,956	-23%
Moscow	2,687	1,736	55%	2,687	2,481	8%
Russian regions	1,660	3,153	-47%	1,660	2,452	-32%

Business Premises and Infrastructure

Operating environment

The construction of business premises and infrastructure was brisk in 2016 and new projects were started actively.

During the review period, investors' interest towards projects in prime locations was on a good level in the Finnish business premises market, but the competition over tenants remained intense. Investors' yield requirements and rental levels remained stable. The contracting market was active and several large projects were in the tendering phase.

In the Baltic countries and Slovakia, rental levels for business premises and investors' yield requirements remained stable in the review period. The contracting market was most active in Slovakia and most quiet in Latvia.

POC, EUR million	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Revenue	222.4	188.5	18%	797.4	615.6	30%
Operating profit	11.2	7.5	48%	38.1	22.7	68%
Operating profit margin, %	5.0%	4.0%		4.8%	3.7%	
Adjusted operating profit	11.2	7.5	48%	38.1	22.7	68%
Adjusted operating profit margin, %	5.0%	4.0%		4.8%	3.7%	
Operative invested capital at end of period	183.9	168.6	9%	183.9	168.6	9%
Return on operative invested capital (last 12 months), %	21.6 %	11.7 %		21.6 %	11.7 %	
Order backlog at end of period	1,316.3	861.6	53%	1,316.3	861.6	53%

Business premises, EUR million	12/16	12/15	Change	12/16	9/16	Change
Plot reserve in the balance sheet	104.5	78.1	34%	104.5	104.9	-0%
Plot reserve, floor sq. m.	686,000	1,002,700	-32%	686,000	934,000	-27%
Cost of completion	9	13	-31%	9	30	-70%

October–December

The segment's revenue increased by 18% year-on-year. Revenue increased especially due to the progress of Mall of Tripla, office building sold in Vilnius, and E18 Hamina–Vaalimaa motorway projects.

Operating profit increased 48 % year-on-year to EUR 11.2 million, and operating profit margin was 5.0% (10–12/15: 4.0%). Operating profit increased thanks to strong development in both, business premises and infra services.

During the reporting period, YIT signed several project deals. The most remarkable was the agreement signed in November of the implementation of the Tampere light rail project together with VR Track and Pöyry. YIT's share of the project amounts to approximately EUR 110 million. The first phase of construction will commence in the first half of 2017 and is expected to last until 2021.

In October, YIT signed a project management contract of the Myllypuro campus built for Metropolia University of Applied Sciences. The value of the contract for YIT is over EUR 70 million. The company signed implementation contracts of care projects with a total value of approximately EUR 26 million.

In November, YIT and Posiva Oy signed a contract on the excavation of the first tunnels for Posiva's final disposal facility. The value of the project is approximately EUR 20 million.

At the end of December, YIT sold the office building located in Vilnius, Lithuania, with approximately EUR 15 million. Tripla project proceeded as planned and during the period, YIT signed a letter of intent on the implementation of the hotel for the Tripla project.

January–December

The revenue of the segment increased by 30% year-on-year. The revenue increased especially thanks to Mall of Tripla project.

Operating profit increased by 68% to EUR 38.1 million and operating profit margin stood at 4.8% (1–12/15: 3.7%). The improvement in profitability is explained by higher revenue and the improved margin content of the order backlog.

During 2016, YIT was successful in the competitive bidding of remarkable projects. The company signed project management contracts of the Helsinki Central library and the Myllypuro campus built for Metropolia University of Applied Sciences, among others.

In November, YIT signed an agreement of the implementation of the Tampere light rail project together with VR Track and Pöyry. YIT's share of the project amounts to approximately EUR 110 million.

The construction of the large projects such as Mall of Tripla and E18 Hamina–Vaalimaa motorway proceeded as planned.

During the reporting period, YIT strengthened its project development resources in-line with its strategy. In June, YIT announced to have established a joint venture with HGR property partners for new, large-scale real estate development projects in Helsinki region. The joint venture named Regenero, acquired its first property in Otaniemi, Espoo, Finland after the reporting period.

YIT's reporting structure was changed from the beginning of 2016. YIT's equipment business is reported as part of the Business Premises and Infrastructure segment instead of Other items. The reason behind the change is the integral role of the equipment as part of the segment's business, especially for special equipment in infrastructure construction.

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	23%	2019	YIT's ownership 38.75 %	85,000
Kasarmikatu 21, Helsinki	n/a	Office	36%	12/17	YIT's ownership 40 %	16,000
Dixi II, Tikkurila Railway Station, Vantaa	n/a	Office	87%	4/17	Sold	8,900
Extension of Business Park Rantatie, Helsinki	~25	Office	49%	11/17	Sold	6,000

The largest ongoing business premises and infrastructure contracts

Project	Value, EUR million	Project type	Completion rate %	Estimated completion
E18 Hamina-Vaalimaa motorway	~260	Infra	66%	12/18
Tampere light railway	~110	Other	0%	12/21
Myllypuro Campus, Metropolia	~70	Infra	0%	8/19
Helsinki Central Library	~50	Other	5%	9/18
Naantali CHP power plant	~40	Infra	86%	9/17

Personnel

Personnel by business segment	12/16	12/15	Change	12/16	9/16	Change
Housing Finland and CEE	1,695	1,719	-1%	1,695	1,707	-1%
Housing Russia	1,428	1,582	-10%	1,428	1,428	
Business Premises and Infrastructure	1,940	1,847	5%	1,940	1,955	-1%
Group Services	198	192	3%	198	192	3%

Personnel by geographical area	12/16	12/15	Change	12/16	9/16	Change
Finland	3,120	3,104	1%	3,120	3,134	0%
Russia	1,418	1,569	-10%	1,418	1,417	0%
The CEE countries	723	667	8%	723	731	-1%
Group, total	**5,261**	**5,340**	**-1%**	**5,261**	**5,282**	**0%**

In 2016, the Group employed 5,361 people on average (1–12/15: 5,613). Personnel expenses totalled EUR 250.3 million (1–12/15: EUR 244.0 million). The cost effect of YIT's share-based incentive scheme was approximately EUR 3.2 million (1–12/15: EUR 2.1 million).

Personnel-related focus areas in 2016 included the recruitment of salaried employees, assigning resources to demanding projects and internal job rotation, the management of trainees, participatory and motivating leadership, occupational safety and the ability to work, project management and increasing customer insight. The organisation also implemented a system that includes personnel master data.

In relation to the aforementioned focus areas, several internal resource allocation measures and external recruitment measures were carried out in both Finland and abroad to proactively ensure that several demanding projects will have competent resources who are familiar with YIT's operating models. Managers were also trained in more participatory leadership practices and more than 100 salaried employees completed a comprehensive project management training programme. The number of trainee and thesis writing positions in the Group exceeded 700 in 2016. Approximately 10% of the trainees were signed on permanent contracts. A pilot was started late in the year to give highly experienced employees who passed aptitude interviews the opportunity to undergo further training to qualify for supervisory duties. The process of updating the employee satisfaction survey in accordance with the new strategy was started late in the year. The new survey will be conducted for the first time in autumn 2017.

In occupational safety, the focus was particularly on proactive measures and planning in accordance with the annual calendar, making observations and improving the quality of safety rounds by management. The accident frequency (number of accidents per one million working hours) decreased during the year to 9.8 (1–12/15: 10.0). The number of sick days resulting from accidents fell by approximately 45% from the previous year.

Sadly, there was one fatal accident in 2016, which led to immediate changes in operating methods and discussion events aimed at influencing attitudes. In the area of occupational safety, YIT continues to have a strong focus on proactive measures, and the company will continue to engage all those who work at construction sites to work together to ensure on-site safety.

There were changes in YIT's Group Management Board during the review period. In September, YIT's Board of Directors appointed Esa Neuvonen, M.Sc. (Econ.), as the new CFO of YIT Corporation and as a member of the Group Management Board, replacing Timo Lehtinen. Neuvonen has taken up his position in the beginning of November. Juha Kostiainen, M.Sc. (Tech.), D.Sc. (Adm.), was appointed as a member of the Group Management Board starting from October, 1. He is responsible for the Group's Sustainable Urban Development function.

Corporate responsibility

The key premise and objective of YIT's approach to responsibility is to create added value for all stakeholders through the company's core business. Termed *Sustainable urban environments*, this approach is focused on creating ecologically, socially and economically sustainable urban environments that also allow YIT to utilise its diverse expertise.

A sustainable urban environment means, among other things, a denser urban structure and effective public transport. The Lauttis shopping centre completed in Helsinki's Lauttasaari district in 2016 is one example of such an environment. The shopping centre was built at the site of a future metro station, at the same time enabling complementary residential construction that makes the urban structure denser. Lauttis is a good example of a hybrid project that successfully combines infrastructure construction, business premises construction and residential construction expertise in a densely built urban environment.

In Helsinki's Kruunuvuorenranta neighbourhood, light art is used to create a stronger sense of comfort and security in a new residential area. Artist Kari Alonen's creation Valon virta (Stream of Light) is now part of YIT's apartment building project in the area. It features a ball that slowly changes colour, with the light appearing to roll downward. Designed with aesthetics as the first priority, the work of art changes with the seasons and its different colours bring energy and pleasure to the local residents.

In the Slovakian capital Bratislava, YIT has continued its Stein area development project. The new residential area is being built in Bratislava's Old Town, where the Stein brewery once stood, with respect for the local character and the old buildings around it. In addition to residential buildings and business premises, the project will bring new infrastructure, green areas and open spaces for public use. The area has excellent public transport links, a central location and a wide variety of services nearby.

Research and development

In 2016, 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 revised strategy, development activities were enhanced and refocused based on three 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.

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 collaboration with external stakeholders included initiatives such as innovation competitions. These 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 10% and the production costs of housing by 15% through the development of operations rather than cost cuts. The idea is to introduce more co-operation and interaction skills to YIT's existing supply 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 City 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; for example, by creating new concepts.

The Living Services development programme is designed to develop new business that supports housing by offering solutions and services that make the customer's life easier. The development programme also focuses on improving and digitalising the customer experience further.

The development programme involves digitalising the customer path, growing the service business and creating new business models and 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 faster, more cost-efficiently and more reliably.

Data also makes it possible to pursue entirely new business models. In Housing, the focus areas of development in 2016 included electronic customer channels, profitability control methods and the product offering. YIT 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 was developed by harmonising the operating model, processes and systems. In addition to improving customer service, focus was put on developing, testing and duplicating additional services.

In the Business Premises and Infrastructure segment, the focus was particularly on 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. Under the theme of data-driven management, an IoT-based solution was developed to increase the efficiency of operations and decision making in the road maintenance business.

Strategic information management projects saw the development and implementation of solutions for business analysis and reporting, production control, online services, the management of basic personal data, co-operation between teams, internal communication and information security.

Other Group-wide development themes in 2016 were occupational safety, quality and responsibility. In addition to actual development work, focus was also put on reviewing policies and procedures related to intellectual property rights. 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 2016 amounted to EUR 15.8 million (1–12/2015: EUR 15.8 million), representing 1% (1–12/2015: 1%) of the Group's IFRS revenue.

Strategic objectives and the outcome in 2016

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

The capital release programme worth EUR 380 million established for the previous strategy period was completed, and for some sub-areas, the objectives were exceeded. The improvement of the capital turnover will continue as a part of normal business. Starting from the beginning of this year, it is not expected to have a significant impact on the profitability development. Capital is released from Russia and invested in growth centres in Finland and the CEE countries.

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 investment sufficient for paying dividends. Previously, the company has communicated that the target is to have sufficient operating cash flow after investment 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.

YIT's strategy and financial targets were described at YIT's Capital Markets Day on September 29, 2016, in Bratislava, Slovakia. The presentation materials and recordings from the Capital Markets Day are available at www.yitgroup.com/investors.

Long-term financial targets	Target level	Outcome 2016
Revenue growth	5–10% annually on average	8%, 9% [1]
Return on investment	15%	4.7 %
Operating cash flow after investments	Sufficient for paying dividends	EUR -43.1 million
Equity ratio	40%	35.1%
Dividend payout	40–60% of net profit for the period	373.3%[2] (95.3%) [3]

The target levels are based on segment reporting (POC). [1]At comparable exchange rates [2]The Board of Director's proposal to Annual General Meeting [3]Calculated with adjusted EPS

Resolutions passed at the Annual General Meeting

The Annual General Meeting of YIT Corporation was held on March 15, 2016. YIT published stock exchange releases on the resolutions passed at the Annual General Meeting and the organisation of the Board of Directors on March 15, 2016. The stock exchange releases and a presentation of the members of the Board of Directors are available on YIT's website at www.yitgroup.com/.

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 2016 (2015: EUR 149,216,748.22) and the number of shares outstanding was 127,223,422 (2015: 127,223,422).

Treasury shares and authorisations of the Board of Directors

The Annual General Meeting of YIT Corporation resolved on March 15, 2016, 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, 2017. The share issue authorisation also includes an authorisation to decide on the conveyance of treasury shares.

YIT Corporation held 1,644,581 treasury shares at the beginning of the year 2016. During the year, 2,186 shares were returned to the company in accordance with the terms and conditions of the sharebased incentive scheme, after which the company held 1,646,767 treasury shares at the end of December.

Trading on shares

The opening price of YIT's share was EUR 5.12 on the first trading day of 2016. The closing price of the share on the last trading day of the year on December 30, 2016, was EUR 7.59. YIT's share price increased by approximately 48% during the year. The highest price of the share during the year was EUR 8.07, the lowest EUR 4.32 and the average price was EUR 6.14. Share turnover on Nasdaq Helsinki in 2016 was approximately 127.8 million (1–12/15: 157.9 million) shares. The value of the share turnover was approximately EUR 784.5 million (1–12/15: EUR 883.8 million), source: Nasdaq Helsinki.

During the year, approximately 134.9 million (1–12/15: 98.1 million) YIT Corporation shares changed hands in alternative market places, corresponding to approximately 51% (1–12/15: 38%) of the total share trade, source: Fidessa Fragmentation Index.

YIT Corporation's market capitalisation on the last trading day of the year on December 30, 2016 was EUR 953.1 million (December 30, 2015: EUR 658.0 million). The market capitalisation has been calculated excluding the shares held by the company.

Number of shareholders and flagging notifications

At the end of 2016, the number of registered shareholders was 40,016 (12/15: 41,944) and a total of 29.5% of the shares were owned by nominee-registered and non-Finnish investors (12/15: 26.3%).

During the year YIT received the following announcements under Chapter 9, Section 5 of the Securities Markets Act: On January 12, 2016, the holding of the mutual funds managed by BlackRock, Inc. in YIT had exceeded the threshold of 5 per cent. On January 13, 2016, the holding of the mutual funds managed by BlackRock, Inc. in YIT had gone below the threshold of 5 per cent. On January 22, 2016, the holding of the mutual funds managed by BlackRock, Inc. in YIT had exceeded the threshold of 5 per cent. On January 29, 2016, the holding of the mutual funds managed by BlackRock, Inc. in YIT had gone below the threshold of 5 per cent. On February 1, 2016, the holding of the mutual funds managed by BlackRock, Inc. in YIT had exceeded the threshold of 5 per cent. On February 11, 2016, the holding of the mutual funds managed by BlackRock, Inc. in YIT had gone below the threshold of 5 per cent. On February 12, 2016, the holding of the mutual funds managed by BlackRock, Inc. had exceeded the threshold of 5 per cent. On February 15, 2016, the holding of the mutual funds managed by BlackRock, Inc. in YIT had gone below the threshold of 5 per cent. On January 25, 2016, the holding of Polaris

Capital Management, LLC. in YIT had gone below 5 per cent. On February 5, 2016, the holding of Structor S.A. in YIT had gone below the threshold of 5 per cent. On June 14, 2016, the holding of JPMorgan Chase & Co and its funds in YIT had exceeded the threshold of 5 per cent. On June 28, 2016, the holding of JPMorgan Chase & Co and its funds in YIT had gone below the threshold of 5 per cent. On October 10, 2016, the holding of JPMorgan Chase & Co and its funds in YIT had exceeded the threshold of 5 per cent. On October 18, 2016, the holding of JPMorgan Chase & Co and its funds in YIT had gone below the threshold of 5 per cent.

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 interest rates 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 stabilised. 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 also impacts the development of residential prices. The mortgage subsidy program of the Russian state ended at the end of 2016, which may impact the housing demand.

In 2016, Finland accounted for 75% of the company's revenue, which highlights the significance of Finland's economic development for YIT's business. The slowing recovery 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. A persistent 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 and / or weakening in tenant demand on the business premises or residential market could lead to a significant decrease in investor 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.

In Finland, 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.

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 and the E18 Hamina-Vaalimaa motorway, make up a significant share of the company's expected revenue in coming years, meaning that successful project management in the projects is integral.

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 invested capital in Russia by approximately RUB 6 billion (approximately EUR 80 million) by the end of 2018. 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 Group's most significant currency risk is related to ruble-denominated investments. Further information can be found 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.

Events after the review period

In January, residential sales to consumers were around 150 units in Finland (1/16: around 70), around 80 units in the CEE countries (1/16: around 50) and around 150 units in Russia (1/16: around 200).

Outlook for 2017

Guidance (Segment reporting, POC)

The Group revenue is estimated to grow by 0–10%.

The adjusted operating profit is estimated to be in the range of EUR 90-105 million.

The adjusted operating profit does not include material reorganisation costs, impairment or other items impacting comparability.

In addition to the market outlook, the 2017 guidance is based on the following factors: at the end of the year the company's order backlog was solid and 60% of it was sold. Projects already sold or signed pre-agreements are estimated to contribute nearly 50% of 2017 revenue.

The increased share of consumer sales in Housing Finland and CEE is likely to have a moderate positive impact on the adjusted operating profit of the segment. The impacts of the shift to consumers will be visible in the result gradually.

In Housing Russia, the adjusted operating profit is estimated to be positive but to remain on a low level. Capital release actions in Russia are likely to have a negative impact on the profitability.

The first quarter of 2017 is expected to be the weakest quarter in terms of the adjusted operating profit, but to improve slightly year-on-year.

Market outlook

Finland

Consumer demand is estimated to remain on a good level and to focus on small, functional and affordable apartments in growth centres. The investor activity is estimated to decline slightly and even more focus will be paid on the location.

Residential price polarization is estimated to continue especially between growth centres and the rest of Finland. Access to mortgage financing is estimated to remain good.

The tenants' interest for business premises is estimated to pick up slightly in growth centres. The real estate investors' activity is expected to remain on a good level with focus on prime locations in the capital region. Business premises contracting is estimated to remain active. New infrastructure projects are estimated to revitalise the market.

The increased competition for skilled labour due to high construction activity expected to continue. Construction costs are estimated to increase slightly. Construction volume growth is expected to slow down.

Bank regulation and increased capital requirements of financial institutions might have an impact on the construction and real estate development.

Russia

The Russian economy is expected to remain stable on the current level. Stabilization of the economy is estimated to have a moderate, positive impact on the residential market. Residential prices are expected to remain stable. The ending of the state mortgage subsidy program might have an impact on the housing demand, however the significance of the program has diminished due to decreased interest rate levels. Residential demand is expected to focus on small and affordable apartments especially also in Russia. Construction cost inflation is estimated to moderate.

The CEE countries

Residential demand is expected to remain on a good level. Residential prices are estimated to remain stable or increase slightly. Good access to financing and low interest rates are estimated to support the residential demand. Construction costs are estimated to increase slightly. Also business premises tender market is estimated to pick-up in most of the CEE countries.

Board of Directors' proposal for the distribution of distributable equity

The parent company's distributable equity on December 31, 2016 was EUR 300,765,965.99, of which the net profit for the financial year was EUR 24,683,263.27.

The Board of Directors proposes to the Annual General Meeting that a dividend of EUR 0.22 per share be paid, resulting in a total amount of proposed dividends of EUR 27,626,864.10.

After the distribution of dividends, the remaining profits will be left in the company's distributable assets.

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.

Annual General Meeting 2017

YIT Corporation's Annual General Meeting 2017 will be held on Tuesday, March 16, 2017 starting at 10:00 a.m. in the main auditorium at Finlandia Hall, Helsinki.

The notice of the General Meeting, which contains the Board of Directors' proposals to the Annual General Meeting, will be published in its entirety as a separate stock exchange release on February 3, 2017.

Financial Statements Bulletin January 1–December 31, 2016: Tables

The Financial Statements Bulletin is based on the financial statements for 2016 (unaudited).

1 Summary of Financial Statements

2 Notes, segment reporting

3 Notes, IFRS

1 Summary of Financial Statements

1.1 Consolidated income statement, IFRS

EUR million	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Revenue	525.0	511.6	3%	1,678.3	1,732.2	-3%
of which activities outside Finland	217.3	196.8	10%	445.0	492.1	-10%
Other operating income and expenses	-492.8	-480.1	3%	-1,643.5	-1,638.5	0%
Share of results of associated companies and joint ventures	-0.2	-0.1	167%	-0.6	0.0	
Depreciation	-6.7	-3.1	119%	-16.5	-12.1	36%
Operating profit	25.3	28.4	-11%	17.7	81.6	-78%
% of revenue	4.8%	5.5%		1.1%	4.7%	
Financial income and expenses	-3.6	-7.0	-49%	-20.1	-20.3	-1%
Profit before taxes	21.8	21.4	2%	-2.5	61.3	
% of revenue	4.1%	4.2%		-0.1%	3.5%	
Income taxes	-6.7	-5.2	29%	-4.7	-14.0	-67%
Profit for the review period	15.0	16.2	-7%	-7.1	47.2	
Equity holders of the parent company	15.0	16.0	-6%	-7.1	47.2	
Non-controlling interest		0.1			0.0	
Earnings per share, attributable to the equity holders of the parent company						
Undiluted, EUR	0.12	0.13	-6%	-0.06	0.38	
Diluted, EUR	0.12	0.13	-7%	-0.06	0.37	

1.2 Statement of comprehensive income, IFRS

EUR million	1–12/16	1–12/15	Change
Profit for the review period	-7.1	47.2	
Items that may be reclassified subsequently to profit/loss:			
Cash flow hedges	0.5	0.2	153%
-Deferred tax	-0.1	-0.0	153%
Change in fair value of for available for sale investments		0.0	
-Deferred tax		-0.0	
Change in translation differences	75.2	-32.9	
Items that may be reclassified subsequently to profit/loss, total	**75.6**	**-32.7**	
Items that will not be reclassified to profit/loss			
Change in fair value of defined benefit pension	-1.1	-0.0	
- Deferred tax	0.2	0.0	
Items that will not be reclassified to profit/loss, total	-0.9	-0.0	
Other comprehensive income, total	**74.7**	**-32.7**	
Total comprehensive result	**67.6**	**14.5**	**366%**
Attributable to equity holders of the parent company	67.6	14.5	366%
Attributable to non-controlling interest		0.0	

1.3 Consolidated balance sheet, IFRS

EUR million	12/16	12/15	Change
ASSETS			
Non-current assets			
Property, plant and equipment	53.2	47.3	12%
Goodwill	8.1	10.9	-25%
Other intangible assets	11.9	14.1	-16%
Shares in associated companies and joint ventures	63.5	0.7	over thousand %
Other investments	0.4	0.4	-3%
Interest-bearing receivables	33.5		
Other receivables	4.2	3.7	13%
Deferred tax assets	54.2	40.5	34%
Current assets			
Inventories	1,746.6	1,528.4	14%
Trade and other receivables	241.8	198.3	22%
Cash and cash equivalents	66.4	122.2	-46%
Total assets	**2,284.0**	**1,966.6**	**16%**
EQUITY AND LIABILITIES			
Equity			
Share capital	149.2	149.2	0%
Other equity	414.6	373.8	11%
Non-controlling interest	0.0	0.1	
Equity total	**563.9**	**523.1**	**8%**
Non-current liabilities			
Deferred tax liabilities	17.6	18.5	-4%
Pension liabilities	2.1	0.9	124%
Provisions	44.8	40.8	10%
Borrowings	249.1	266.1	-6%
Other liabilities	51.0	10.4	390%
Current liabilities			
Advances received	473.9	376.9	26%
Trade and other payables	399.6	324.7	23%
Provisions	31.7	20.2	57%
Borrowings	450.4	385.1	17%
Liabilities total	**1,720.1**	**1,443.5**	**19%**
Total equity and liabilities	**2,284.0**	**1,966.6**	**16%**

1.4 Consolidated cash flow statement

EUR million	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Net profit for the period	15.0	16.2	-7%	-7.1	47.2	
Reversal of accrual-based items	24.6	18.8	31%	69.8	69.1	1%
Change in trade and other receivables	0.9	38.4	-98%	-76.3	23.7	
Change in inventories	-3.1	34.7		-83.5	91.4	
Change in current liabilities	-29.8	-54.0	-45%	181.9	11.0	over thousand %
Change in working capital, total	-31.9	19.1		22.0	126.2	-83%
Cash flow of financial items	-5.5	-6.6	-16%	-39.5	-35.9	10%
Taxes paid	-6.0	-1.9	213%	-9.1	-10.9	-16%
Continuing operations, total	-3.8	45.6		36.1	195.7	-82%
Discontinued operations	-0.0	-0.1	-65%	-0.2	-1.3	-86%
Net cash generated from operating activities	**-3.9**	**45.5**		**35.9**	**194.4**	**-82%**
Acquisition of subsidiaries, net of cash	-0.0	-0.6	-99%	-1.0	-6.2	-84%
Acquisition of associated companies and joint ventures	-15.5			-63.6	-0.1	over thousand %
Disposal of associated companies and joint ventures	-0.0			1.0		
Cash outflow from investing activities	-4.1	-3.1	30%	-19.1	-11.6	65%
Cash inflow from investing activities	1.9	1.5	26%	3.3	5.8	-42%
Continuing operations, total	-17.6	-2.2	683%	-79.2	-12.1	555%
Discontinued operations						
Net cash used in investing activities	**-17.6**	**-2.2**	**683%**	**-79.2**	**-12.1**	**556%**
Continuing operations, total	-21.4	43.4		-43.1	183.7	
Discontinued operations, total	-0.0	-0.1	-65%	-0.2	-1.3	-86%
Operating cash flow after investments	**-21.5**	**43.2**		**-43.3**	**182.3**	
Change in loan receivables	-0.5	1.9		-0.6	2.6	
Change in current liabilities	32.0	0.4	over thousand %	91.3	-160.5	
Proceeds from borrowings				50.0	125.0	-60%
Repayments of borrowings	-11.2	-8.8	29%	-131.4	-203.9	-36%
Payments of financial leasing debts	-0.0	0.0		-0.0	-0.1	-77%
Dividends paid				-27.6	-22.6	22%
Continuing operations, total	20.3	-6.4		-18.4	-259.5	-93%
Discontinued operations				0		
Net cash used in financing activities	**20.3**	**-6.4**		**-18.4**	**-259.5**	**-93%**
Net change in cash and cash equivalents	-1.2	36.9		-61.7	-77.1	-20%
Cash and cash equivalents at the beginning of the period	65.4	87.1	-25%	122.2	199.4	-39%
Change in the fair value of the cash equivalents	2.2	-1.9		6.0	-0.1	
Cash and cash equivalents at the end of the period	66.4	122.2	-46%	66.4	122.2	-46%

1.5 Consolidated statement of changes in equity, IFRS

	Equity attributable to equity holders of the parent company									
EUR million	Share capital	Legal reserve	Other reserve	Translation differences	Fair value reserve	Treasury shares	Retained earnings	Total	Non-controlling interest	Equity total
Equity on January 1, 2015	149.2	1.5	-0.1	-227.3	-0.8	-8.3	616.1	530.3	0.3	530.6
Comprehensive income										
Profit for the period							47.2	47.2	0.0	47.2
Other comprehensive income:										
Cash flow hedges					0.2			0.2		0.2
- Deferred tax					-0.0			-0.0		-0.0
Change in fair value of available-for-sale assets					0.0			0.0		0.0
- Deferred tax					-0.0			-0.0		-0.0
Change in fair value of defined benefit pension							-0.0	-0.0		-0.0
- Deferred tax							0.0	0.0		0.0
Translation differences				-32.9				-32.9		-32.9
Comprehensive income, total				**-32.9**	**0.2**		**47.2**	**14.5**	**0.0**	**14.5**
Transactions with owners										
Dividend distribution							-22.6	-22.6		-22.6
Share-based incentive schemes			0.1			-0.0	1.2	1.2		1.2
Transactions with owners, total			**0.1**			**-0.0**	**-21.5**	**-21.4**		**-21.4**
Changes in ownership shares in subsidiaries										
Change in non-controlling interest							-0.4	-0.4	-0.3	-0.7
Changes in ownership shares in subsidiaries, total							**-0.4**	**-0.4**	**-0.3**	**-0.7**
Equity on December 31, 2015	**149.2**	**1.5**		**-260.2**	**-0.7**	**-8.3**	**641.4**	**523.0**	**0.1**	**523.1**

	Equity attributable to equity holders of the parent company								
EUR million	Share capital	Legal reserve	Translation differences	Fair value reserve	Treasury shares	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 period						-7.1	-7.1	-0.0	-7.1
Other comprehensive income:									
Cash flow hedges				0.5			0.5		0.5
- Deferred tax				-0.1			-0.1		-0.1
Remeasruments of defined benefits						-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**	**-0.0**	**67.6**
Transactions with owners									
Dividend distribution						-27.6	-27.6		-27.6
Share-based incentive schemes					-0.0	1.1	1.1		1.1
Transactions with owners, total					**-0.0**	**-26.5**	**-26.5**		**-26.5**
Acquisition of non-controlling interest, no loss of control						-0.2	-0.2	-0.1	-0.3
Changes in ownership 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**		**563.9**

2 Notes, segment reporting

2.1 Segment reporting accounting principles

In 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 Group's IFRS accounting principles. According to the Group's IFRS accounting principles revenue from own residential construction projects is recognised on completion and the 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, in group reporting the interest expenses are capitalized according to IAS 23 standard, which causes differences in operating profit and financial expenses between segment reporting and group reporting. The chief operating decision-maker is the YIT Group's Management Board, which reviews the Group's internal reporting in order to assess performance and allocate resources to the segments.

YIT's reporting structure was changed from the beginning of 2016 in a way that the construction equipment business is reported as part of the Business Premises and Infrastructure segment instead of Other items. The reason behind the change is the integral role of the construction equipment as part of the segment's business, especially for special equipment in infrastructure construction. The restated figures for 2015 are presented in the Q1/2016 interim report's tables section's chapter 4.

2.2 Consolidated income statement, segment reporting POC

EUR million	10–12/16	10–12/15	Change	1–12/16	1–12/15	Change
Revenue	513.7	468.5	10%	1,783.6	1,651.2	8%
of which activities outside Finland	161.7	115.4	40%	467.5	446.6	5%
Other operating income and expenses	-478.1	-448.7	7%	-1,713.5	-1,573.4	9%
Share of results of associated companies and joint ventures	-0.2	-0.1	167%	-0.6	0.0	
Depreciation	-6.7	-3.1	119%	-16.5	-12.1	36%
Operating profit	28.7	16.6	72%	52.9	65.7	-19%
% of revenue	5.6%	3.6%		3.0%	4.0%	
Financial income and expenses	-7.4	-10.6	-30%	-39.1	-38.7	1%
Profit before taxes	21.3	6.1	249%	13.8	27.0	-49%
% of revenue	4.1%	1.3%		0.8%	1.6%	
Income taxes	-5.2	-1.5	240%	-6.4	-6.9	-7%
Profit for the review period	16.1	4.6	252%	7.4	20.1	-63%
Equity holders of the parent company	16.1	4.6	253%	7.4	20.0	-63%
Non-controlling interest	0.0	0.0		0.0	0.0	
Earnings per share, attributable to the equity holders of the parent company						
Undiluted, EUR	0.13	0.04	253%	0.06	0.16	-63%
Diluted, EUR	0.13	0.04	251%	0.06	0.16	-63%

2.3 Consolidated balance sheet, segment reporting POC

EUR million	12/16	12/15	Change
ASSETS			
Non-current assets			
Property, plant and equipment	53.2	47.3	12%
Goodwill	8.1	10.9	-25%
Other intangible assets	11.9	14.1	-16%
Shares in associated companies and joint ventures	63.5	0.7	over thousand %
Other investments	0.4	0.4	-3%
Interest-bearing receivables	33.5		
Other receivables	4.2	3.7	13%
Deferred tax assets	45.1	34.6	30%
Current assets			
Inventories	1,365.5	1,265.2	8%
Trade and other receivables	320.0	242.3	32%
Cash and cash equivalents	66.4	122.2	-46%
Total assets	**1,971.9**	**1,741.4**	**13%**
EQUITY AND LIABILITIES			
Equity			
Share capital	149.2	149.2	0%
Other equity	455.8	399.1	14%
Non-controlling interest		0.1	
Equity total	**605.0**	**548.5**	**10%**
Non-current liabilities			
Deferred tax liabilities	15.7	18.0	-13%
Pension liabilities	2.1	0.9	124%
Provisions	44.8	40.8	10%
Borrowings	249.1	266.1	-6%
Other liabilities	51.0	10.4	390%
Current liabilities			
Advances received	249.4	195.6	27%
Trade and other payables	402.1	324.6	24%
Provisions	31.6	19.6	62%
Borrowings	321.2	317.0	1%
Liabilities total	**1,366.9**	**1,193.0**	**15%**
Total equity and liabilities	**1,971.9**	**1,741.4**	**13%**

2.4 Revenue by segments, segment reporting POC

EUR million	1–12/16	1–12/15	Change
Housing Finland and CEE	727.9	777.8	-6%
Housing Russia	267.9	266.4	1%
Business Premises and Infrastructure	797.4	615.6	30%
Other items	-9.7	-8.6	
Revenue total, POC	1,783.6	1,651.2	8%
IFRS adjustment	-105.3	81.0	
Revenue total, IFRS	1,678.3	1,732.2	-3%

2.5 Operating profit and operating profit margin by segments, segment reporting POC

Operating profit

EUR million	1–12/16	1–12/15	Change
Housing Finland and CEE	59.9	56.0	7%
Housing Russia	-29.3	0.6	
Business Premises and Infrastructure	38.1	22.7	68%
Other items	-15.7	-13.6	
Operating profit total, POC	52.9	65.7	-19%
IFRS adjustment	-35.2	15.9	
Operating profit total, IFRS	17.7	81.6	-78%

Operating profit margin

%	1–12/16	1–12/15
Housing Finland and CEE	8.2%	7.2%
Housing Russia	-10.9%	0.2%
Business Premises and Infrastructure	4.8%	3.7%
Group total, POC	3.0%	4.0%
Group total, IFRS	1.1%	4.7%

2.6 Segment information reconciliation

Reconciliation of profit for the review period

EUR million	1–12/16	1–12/15	Change
Operating profit, POC	52.9	65.7	-19%
Unallocated items:			
Financial income	1.7	1.5	10%
Foreign exchange differences, net	-9.2	-7.5	22%
Financial expenses	-31.7	-32.8	-3%
Financial income and expenses, total	-39.1	-38.7	1%
Profit before taxes, POC	13.8	27.0	-49%
Income taxes	-6.4	-6.9	-7%
Profit for the review period, POC	7.4	20.1	-63%
Equity holders of the parent company	7.4	20.0	-63%
Non-controlling interest		0.0	
IFRS adjustments:			
Operating profit	-35.2	15.9	
Financial income and expenses	19.0	18.4	3%
Deferred taxes	1.7	-7.2	
Profit for the review period, IFRS	-7.1	47.2	
Equity holders of the parent company	-7.1	47.2	
Non-controlling interest		0.0	

Reconciliation of earnings per share

EUR	1–12/16	1–12/15	Change
Earnings per share, attributable to the equity holders of the parent company			
Undiluted, POC	0.06	0.16	-63%
IFRS adjustment	-0.12	0.22	
Undiluted, IFRS	-0.06	0.38	
Diluted, POC	0.06	0.16	-63%
IFRS adjustment	-0.11	0.21	
Diluted, IFRS	-0.06	0.37	

Reconciliation of invested capital

EUR million	12/16	12/15	Change
Housing Finland and CEE	453.5	437.1	4%
Housing Russia	405.1	363.0	12%
Business Premises and Infrastructure	183.9	168.6	9%
Other items	14.3	21.0	-32%
Invested capital allocated to segments total, POC	1,056.9	989.6	7%
Unallocated items:			
Cash and cash equivalents	66.4	122.2	-46%
Non-current receivables	35.7	1.6	over thousand %
Tax related receivables and liabilities	31.5	25.9	21%
Periodisations of financial items	-15.1	-7.9	92%
Invested capital group total, POC	1,175.3	1,131.5	4%
IFRS adjustments:			
Inventories	381.1	263.2	45%
Other current receivables	-78.1	-44.0	78%
Deferred tax receivables and liabilities, net	7.2	5.5	31%
Other current and non-current liabilities	-222.0	-182.0	22%
Invested capital group total, IFRS	1,263.4	1,174.3	8%

2.7 Order backlog, segment reporting POC

EUR million	12/16	12/15	Change
Housing Finland and CEE	833.4	802.7	4 %
Housing Russia	463.4	508.5	-9 %
Business Premises and Infrastructure	1,316.3	861.6	53 %
Order backlog, POC	2,613.1	2,172.9	20 %
IFRS adjustment	435.2	294.4	
Order backlog, IFRS	3,048.2	2,467.3	24 %

2.8 Personnel

At the end of the period	12/16	12/15	Change
Housing Finland and CEE	1,695	1,719	-1%
Housing Russia	1,428	1,582	-10%
Business Premises and Infrastructure	1,940	1,847	5%
Group Services	198	192	3%
Personnel, total	5,261	5,340	-1%

2.9 Group figures by quarter, segment reporting POC

Revenue by segments

EUR million	10–12/16	7–9/16	4–6/16	1–3/16	10–12/15	7–9/15	4–6/15	1–3/15
Housing Finland and CEE	210.0	167.0	184.8	166.0	220.8	165.8	207.6	183.6
Housing Russia	84.0	76.0	58.8	49.1	61.6	63.9	69.6	71.3
Business Premises and Infrastructure	222.4	203.1	222.5	149.4	188.5	164.1	141.0	122.0
Other items	-2.8	-2.3	-2.4	-2.1	-2.4	-2.0	-2.1	-2.0
Revenue total, POC	513.7	443.8	463.7	362.4	468.5	391.7	416.1	374.9
IFRS adjustment	11.4	-24.5	-67.3	-24.8	43.1	-27.9	46.8	19.0
Revenue total, IFRS	525.0	419.3	396.4	337.6	511.6	363.8	462.9	394.0

Operating profit by segments

EUR million	10–12/16	7–9/16	4–6/16	1–3/16	10–12/15	7–9/15	4–6/15	1–3/15
Housing Finland and CEE	18.4	12.9	15.8	12.9	13.4	12.3	16.2	14.2
Housing Russia	2.8	-26.3	-2.7	-3.1	0.7	-8.6	2.3	6.2
Business Premises and Infrastructure	11.2	8.2	12.7	6.0	7.5	8.3	3.7	3.1
Other items	-3.7	-2.7	-5.6	-3.7	-5.0	-2.1	-3.6	-3.0
Operating profit total, POC	28.7	-8.0	20.2	12.1	16.6	10.0	18.6	20.5
IFRS adjustment	-3.3	-12.9	-13.5	-5.4	11.7	-8.5	6.1	6.6
Operating profit total, IFRS	25.3	-20.9	6.6	6.7	28.4	1.5	24.6	27.1

Operating profit margin by segments

%	10–12/16	7–9/16	4–6/16	1–3/16	10–12/15	7–9/15	4–6/15	1–3/15
Housing Finland and CEE	8.7%	7.7%	8.5%	7.7%	6.0%	7.4%	7.8%	7.7%
Housing Russia	3.3%	-34.6%	-4.6%	-6.3%	1.2%	-13.4%	3.2%	8.7%
Business Premises and Infrastructure	5.0%	4.0%	5.7%	4.0%	4.0%	5.1%	2.6%	2.5%
Group total, POC	5.6%	-1.8%	4.3%	3.3%	3.6%	2.6%	4.5%	5.5%
Group total, IFRS	4.8%	-5.0%	1.7%	2.0%	5.5%	0.4%	5.3%	6.9%

Key figures, segment reporting POC

	10–12/16	7–9/16	4–6/16	1–3/16	10–12/15	7–9/15	4–6/15	1–3/15
Profit before taxes, EUR million	21.3	-17.0	10.2	-0.8	6.1	-0.7	11.2	10.3
Profit for the review period, attributable to equity holders of the parent company, EUR million	16.1	-15.9	7.9	-0.6	4.6	-0.8	8.4	7.8
Earnings per share, undiluted, EUR	0.13	-0.13	0.06	-0.00	0.04	-0.01	0.07	0.06
Earnings per share, diluted, EUR	0.13	-0.13	0.06	-0.00	0.04	-0.01	0.07	0.06

	12/16	9/16	6/16	3/16	12/15	9/15	6/15	3/15
Equity per share, EUR	4.82	4.42	4.50	4.27	4.37	4.60	5.05	4.97
Invested capital, EUR million	1,175.3	1,130.7	1,102.9	1,140.6	1,131.5	1,195.6	1,308.0	1,344.0
Return on investment, from the last 12 months	4.7%	3.6%	5.0%	4.7%	5.3%	5.1%	6.4%	7.5%
Equity ratio	35.1%	33.8%	36.4%	34.1%	35.5%	35.5%	36.0%	35.2%
Net interest-bearing debt, EUR million	503.9	509.1	466.2	481.3	460.8	529.2	544.9	600.7
Gearing	83.3%	91.8%	82.5%	89.6%	84.0%	91.5%	85.9%	96.2%
Personnel at the end of the period	5,261	5,282	5,632	5,276	5,340	5,574	5,847	5,534

Order backlog by segments

EUR million	12/16	9/16	6/16	3/16	12/15	9/15	6/15	3/15
Housing Finland and CEE	833.4	880.2	865.7	857.2	802.7	823.0	834.7	784.2
Housing Russia	463.4	451.1	495.6	508.7	508.5	599.1	740.4	701.5
Business Premises and Infrastructure	1,316.3	1,309.5	1,352.8	880.9	861.6	892.4	998.3	684.1
Order backlog total, POC	2,613.1	2,640.7	2,714.1	2,246.8	2,172.9	2,314.6	2,573.5	2,169.8
IFRS adjustment	435.2	431.3	410.1	328.4	294.4	334.4	341.1	380.3
Order backlog total, IFRS	3,048.2	3,072.0	3,124.1	2,575.2	2,467.3	2,649.0	2,914.6	2,550.1

Operative invested capital

EUR million	12/16	9/16	6/16	3/16	12/15	9/15	6/15	3/15
Housing Finland and CEE	453.5	432.0	441.4	442.0	437.1	457.9	490.6	567.8
Housing Russia[1]	405.1	362.8	388.5	382.6	363.0	390.6	443.9	428.5
Business Premises and Infrastructure	183.9	197.6	173.3	194.7	168.6	214.3	205.1	235.9

Return on operative invested capital

Rolling 12 months, %	12/16	9/16	6/16	3/16	12/15	9/15	6/15	3/15
Housing Finland and CEE	13.4%	12.3%	11.6%	10.8%	11.0%	10.1%	9.9%	9.0%
Housing Russia[1]	-7.6%	-8.4%	-3.3%	-2.1%	0.2%	2.5%	6.2%	9.0%
Business Premises and Infrastructure	21.6%	16.7%	18.3%	11.9%	11.7%	7.5%	8.4%	9.4%

Only operational items are taken into account in calculating the segments' invested capital.
[1]Includes the Gorelovo industrial park.

3 Notes, IFRS

3.1 Group figures by quarter, IFRS

	10–12/16	7–9/16	4–6/16	1–3/16	10–12/15	7–9/15	4–6/15	1–3/15
Revenue, EUR million	525.0	419.3	396.4	337.6	511.6	363.8	462.9	394.0
Operating profit, EUR million	25.3	-20.9	6.6	6.7	28.4	1.5	24.6	27.1
% of revenue	4.8%	-5.0%	1.7%	2.0%	5.5%	0.4%	5.3%	6.9%
Financial income, EUR million	0.6	-0.3	1.1	0.2	0.1	0.1	0.9	0.4
Exchange rate differences (net), EUR million	-1.6	-2.3	-2.3	-3.0	-1.9	-1.2	-1.5	-2.9
Financial expenses, EUR million	-2.6	-1.3	-3.7	-5.0	-5.2	-5.5	-1.4	-2.2
Financial income and expenses net, EUR million	-3.6	-3.9	-4.9	-7.8	-7.0	-6.6	-2.1	-4.7
Profit before taxes, EUR million	21.8	-24.8	1.8	-1.2	21.4	-5.1	22.5	22.4
% of revenue	4.1%	-5.9%	0.4%	-0.3%	4.2%	-1.4%	4.9%	5.7%
Earnings per share, undiluted, EUR	0.12	-0.18	0.01	-0.01	0.13	-0.03	0.14	0.14
Earnings per share, diluted, EUR	0.12	-0.18	0.01	-0.01	0.13	-0.03	0.14	0.14
Gross capital expenditures, EUR million	19.5	12.9	48.1	2.9	3.4	2.1	4.0	2.5
% of revenue	3.7%	3.1%	12.1%	0.9%	0.7%	0.6%	0.9%	0.6%

	12/16	9/16	6/16	3/16	12/15	9/15	6/15	3/15
Balance sheet total, EUR million	2,284.0	2,219.2	2,108.4	2,035.4	1,966.6	2,062.1	2,210.3	2,212.3
Equity per share, EUR	4.49	4.09	4.23	4.07	4.16	4.31	4.73	4.60
Average share price during the period[1], EUR	6.14	5.68	5.37	4.92	5.60	5.72	5.75	5.31
Share price at the end of the period, EUR	7.59	7.17	6.45	4.97	5.24	4.89	6.41	5.12
Weighted average number of shares outstanding, undiluted, 1,000 pcs	125,577	125,577	125,577	125,578	125,582	125,582	125,583	125,584
Weighted average number of shares outstanding, diluted, 1,000 pcs	127,366	127,366	127,366	127,367	126,773	126,773	126,774	126,774
Number of shares outstanding at the end of the period, 1,000 pcs	125,577	125,577	125,577	125,577	125,579	125,581	125,582	125,583
Market capitalisation at the end of the period, EUR million	953.1	900.4	810.0	624.1	658.0	614.1	805.0	643.0
Return on investment, from the last 12 months	1.6%	1.8%	3.6%	4.9%	6.4%	6.6%	8.1%	6.8%
Equity ratio	31.2%	30.1%	33.0%	31.5%	32.9%	33.1%	33.8%	32.1%
Net interest-bearing debt, EUR million	633.1	611.4	556.6	554.5	529.0	574.6	587.3	678.0
Gearing ratio	112.3%	118.9%	104.8%	108.6%	101.1%	106.1%	98.7%	117.4%
Unrecognised order backlog at the end of the period, EUR million	3,048.2	3,072.0	3,124.1	2,575.2	2,467.3	2,649.0	2,914.6	2,550.1
-of which activities outside Finland, EUR million	972.8	1,051.5	1,072.7	963.1	898.3	1,053.0	1,194.3	1,123.2
Personnel at the end of the period	5,261	5,282	5,632	5,276	5,340	5,574	5,847	5,534
Personnel, average from the beginning of the year	5,361	5,387	5,388	5,297	5,613	5,675	5,665	5,616

[1]The calculation principle for average share price was changed from the beginning of 2016. The formula used is provided in the section 3.3. Definitions of key financial figures.

3.2 Accounting principles of the Financial Statements Bulletin

YIT Corporation's Financial Statements Bulletin for January 1 – December 31, 2016, has been drawn up in line with IAS 34: Interim Financial Reporting. The Financial Statements Bulletin is based on unaudited financial statements for 2016. In the Financial Statement the figures are presented in million euros doing the rounding on each line, which may cause some rounding inaccuracies in column and total sums.

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 31 December 2016 have been complied with. The accounting principles are described in more detail in the accounting principles for the 2016 financial statements.

Currency exchange rates used in the Financial Statement

		Average rates		Balance sheet rates	
		1–12/16	1–12/15	12/16	12/15
1 EUR =	CZK	27.0342	27.2831	27.0210	27.0230
	PLN	4.3635	4.1828	4.4103	4.2639
	RUB	74.1466	67.9899	64.3000	80.6763

3.3 Definitions of key financial figures

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

Return on investment (ROI, %) =	Group's profit before taxes + interest expenses + other financial expenses +/- exchange rate differences x 100 / Equity + interest bearing liabilities (average)
Segment's operative invested capital =	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]
Return on operative invested capital (%) =	Segment's operating profit / Segment's operative invested capital (average)
Equity ratio (%) =	Equity x 100 / Equity + liabilities - advances received
Net interest-bearing debt =	Interest-bearing liabilities - cash and cash equivalents
Gearing ratio (%) =	Net interest-bearing debt x 100 / Equity
Gross capital expenditures =	Investments in tangible and intangible assets, shares in subsidiaries, associated companies and joint ventures
Earnings / share (EUR) =	Net profit for the period (attributable to equity holders) / Average number of outstanding shares during the period
Equity / share (EUR) =	Equity / Number of outstanding shares at the end of the period
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
Adjusted operating profit =	Reported operating profit – restructuring costs – impairment of assets – other adjustment items[2]

[1]Excluding items associated with taxes, distribution of profit and financial items
[2]Adjustment items have been reported as non-recurring items and the more detailed definition is described in the accounting principles for the Financial Statements for year 2016.

3.4 Adjustments to operating profit

Due to the new guidelines from the European Securities and Market Authority concerning alternative performance measures, the performance measure “operating profit excluding non-recurring items” is replaced with “adjusted operating profit”. The content of adjustments equals items previously disclosed as nonrecurring items and consist of material reorganization costs and impairment, among others. Adjusted operating profit is disclosed to improve comparability between reporting periods.

EUR million	1–12/16	1–12/15
Housing Finland and CEE		
Housing Russia	-27.0	-10.3
Business Premises and Infrastructure		
Other items		-0.1
Group total	**-27.0**	**-10.4**

In 2016 the operating profit of Housing Russia included a cost of EUR 27.0 million, of which EUR 18.0 million were related to the impairment of land plots and EUR 9.0 million cost related to four plots located in Moscow region so that their value relates to the current dialog with the authorities. Also EUR 2.4 million was allocated to impairment of goodwill in Russia.

In 2015 the third-quarter operating profit of Housing Russia included non-recurring costs of EUR 10.3 million, of which EUR 2.6 million were related to the restructuring of the Russian operations and EUR 7.7 million impairment charge related to development costs of projects in the Moscow region that YIT has decided not to implement.

In 2015 the third-quarter operating profit of Other items included non-recurring costs of EUR 0.1 million, which are related to the restructuring of the Russian operations.

Reconciliation of adjustment items

EUR million	1–12/16	1–12/15	Change
Operating profit, IFRS	**17.7**	**81.6**	**-78%**
Restructuring		2.7	
Impairment of land plots	18.0	7.7	135%
Other expenses	6.6		
Impairment of goodwill	2.4		
Adjusted operating profit, IFRS	**44.7**	**91.9**	**-51%**
IFRS adjustments	35.2	-15.9	
Adjusted operating profit, POC	**79.9**	**76.0**	**5%**

3.5 Business combinations and disposals

There have been no acquisitions or disposals in year 2016.

3.6 Property, plant and equipment

EUR million	12/16	12/15	Change
Carrying value at the beginning of the period	47.4	55.4	-14%
Translation difference	1.1	-0.5	
Increase	13.9	6.6	111%
Decrease	-4.2	-3.8	12%
Depreciation and value adjustments	-10.6	-10.3	3%
Reclassifications	5.6	-0.1	
Carrying value at the end of the period	**53.2**	**47.3**	**12%**

3.7 Inventories

EUR million	12/16	12/15	Change
Raw materials and consumables	6.3	8.5	-25%
Work in progress	899.9	749.9	20%
Land areas and plot owning companies	620.7	499.6	24%
Shares in completed housing and real estate companies	171.9	203.8	-16%
Advance payments	45.4	66.0	-31%
Other inventories	2.4	0.6	285%
Total inventories	**1,746.6**	**1,528.4**	**14%**

3.8 Notes on equity

Share capital and share premium reserve	Number of outstanding shares, pcs	Share capital, EUR million	Treasury shares, EUR million
Shares outstanding on January 1, 2016	125,578,841	149.2	-8.3
Return of treasury shares January 1 – December 31, 2016	-2,186		-0.0
Shares outstanding on December 31, 2016	**125,576,655**	**149.2**	**-8.3**

3.9 Financial risk management

The main financial risks include liquidity risk, credit risk and market risks, such as currency and interest rate risk, and their management is a part of the Group's treasury policy. The Board of Directors has approved the Corporate Treasury Policy. The Group Treasury is responsible for the practical implementation of the policy in association with the business units.

The Group's strategic financial targets guide the use and management of the Group's capital. Achieving the strategic targets is supported by maintaining an optimum Group capital structure. Capital structure is mainly influenced by controlling investments and the amount of working capital tied to business operations.

A more detailed account of financial risks has been published in the notes to the financial statements for the year 2016.

3.10 Borrowings and fair value

Borrowings which have different fair value and carrying value

EUR million	12/16 Carrying value	12/16 Fair value	12/15 Carrying value	12/15 Fair value
Non-current liabilities				
Bonds	149.5	152.4	99.5	100.5
Loans from credit institutions	5.4	4.7	84.9	85.4
Pension loans	60.7	56.4	81.6	76.6
Non-current liabilities, total	**215.6**	**213.5**	**266.0**	**262.5**
Current liabilities				
Bonds			105.4	107.5

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. Discount rate is defined to be the rate YIT Group was to pay for equivalent external loans at the closing date. It consists of risk free market rate and company and maturity related risk premium 3.07-4.24% (2.45-3.97% on December 31, 2015) p.a.

Fair value estimation

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. Following table presents the group's assets and liabilities that are measured at fair value and their levels.

Assets, EUR million	12/16 Level 1	12/16 Level 2	12/15 Level 1	12/15 Level 2
Available-for-sale investments	0.1		0.1	
Derivatives (hedge accounting not applied)		1.2		6.2
Total assets		**1.2**	**0.1**	**6.2**

Liabilities, EUR million	12/16 Level 1	12/16 Level 2	12/15 Level 1	12/15 Level 2
Derivatives (hedge accounting not applied)		10.6		6.3
Derivatives (hedge accounting applied)		0.4		0.9
Total liabilities		**11.0**		**7.2**

There were neither transfers between level 1 and 2 nor assets categorised at level 3.

3.11 Change in contingent liabilities and assets and commitments

EUR million	12/16	12/15	Change
Collateral given for own commitments			
Corporate mortgages			
Guarantees on behalf of its associated companies	5.0	5.0	
Other commitments			
Repurchase commitments	342.6	396.5	-14%
Operating leases	118.3	126.9	-7%
Rental guarantees for clients	3.9	7.1	-45%
Liability under derivative contracts			
Value of underlying instruments			
Interest rate derivatives	335.0	340.0	-1%
Foreign exchange derivatives	52.1	86.4	-40%
Commodity derivatives			
Fair value			
Interest rate derivatives	-7.1	-7.1	
Foreign exchange derivatives	-2.7	6.1	
Commodity derivatives			
YIT Corporation's guarantees on behalf of its subsidiaries	1,429.2	1,058.5	35%

As a result of the partial demerger registered on June 30, 2013, YIT Corporation had secondary liability for guarantees transferred to Caverion Corporation, with a maximum total amount of on December 31, 2016 EUR 37.4 million (on December 31, 2015: EUR 42.0 million).

3.12 Transactions with associated companies and joint ventures

EUR million	1–12/16	1–12/15	Change
Sales	211.1	32.3	553%

EUR million	12/16	12/15	Change
Trade and other receivables	13.2	0.1	over thousand %
Trade and other liabilities		2.3	

Together
we can
do it.

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