YIT

yitgroup.com


More life in sustainable cities

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## YEAR 2016



## MORE LIFE



## BUSINESS OPERATIONS



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**WE BELIEVE THAT THE URBANISATION TREND WILL CONTINUE AND THAT PEOPLE WILL SEEK TO LIVE IN ATTRACTIVE AREAS AND LOCATIONS WHERE HOMES AND JOBS, SERVICES, HOBBIES AND FUNCTIONAL PUBLIC TRANSPORT MEET IN AN INTERESTING WAY.**

KARI KAUNISKANGAS, PRESIDENT AND CEO

# YIT in brief

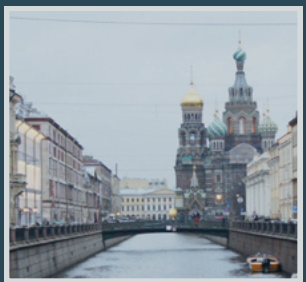
YIT creates better living environment by developing and constructing housing, business premises, infrastructure and entire areas. Our vision is to bring more life in sustainable cities. We want to focus on caring for customer, visionary urban development, passionate execution and inspiring leadership. Our growth engine is urban development involving partners. Our operating area covers Finland, Russia, the Baltic countries, the Czech Republic, Slovakia and Poland.

**WATCH THE VIDEO: MORE LIFE**


We operate in eight countries. In 2016, we launched our first project in Poland, which is our newest operating area. We seek growth particularly from Central Eastern European countries and the growth centres in Finland.

# YEAR 2016





## ST. PETERSBURG, RUSSIA

The job and educational opportunities offered by St. Petersburg attract new residents from other parts of the country, particularly Northern Russia, on a continuous basis. The newcomers require more apartments and new residential areas.

# Key figures

| Segment reporting, POC | 1–12/16 | 1–12/15 | Change |
|---|---|---|---|
| Revenue, EUR million | 1,783.6 | 1,651.2 | 8% |
| Operating profit, EUR million | 52.9 | 65.7 | -19% |
| Operating profit margin, % | 3.0 | 4.0 | |
| Adjusted profit, EUR million | 79.9 | 76.0 | 5% |
| Adjusted profit margin, % | 4.5 | 4.6 | |
| Profit before taxes, EUR million | 13.8 | 27.0 | -49% |
| Profit for the review period (attributable to equity holders of the parent company), EUR million | 7.4 | 20.0 | -63% |
| Earnings per share, EUR | 0.06 | 0.16 | -63% |
| Dividend/share[1], EUR | 0.22 | 0.22 | |
| Operating cash flow after investments, EUR million | -43.1 | 183.7 | |
| Return on investment (last 12 months), % | 4.7 | 5.3 | |
| Equity ratio at end of period, % | 35.1 | 35.5 | |
| Order backlog at end of period, EUR million | 2,613.1 | 2,172.9 | 20% |
| Personnel at end of period | 5,261 | 5,340 | -1% |

[1] The figure for 2016 is the Board of Directors' proposal to the AGM

| Group reporting, IFRS | 12/16 | 12/15 | Change |
|---|---|---|---|
| Gearing, % | 112.3 | 101.1 | |
| Equity ratio, % | 31.2 | 32.9 | |
| Net interest-bearing debt, EUR million | 633.1 | 529.0 | 20% |
| Balance sheet total, EUR million | 2,284.0 | 1,966.6 | 16% |
| Invested capital, EUR million | 1,263.4 | 1,174.3 | 8% |

**DIVIDEND PROPOSAL**

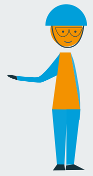
0.22 €

per share

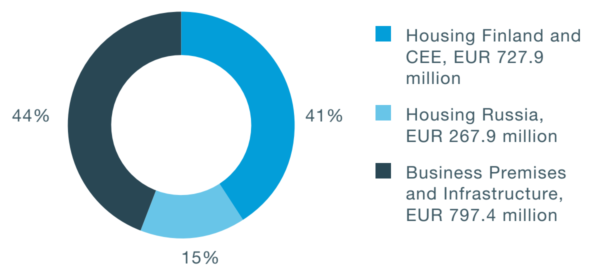
**REVENUE, POC**

1,784

EUR million

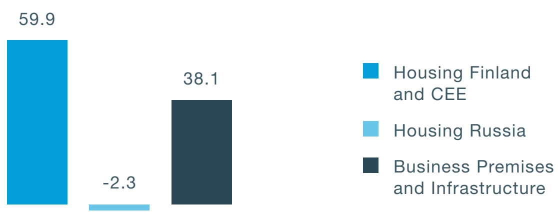


### REVENUE BY SEGMENT, POC[1]

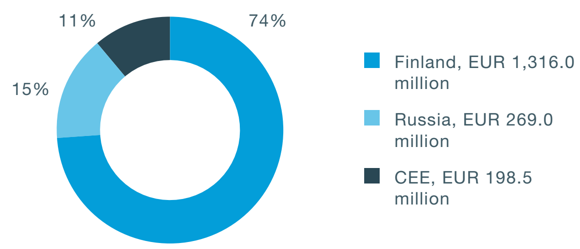



[1] %-shares excluding other items

### ADJUSTED OPERATING PROFIT BY SEGMENT, POC, EUR MILLION




### REVENUE BY GEOGRAPHICAL AREA, POC

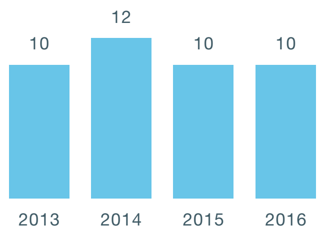


# Indicators

## NUMBER OF EMPLOYEES AT THE END OF YEAR

5,261

### ACCIDENT FREQUENCY RATE



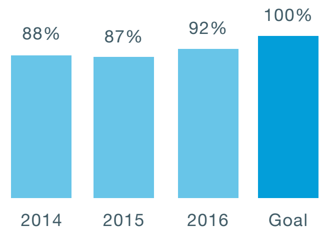

No. of reportable accidents at work per million working hours. Our goal is 0 accidents. The number of sick leave days caused by accidents decreased by 45% during 2016.

## NUMBER OF TRAINEES AND THESIS WORKERS DURING 2016 OVER

700

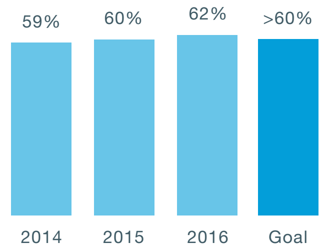
## YIT'S QUALITY INDICATORS

### Q-FACTOR




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

### WEIGHTED NPS

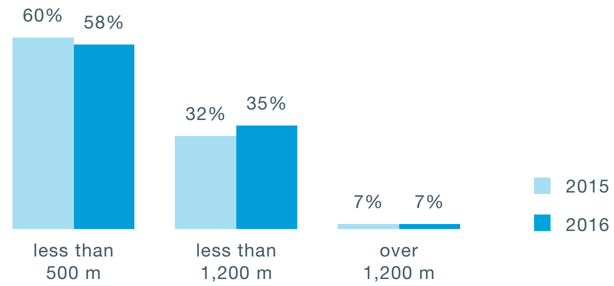



NPS, or Net Promoter Score (scale -100%....100%), reflects the degree to which customers are prepared to recommend the company that has implemented the project in question. The score is affected by the proportion of Promoters and Detractors among all respondents. Weighted NPS has been calculated from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

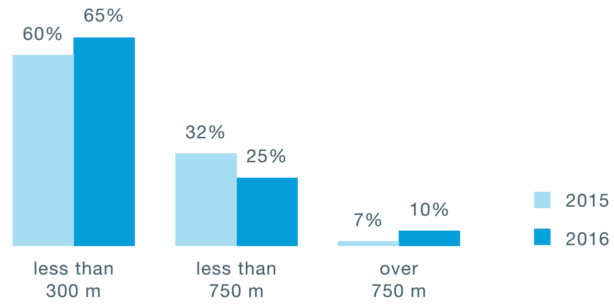
## YIT'S SUSTAINABLE URBAN ENVIRONMENTS INDICATORS

### ACCESSIBILITY OF SERVICES FROM OUR APARTMENTS

DISTANCE FROM A GROCERY SHOP




DISTANCE FROM PUBLIC TRANSPORTATION




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

# Highlights

**Kasarmikatu 21 office building in central Helsinki**

In March, YIT signed a contract for the demolition of two old office properties and the construction of a new office building in the heart of Helsinki. The real estate company is a joint venture between Ahlström Capital, HGR Property Partners and YIT. Read more

**First residential project in Poland**

YIT established its Poland unit in autumn 2015 to strengthen its presence in the CEE countries. The first residential project in Poland, Nordic Mokotów, started in May 2016. Read more

**Flexible Smartti homes launched in the market**

YIT introduced its new affordable and flexible Smartti housing concept in May. The construction of the first Smartti project began in Lahti in July. At the end of the year, more than 400 Smartti homes were under construction across Finland. Read more

**EUR 300 million financing package for the Tripla shopping mall project**

The Tripla project in Pasila, Helsinki, took a significant step forward in June with the signing of financing contracts for the shopping mall, which meant the contracts under which the construction of the Mall of Tripla will be carried out in the form of a joint venture became effective. Read more

**YIT chosen to construct the Helsinki Central Library Oodi**

In July, YIT signed a project management contract with the City of Helsinki regarding the construction of the Helsinki Central Library. The construction was started in November and contract's value for YIT is approximately EUR 50 million. Read more

**YIT's largest area project in Slovakia started**

In September, YIT started the first phase of the Nuppu area development project in Slovakia. With a project value exceeding EUR 100 million and more than 1,000 apartments to be completed, it is YIT's largest area project in Slovakia for the present. Read more

**YIT awarded a BREEAM certificate in Kazan, Russia**

YIT's residential building in Kazan, Russia, was awarded a BREEAM certificate for ecological efficiency in September. It is the first building in the Kazan property market to be awarded the widely recognised certificate. Read more

**Tampere light rail project implementation contract**

YIT, VR Track and Pöyry signed an agreement with the City of Tampere in November regarding the implementation of the Tampere light rail project. The construction will start in 2017. YIT's share of the contract is approximately EUR 110 million. Read more

Read more about segment specific highlights from Business operations section

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Our success continues to rest on the ongoing ambition of our enthusiastic and dedicated employees to develop our business, but also on our will to leverage new technologies and new business models.

KARI KAUNISKANGAS,
PRESIDENT AND CEO

# President and CEO's review

**THE YEAR** 2016 marked a turning point for YIT. The first strategy period since the demerger came to a close and, 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 release of capital to growth, while also continuing to improve profitability. The change in our focus is supported by the successful completion of our capital release programme at the end of the year. We will continue to use capital more efficiently as part of our normal business operations through measures such as partnership models, releasing capital from Russia and improving the speed of capital turnover. Our profitability is currently trending in the right direction in all of our business segments.

Our order backlog in Finland and the CEE countries grew to a record level during the year, which creates a strong foundation for years to come. We initiated a number of self-developed projects and launched the construction of several major residential areas, such as Ranta-Tampella in Tampere, Fabriikki in Turku and Nuppu in Bratislava. We won several large projects during the year, including the Tampere light rail project, the Myllypuro Campus, and the Helsinki Central Library.

In the Business Premises and Infrastructure segment, revenue grew by 28% last year, while operating profit nearly doubled. In 2016, we signed the financing and investor agreements for Mall of Tripla. 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. Our large projects are progressing as planned, fulfilling the strict quality criteria and within schedule and budget. We are also particularly proud that the CHP plant in Naantali was selected as the Construction Site of the Year.

The profitability of the Housing Finland and CEE segment turned to very promising growth. Improved consumer confidence was seen in increased demand on the housing market. We were well-positioned to offer customers homes that met their expectations and needs, a prime example being the affordable and flexible Smartti apartments. Last year in Finland, nearly 70% of our residential start-ups and approximately 60% of our residential sales were directly to consumers. This is a significant change from the previous year and it is a key factor in enabling future growth and increasing profitability. Residential start-ups in CEE countries increased by approximately 30%. We also established the YCE Housing Fund 1 to support our capital-efficient growth in CEE countries.

The adjusted operating profit of Housing Russia segment turned positive again in the latter half of the year owing to brisk residential sales. We completed our restructuring programme in the early part of the year and succeeded in achieving lower target production volume by the end of the year. In Russia, our main goals are improved profitability and a positive cash flow. We will continue releasing capital from Russia to finance growth in other markets.

YIT again came out on top in Finland's Most Attractive Employers 2016 survey by Universum in the field of construction. I am delighted with our success and positive that we will continue to work towards similar accolades in the future, because we need a constant influx of new talent – also from outside our own field. To fulfil our recruitment needs, we also support young people who wish to enter and train in our field of industry. In 2016, YIT gave placements to more than 700 interns or thesis writers. The employment agreements of over 100 were extended on a permanent basis and more than 200 will join YIT again as summer interns next summer.

It is part of our strategy to work towards a 'performance leap' in order to maintain our competitiveness. The role of human input in building houses and infrastructure is still uncontested. Digitalisation is also entering the construction business. YIT's success continues to rest on the ongoing ambition of our enthusiastic and dedicated employees to develop our business, but also on our will to leverage new technologies and new business models. We will continue our efforts to represent the leading project expertise, and we will do it in an even more open and participatory manner. This development will be built around smart and flexible ways of working, new tools and strong teams, whose members may include both our own employees and those of our partner companies.

Finally, I wish to take this opportunity to thank our customers for their trust, our partners for successful co-operation, and our personnel for working with such commitment and enthusiasm to achieve our goals.

**Kari Kauniskangas**
President and CEO

RENEWED STRATEGY FOR 2017–2019

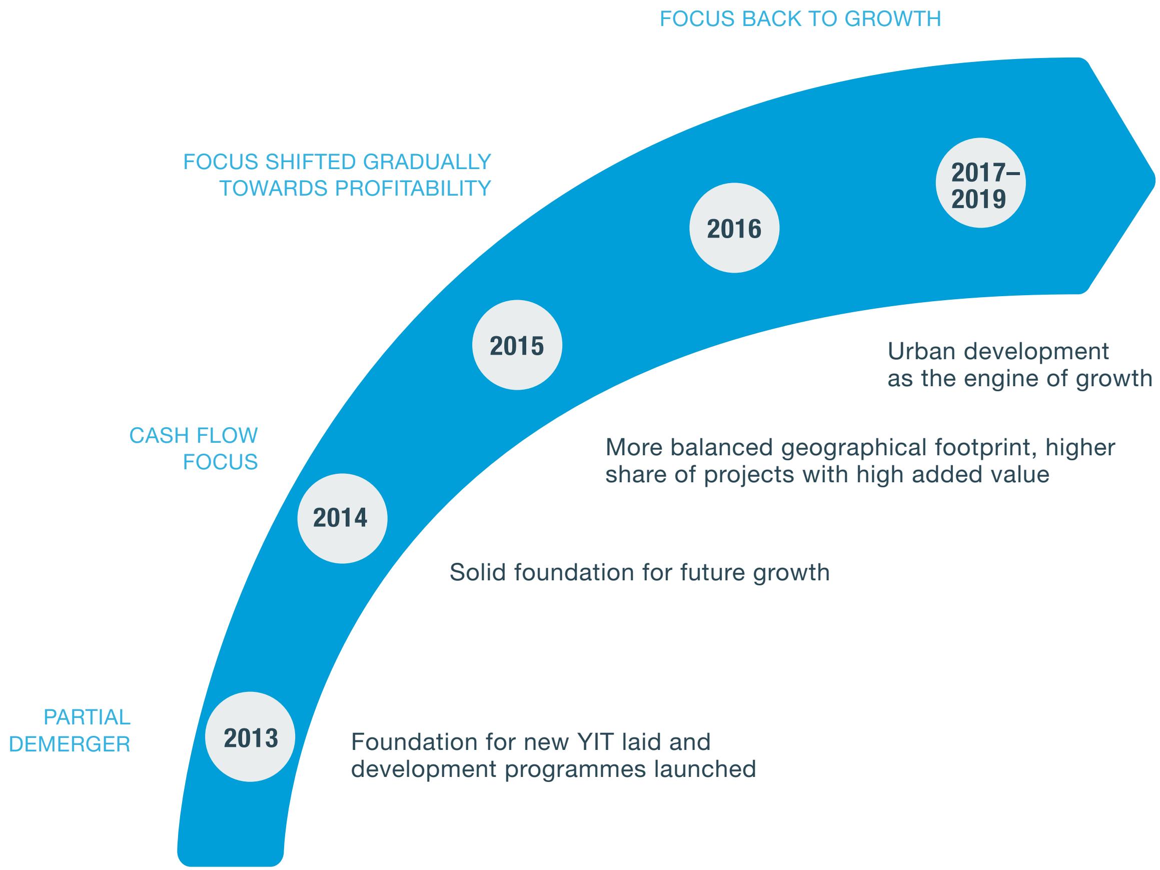
# Renewed strategy: Urban development as the engine of growth

**THERE** have been significant changes in our operating environment after the partial demerger carried out in 2013.

In 2014, we specified our strategy to respond to the weakened macroeconomic outlook in Russia and Finland. We recognised that the significance of financial operating space is emphasised in a challenging operating environment, and we accepted temporarily lower growth. We focused on cash flow, cost-efficiency, the reduction of net debt and the improvement of capital efficiency. We set a goal of creating a strong foundation for future growth. Our strong focus on cash flow and the capital release programme launched in autumn 2013 resulted in significantly strengthened balance sheet and increased capital efficiency through diverse measures.

In 2015, we announced that we are shifting our focus to improving profitability and creating growth initiatives. Our determined efforts have produced good results, evidenced by our record-high order backlog in Finland and the CEE countries and an upturn in revenue. The adjusted operating profit is trending up again.

The strategy work we did in 2016 represents a natural next step in this development. Our strong order backlog, the completion of the capital release programme and the improved market outlook in our main markets create good conditions for our new three-year strategy period. In accordance with our renewed strategy for 2017–2019, the engine for growth and profitability improvement is urban development involving partners. We want to differentiate ourselves by caring for customers, visionary urban development, passionate execution and inspiring leadership. Our vision is to bring more life in sustainable cities.




## OUR PRINCIPLES

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

# More life in sustainable cities

**YIT** has always been a trusted and results-driven project contractor, and this is something that will not change. Our success has been built on excellent cost efficiency and risk management, continuous project selection, proven operating methods and processes, as well as our strong culture and values.

Our core principles are the foundation for everything we do. Safety and quality are the starting point of our operations. In order to build the best customer experience in the industry and long-term customer relationships, we must have an in-depth understanding of customer needs and the ability to satisfy them. Responsibility and sustainable development are guiding in the day-to-day decision-making of all of our units. Through our own project development, we aim to create new projects that increase the sustainability of our living environment by reducing the need for private cars, relying on public transport and improving the quality of life. We also want to be transparent and smart in the way we work with our personnel and partners.

Future markets in growth centres offer a wealth of opportunities. To realise our goal of being a leader in our industry, we must develop new solutions that create high added value for customers, improve the customer experience and enhance our capital efficiency. To expedite our renewal, we have identified four Group-wide themes in which we want to be on a leading position: caring for customer, visionary urban development, passionate execution and inspiring leadership.

We find paths to renewal in our day-to-day work. We take an active role in building partnerships. We want to reduce unproductive activities. Instead of internal meetings, we will spend more time with our customers. Instead of hierarchies and steering groups, we will build inspired and self-driven teams that derive strength from collaboration and shared success. This will allow us to become winners in project development and management.

Our primary growth engine is urban development involving partners. Strong partnerships enable us to focus on our strengths while also developing our competitiveness, speed, innovativeness and appeal among customers, land owners and cities.

The megatrends of urbanisation, sustainable development and digitalisation support our growth and enable the future direction and renewal. Our mission is to create a better living environment and our vision is to bring more life in sustainable cities. We believe that people will continue to move to growth centres in pursuit of jobs. What people want from their daily lives is security, comfort and convenience – an urban environment with effective transport connections, where comfortable housing meets local jobs, services and hobbies. This is what we at YIT work towards every day.

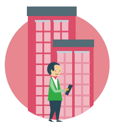
**WATCH THE VIDEO: OUR RENEWED STRATEGY**

The engine for growth and profitability is urban development involving partners. We want to differentiate ourself by caring for customer, visionary urban development, passionate execution and inspiring leadership.

# Operating environment

## HOUSING FINLAND AND CEE

- In 2016, improved consumer confidence in Finland was reflected in improvement in residential demand in the consumer segment. Demand was particularly focused on small and affordable apartments in growth centres. Investor demand remained at a good level during the year.
- Economy remained solid in the CEE countries, and consumer confidence remained at a good level. Residential prices remained stable on average and the demand at a good level.
- Mortgage interest rates were at a low level in all of our operating countries and the availability of financing was good. In Finland, the volume of new mortgages increased year-on-year.



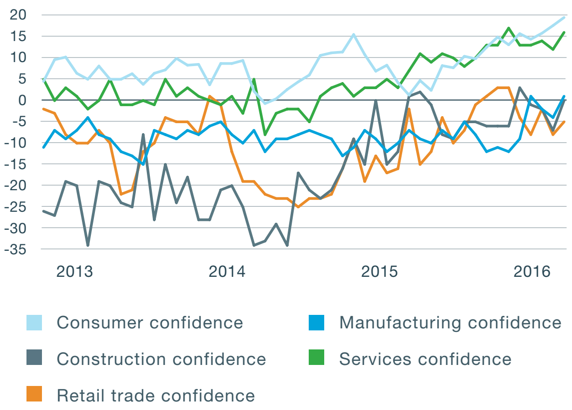
## HOUSING RUSSIA

- 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.
- The state mortgage subsidy programme for new apartments continued until the end of 2016. The mortgage interest rates for new apartments were on a level of around 11–12%.

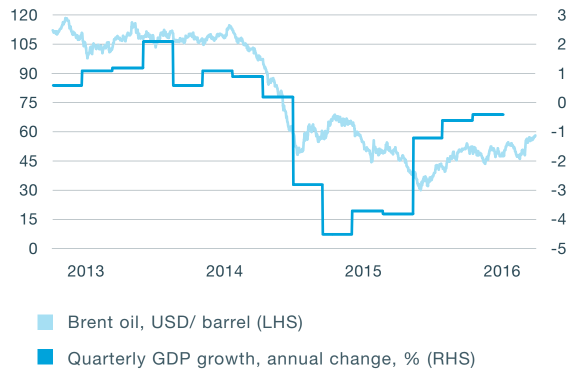
## BUSINESS PREMISES AND INFRASTRUCTURE

- The construction of business premises and infrastructure was brisk in 2016 in Finland, and new projects were started actively. Construction volume grew year-on-year.
- 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. In the CEE countries, the contracting market was most active in Slovakia and most quiet in Latvia.

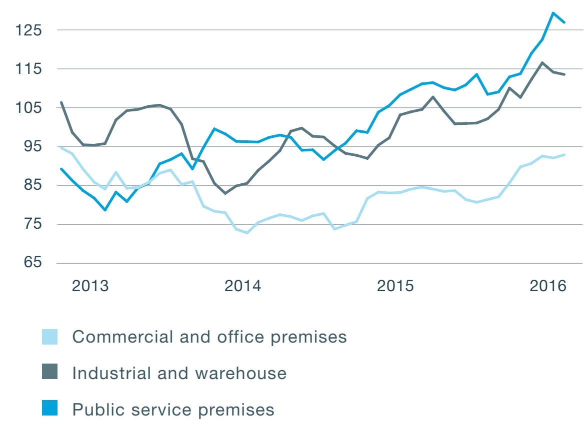
### CONSUMER AND BUSINESS CONFIDENCE IN FINLAND, BALANCE




### OIL PRICE, USD/BARREL AND ANNUAL CHANGE IN RUSSIAN GDP BY QUARTERS, %




### VOLUME OF NEW CONSTRUCTION IN FINLAND, INDEX 2010=100



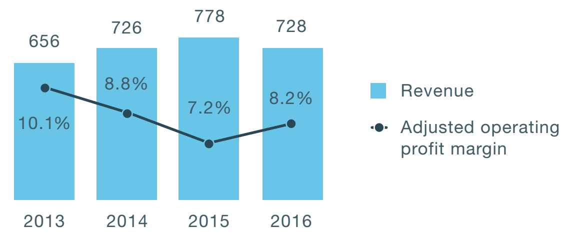
SEGMENT REVIEWS

# Housing Finland and CEE

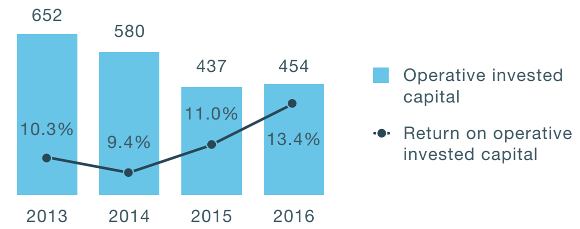
- The segment's revenue decreased 6% year-on-year. The decline in revenue is explained by reduction in capital release actions in Finland and sales mix shifting to consumers from investors, which means that revenue recognition is more focused on later part of the project.
- The segment's operating profit increased by 7% year-on-year and the operating profit margin rose to 8.2%.
- 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 grew by 27% year-on-year. Expansion to Poland proceeded with the first plot acquisition and project start-up. In addition, new projects were started actively in other operating countries. In December, YIT involved in establishing a fund that invests in housing development projects in the CEE countries. YIT sold two first projects to the fund in December, one in Prague, Czech Republic and one in Tallinn, Estonia.

WE LAUNCHED OUR NEW AFFORDABLE HOUSING CONCEPT, SMARTTI, IN THE FINNISH MARKET.

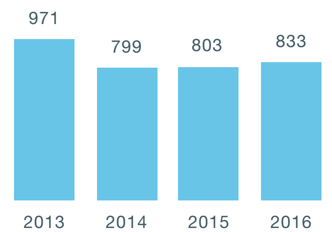
**REVENUE AND ADJUSTED OPERATING PROFIT MARGIN, EUR MILLION, %**



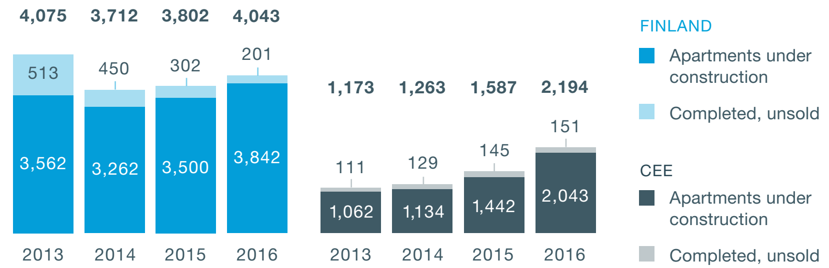

**OPERATIVE INVESTED CAPITAL AND RETURN ON OPERATIVE INVESTED CAPITAL, EUR MILLION, %**



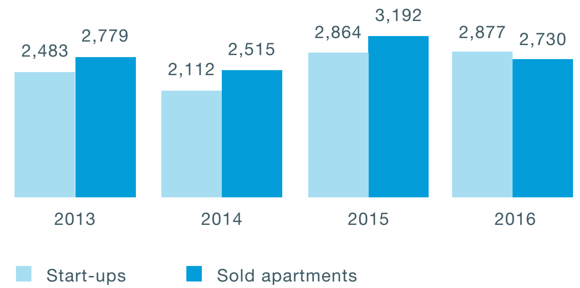

**ORDER BACKLOG, EUR MILLION**



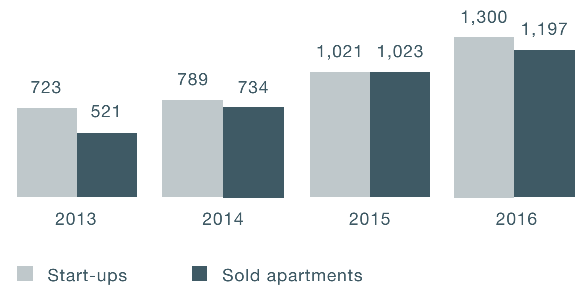

**APARTMENTS UNDER CONSTRUCTION AND COMPLETED, UNSOLD, UNITS**




**RESIDENTIAL CONSTRUCTION IN FINLAND, UNITS**




**RESIDENTIAL CONSTRUCTION IN THE CEE COUNTRIES, UNITS**

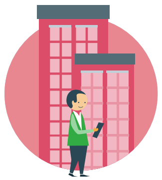



All figures according to segment reporting (POC)

SEGMENT REVIEWS

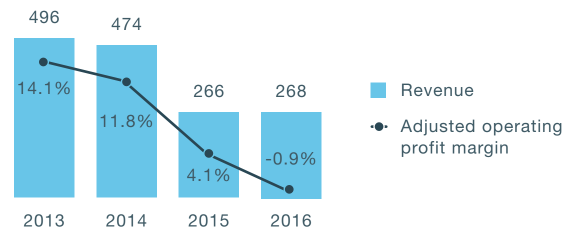
# Housing Russia

- The segment's revenue grew by 1% year-on-year. At comparable exchange rates, revenue growth was 10%.
- The adjusted operating result was EUR -2.3 million and the adjusted operating profit margin was -0.9%. Profitability was weighed down by the changes in project margins, among other things. On a positive note, the segment's adjusted operating profit turned to positive in the second half of the year.
- Housing sales increased by 13% year-on-year thanks to active sales and a product that better suits the market.
- At the end of the year, the planned lower volume was achieved in Russia. In the autumn, YIT set a target of releasing approximately RUB 6 billion worth of capital invested in Russia by the end of 2018.
- In 2016, the share of residential deals financed with mortgages was 51%.
- At the end of the year, the maintenance company YIT Service Russia was responsible for the service, maintenance and living services of over 26,000 apartments.

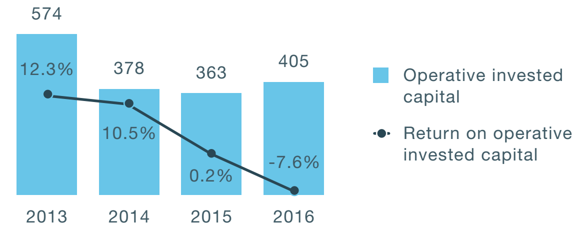


YIT SERVICE RUSSIA PROVIDES MAINTENANCE AND LIVING SERVICES TO RESIDENTS.

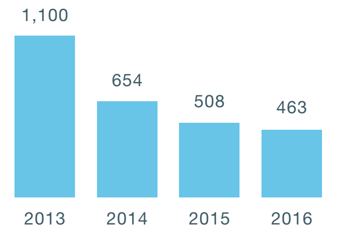
**REVENUE AND ADJUSTED OPERATING PROFIT MARGIN, EUR MILLION, %**



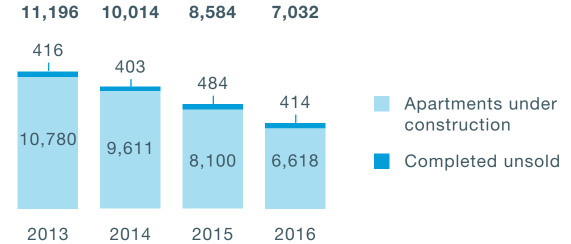

**OPERATIVE INVESTED CAPITAL AND RETURN ON OPERATIVE INVESTED CAPITAL, EUR MILLION, %**



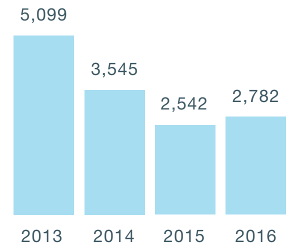

**ORDER BACKLOG, EUR MILLION**



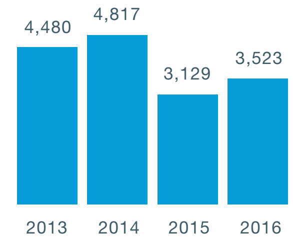

**APARTMENTS UNDER CONSTRUCTION AND COMPLETED, UNSOLD, UNITS**




**RESIDENTIAL CONSTRUCTION IN RUSSIA, START-UPS, UNITS**




**RESIDENTIAL CONSTRUCTION IN RUSSIA, SOLD APARTMENTS, UNITS**




All figures according to segment reporting (POC)

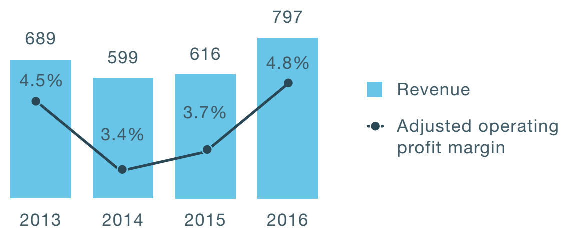
SEGMENT REVIEWS

# Business Premises and Infrastructure

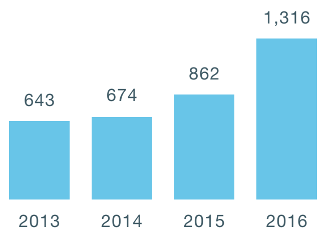
- The segment's revenue grew by 30% year-on-year. The revenue increased especially thanks to Mall of Tripla project.
- Operating profit grew by 68% and the operating profit margin rose to 4.8%. The improvement in profitability was attributable to higher revenue and the improved margin content of the order backlog.
- In June, YIT signed a financing package for Mall of Tripla and the parking facility, which secured the implementation of the project as a joint venture. In December, YIT also signed a letter of intent for the implementation of the hotel that is part of the Tripla project.
- YIT won a significant number of new contracts during the year, including project management contracts for the Helsinki Central Library, worth approximately EUR 50 million, and the Myllypuro campus, worth more than EUR 70 million.
- YIT strengthened its project development resources in line with its strategy in 2016. In June, the company established the joint venture Regenero with HGR Property Partners to support the development of new large-scale property development projects in the Helsinki region. The joint venture acquired its first property at the beginning 2017 in Espoo's Otaniemi district.
- In November, YIT signed an agreement on the implementation of the Tampere light rail project in partnership with VR Track and Pöyry. YIT's share of the contract is approximately EUR 110 million.

THE LEASING OF THE MALL OF TRIPLA HAS PROGRESSED EVEN BETTER THAN EXPECTED, WITH MORE THAN 40% OF THE PREMISES LEASED AT THE END OF THE YEAR.

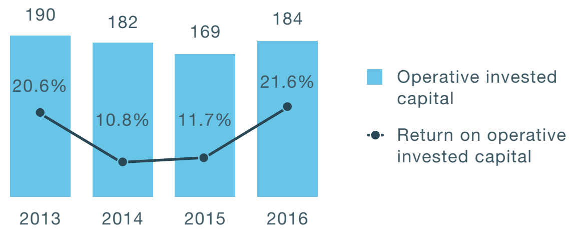
**REVENUE AND ADJUSTED OPERATING PROFIT MARGIN[1], EUR MILLION, %**




**ORDER BACKLOG, EUR MILLION**




**OPERATIVE INVESTED CAPITAL AND RETURN ON OPERATIVE INVESTED CAPITAL[1], EUR MILLION, %**




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

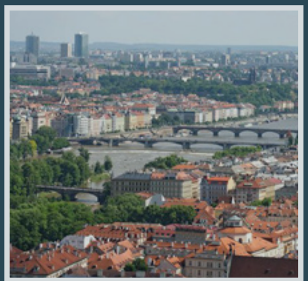
**THE LARGEST ONGOING SELF-DEVELOPED BUSINESS PREMISES PROJECTS**

| Project, location | Value, EUR million | Project type | Percentage of completion, % | 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 |

All figures according to segment reporting (POC)

# MORE LIFE

What we believe people want from their daily lives is security, comfort and convenience – an urban environment with effective transport connections, where housing meets services, jobs and hobbies. This is what we at YIT work towards every day.



## PRAGUE, THE CZECH REPUBLIC

Throughout history, Prague has seen production facilities such as factories, engineering workshops and breweries built in the middle of the city. By making the planning of these areas more efficient, additional apartments can be built next to the old industrial properties. Such development projects create interesting new forms and opportunities of housing.

PERSPECTIVES ON SUSTAINABLE URBAN ENVIRONMENTS

# Towards better cities

**THE ORIGINAL** idea behind cities was to bring together various functions – commerce, administration, housing and recreation – to make them easily accessible. Cities developed along natural transport routes and walking was the primary way of getting around within cities. This eventually changed during the industrial revolution, with the functions of the city beginning to be separated into different environments. This trend culminated in shopping centres being located at the junctions of ring roads, only accessible by private car, and residential areas being without any local services.

Urbanisation is progressing practically throughout the world, and increasing attention is being paid to the quality of the urban environment and urban life. This involves a shift from the separation of functions to the development of mixed-use environments. The dominance of private cars is crumbling while public transport and pedestrian and bicycle traffic are growing. Residents and visitors are taking back the urban space, bringing diverse life back into cities.

## SUFFICIENT DENSITY SUPPORTS DIVERSE SERVICES

We want to contribute to this development through our operations in co-operation with cities and our stakeholders. In housing, this means identifying locations where various services and public transport are easily accessible. More services and more life can be created by developing local retail and service centres or providing street-level retail space. Areas around rail and metro stations are particular candidates for development, which also helps create proper stations instead of simple railway stops.

Cities that are full of life are created by sufficient urban density. While the criteria for sufficient density is not set in stone, many people in Stockholm and Copenhagen, for example, live in areas with a population density of 10,000 residents per square kilometre. In Finland, only a few areas of Helsinki are in this category. A dense and compact urban structure means more services – and better services. Combined with effective public transport, it reduces the need for private cars, resulting in lower traffic emissions and more street space for the local residents.

The sustainability of cities is largely built on density, mixed urban structures and effective public transport. Energy production solutions, the fuels used and the consumption behaviour of the population naturally play significant roles in sustainability as well.

## CHANGES IN TRANSPORT BEHAVIOUR HAVE A MAJOR IMPACT ON CITIES

Many European cities are moving towards denser urban structures and developing their public transport systems. At the same time, the number of obligated parking spaces is kept high, which suggests cities are hesitant to trust in the changes in transport behaviour or new services based on the sharing economy and collaborative consumption. Add in the rapid development of self-driving cars based on artificial intelligence and it becomes clear that the current level of parking capacity is not necessary. The parking capacity that is required should be provided strictly as a separate market-based solution.

More life and sustainable life in cities can be created by complementary construction in existing areas, repurposing old industrial districts, making areas around rail and metro stations more dense and compact, and at the same time diversifying the functional structure of the city. The development of high-quality commercial

## SMOLNY PROSPEKT – A PROJECT IN THE HISTORICAL CITY CENTRE

Sustainable urban environments are not only created through new construction. They can also be created at existing sites. In Smolny Prospekt in St. Petersburg, YIT is renovating three old buildings in the historical city centre and constructing three new buildings, which will house nearly 400 luxury apartments. The new buildings were designed by the Spanish architect **Ricardo Bofill**. The area will also include a day-care centre, a two-storey underground car park and green spaces. The project's architecture has been carefully designed to match the surrounding historical urban environment and create a prestigious and comfortable living environment for the residents of this significant district. "In Europe, converting areas such as old machine shop districts into residential and cultural areas has been a popular trend in recent years," says **Juha Kostiainen**, Senior Vice President for Sustainable Urban Development at YIT.

services, especially with respect to famous international brands, usually requires substantial customer flows. Sufficient customer flows can only be found on the high streets of major cities. Otherwise, sufficient density can be achieved by building shopping centres around public transport hubs.

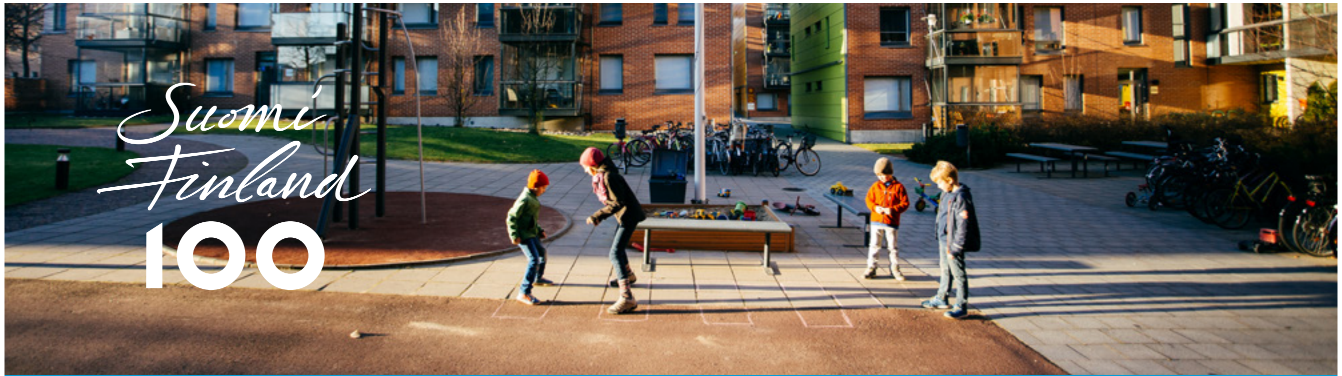
## SPARKS OF GROWTH IN URBAN FALLOWS

A city full of life is not simply a product of quantity. It is also a product of the quality of the urban environment. Architecture, lighting, safety, environmental art, the appearance of public transport stations and many other factors contribute to a city's comfort and appeal. As far back as in the 1960s, the renowned urbanist **Jane Jacobs** argued that the length of city blocks must not exceed 100 metres to ensure the necessary porousness of the urban structure and create opportunities for encounters.

The factors that make cities appealing also include a layered structure, changes in use and temporary uses. Every developing city needs urban fallows that support vibrant new economic activity in their early stages.

## ALTERNATIVES NEEDED TO SUIT DIFFERENT HOUSING NEEDS

As the process of urbanisation moves ahead, people's housing-related needs will not become increasingly uniform. Instead, they will become more diverse. Some people prefer to live in sparsely populated areas and some in rural areas, but a growing number are choosing to live in city centres. Growing urban segregation can cause problems, but the diversity of residential environments in itself makes cities more interesting.




## FINLAND 100 – MORE LIFE IN YARDS

Good planning and construction can support the creation and development of comfortable and safe neighbourhoods. A strong sense of community and convenience in everyday life make people attached to the area in which they live.

For Finns, the yard has always been a place of activity and getting to know each other. It is where long-time residents and newcomers meet, regardless of age and gender.

Today's yards are less lively than they used to be, and the design of yards doesn't sufficiently account for the different needs of different people.

As Finland celebrates 100 years of independence, we want to inspire people to think about what the comfortable and functional yards of the future could look like. The best ideas will be implemented in the countries we operate in.

To celebrate Finland's centenary, we will build a yard based on the ideas and designs and donate it to a non-profit. We will also carry out **a series of good deeds** that increase the comfort of yards and residential neighbourhoods, helping to bring people together.

Visit the Finland 100 website

## STEIN – AREA PROJECT IN THE HEART OF THE OLD TOWN

In Bratislava's Old Town, we are building STEIN2, a nearly two-hectare residential area, where the Stein brewery once stood. By 2020, the area will see the construction of more than 400 apartments, nearly 30 units of retail premises, an office building, new infrastructure and green spaces, all developed in a style that respects the old buildings around the area.

We began construction on the second phase of the STEIN area development project at the beginning of April 2016 and it is due to be completed in early 2018. The project's first phase started in September 2015. The project's total value is more than EUR 70 million.

## WATCH THE VIDEO: THE FLEXIBLE SMARTTI CONCEPT IS THE ANSWER TO MANY TRENDS AND NEEDS

YIT launched the Smartti housing concept in Finland in May 2016 and began the construction of over 400 Smartti homes by the end of the year.

Urbanisation, smaller households and expensive housing increase the need for well-designed, compact urban homes. Smartti is YIT's answer to the demand for new apartments that customers can buy with a small amount of capital, without having to pay for unnecessary space.

The design of Smartti apartments is based on standard dimensioning. The apartments have no partition walls; the space is divided by cabinets and sliding doors, which also provide more storage space. The cabinets and sliding doors can be added or removed according to changing life circumstances. The surfaces are lined with replaceable furniture boards, which makes it possible to change the style and décor without extensive renovation. Smartti apartments are complete and care-free homes that are ideal as city homes and for students, small families or senior citizens who move to urban centres to gain better access to services. The Smartti developments include a wide range of apartments in different sizes, from studios to three-room units.

They are located in growth centres, where the need for affordable owner-occupied apartments is the most dire. Construction of Smartti apartments has already begun in Kuopio, Oulu, Tampere, Kaarina, Vantaa, Jyväskylä, Lappeenranta, Lahti and Riihimäki, in Finland.

Smartti's new philosophy and adaptability to different life circumstances have been well received by our customers. In the future, YIT also plans to take advantage of the Smartti concept's innovations in its more traditional housing production.

POINT OF VIEW:

# Urban utopias then and now

We posed five questions on urban planning to Research Professor **Mika Pantzar** from the University of Helsinki.  He spoke on the same topic at the Sustainable urban environments event organised by YIT in November 2016.

## HOW HAS THE DIALOGUE AROUND CITIES CHANGED OVER THE YEARS?

In Finland, the dialogue around cities was negative and critical until the 1960s. Cities were not seen as good places for raising children, and life in apartment buildings was not considered suitable for families with children. Garden cities, such as Tapiola, were created in the post-war era when people were seeking alternatives to living in city centres. People valued a sense of space and a rural feel, and they dreaded having to live in close quarters with others. The situation has now been reversed, with people valuing life in densely built urban environments that offer good services and transport connections. One cannot expect to find an indoor swimming pool or a high-quality restaurant if you live in the sticks.

## WHAT WERE THE LESSONS LEARNED FROM TAPIOLA?

Tapiola district in City of Espoo  was created out of nothing for the average person in 1950s. The designers divided Tapiola by function, developed it from a cellular standpoint and tried to come up with a balanced structure with a school here, a shopping centre there, and so on. At Tapiola, the engineering-style philosophy of maximising efficiency clashed with the practical preferences of real people. It turns out that people don’t necessarily act in the way technocrats plan for them to act. It is impossible to design cities with the aim of creating something final. Cities constantly develop alongside the people who live there. Moreover, it is not just a case of people building cities. Cities also build people.

## WHAT FACTORS GUIDE URBAN PLANNING?

Transport systems and ensuring efficient mobility have for long been a key starting point for the development of cities. In Helsinki, for example, urban planning used to be guided by the use of private cars, but today it seems that cyclists are the ones voicing their opinions the loudest. It also appears that there is a movement building around the use of electric cars. The starting point of urban planning is that it cannot be based on slowing down traffic. A good example of the dominant role of far-reaching transport visions is Central Pasila, which is planned to become the main railway station and the terminus of the tunnel linking Helsinki with Estonia. This would make Helsinki a pass-through city, not only a terminus.

## WHAT WILL THE CITIES OF THE FUTURE LOOK LIKE?

The city of the future will come alive at night when the transporters of goods get on the move. Every minute is valuable and the goal will be to minimise time spent in transit. All land in cities will be valuable, including underground land, which can be used for building tunnels, for example.

The significance of nature will remain, even in cities. Parks are important for the residents of cities, as are balconies and terraces that help people maintain a connection with nature.

## WHAT CONSTITUTES GOOD URBAN PLANNING?

I value participatory planning that brings together scientists as well as ordinary citizens. It is dangerous to leave participation only to neighbourhood associations. They tend to want similar people around them, whereas urban planners are responsible for ensuring local diversity. Diversity must be supported and it is important to create space for experimentation. A city has room for a lot of things, from henhouses to drunkards.

POINT OF VIEW: MIKA PANTZAR

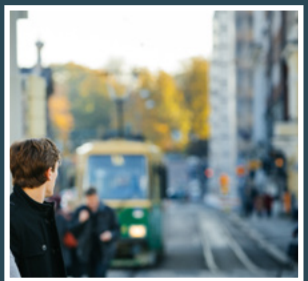
In the same spirit, I would like to see urban planners be open to cross-disciplinary thinking. In addition to architects, the process of planning urban areas should involve experts from other fields as well. Sculptors, for example, could introduce three-dimensional thinking, designers could bring in the usability perspective, and sociologists could support citizen engagement. This would ensure sufficiently diverse perspectives and sustainable solutions.

> “
>
> Dense urban development supports diverse services and activities. The provision of public and private services is concentrated on areas that have sufficient numbers of users.

MIKA PANTZAR, RESEARCH PROFESSOR,
UNIVERSITY OF HELSINKI

# BUSINESS OPERATIONS



## HELSINKI, FINLAND

The rate of migration to growth centres is high and the Helsinki metropolitan area is seeing a record level of zoning and construction activity. Finns are becoming increasingly interested in influencing the composition of their home, living environment and the city as a whole.

# YIT's business model

## SELF-DEVELOPED BUSINESS

- Plots in good locations
- Diverse financing solutions
- Highly competent personnel and efficient processes

Land acquisition, zoning → Project development → Construction → Services during use

Sales and rental operations

- Homes
- Business premises

## CONTRACTING

- References
- Partners
- Highly competent personnel and efficient processes

Tender calculation → Construction → Services during use

Winning the tender

Project development

- Public spaces
- Industrial and commercial premises
- Infrastructure

Capital-light contracting business balances the capital-intensive self-developed business. A balanced business portfolio enables better tolerance for cyclicality and risk profile. In addition, different business areas support each other by providing diverse expertise for demanding projects.

**SUSTAINABLE AND ATTRACTIVE LIVING ENVIRONMENT**

Dividend/share
0.22[1]
EUR (0.22)

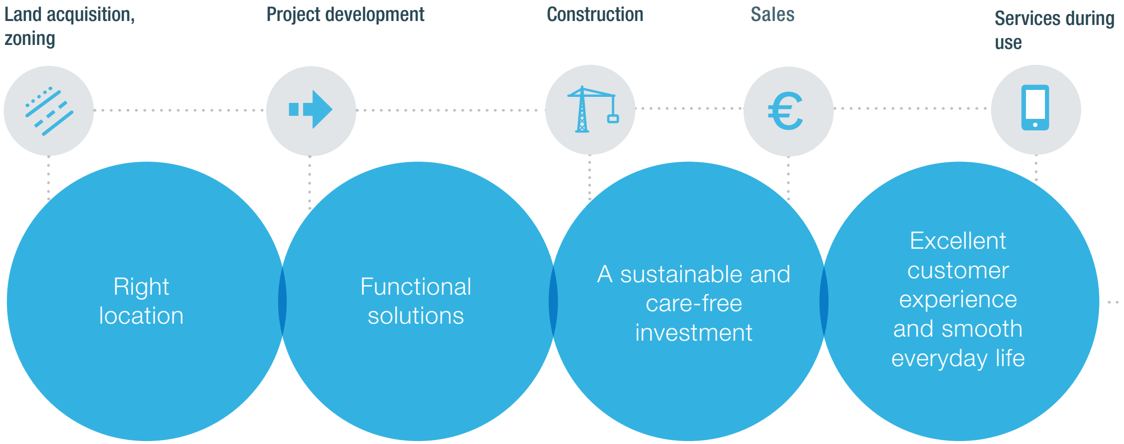
Average number of personnel
5,361
(5,613)

Corporate taxes
13.2
EUR million (10.4)

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

# YIT's value creation model

## SELF-DEVELOPED BUSINESS: HOMES AND BUSINESS PREMISES




## CONTRACTING: PUBLIC SPACES, INDUSTRIAL AND COMMERCIAL PREMISES, INFRASTRUCTURE


## DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED TO STAKEHOLDERS IN 2016 (IFRS)

### CUSTOMERS

Revenue, IFRS

**1,678.3**

EUR million (1,732.2)

### INVESTORS

Dividends

**27.6**

EUR million[1] (27.6)

Interest and financial costs EUR

**20.1**

million (20.3)

### SUPPLIERS

Raw materials and consumables

**245.2**

EUR million (233.5)

External services

**892.4**

EUR million (774.9)

### PERSONNEL

Average number of personnel

**5,361**

(5,613)

Wages, salaries and fees

**203.8**

EUR million (197.8)

Pension costs

**7.5**

EUR million (9.5)

### PUBLIC SECTOR

Income taxes

**4.7**

EUR million (14.0)

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

# Renewed strategy focuses on profitability and growth

## IMPROVING PROFITABILITY

In the Housing segments, profitability will be improved by increasing consumer sales and supply of affordable apartments in growth centres. Smartti housing concept innovations will be utilised also in more traditional housing production. Profitability of the Business Premises and Infrastructure segment will be improved by increasing the amount of projects with longer value-chain, both in self-developed and tender-based business.

Performance Leap development programme aims at reducing waste in current processes and ways of working. The target is a significant reduction of production costs through closer cooperation between design management, procurement and production. The use of pre-fabricates will be increased, production lead time will be shortened and central areas of expertise will be reinforced.

In the different parts of the Group, YIT has achieved excellent results in improving customer experience, quality as well as work safety and wellbeing. The development will continue further and the best practices will promptly be spread out throughout the Group.

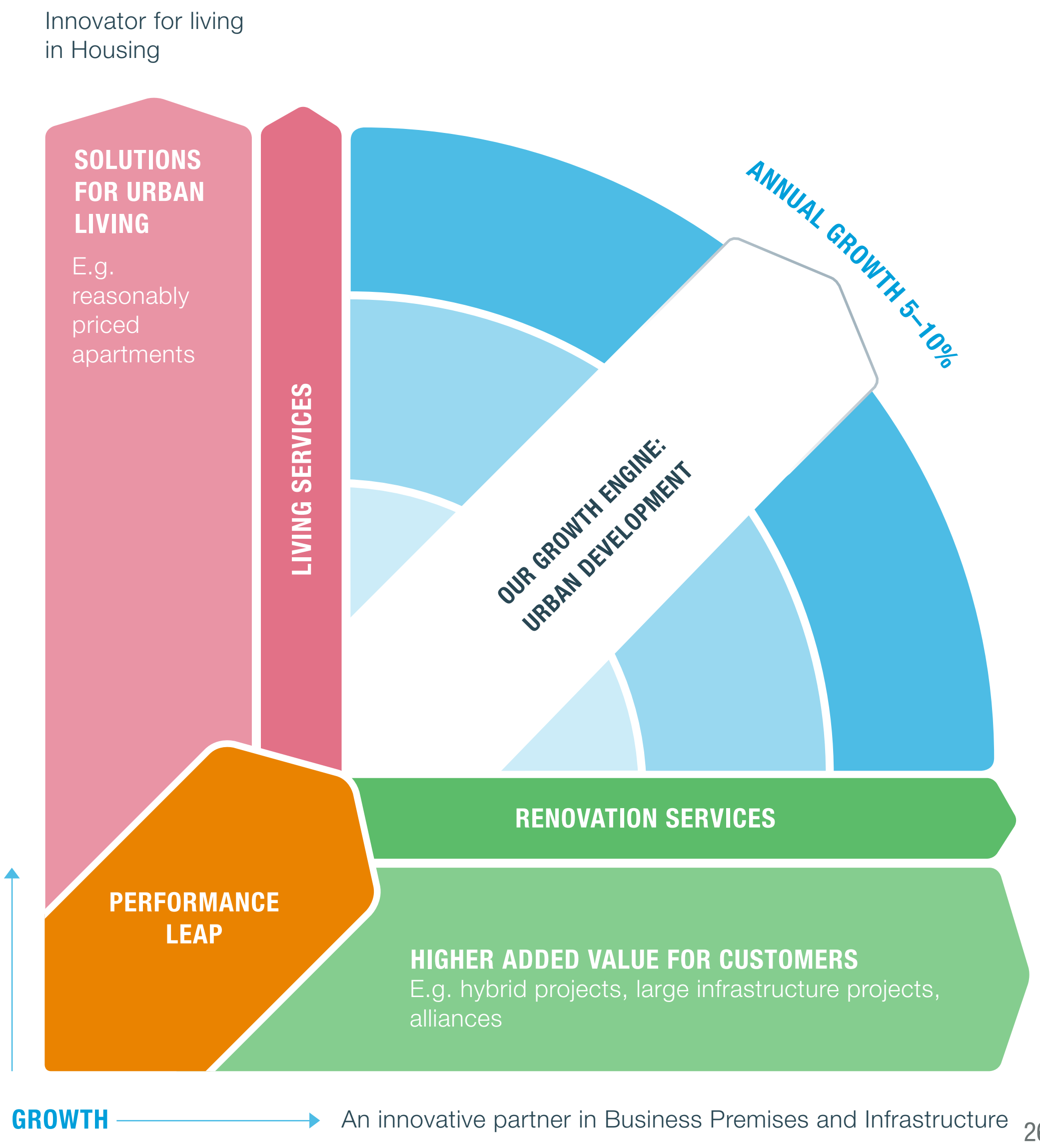
## INTENSIFYING GROWTH

YIT will further enhance project development in growth centres and expand its co-operation with partners to innovate, finance and execute projects. The company has established a new unit focusing on innovating long-term development projects in the entire Group, as well as the Regenero joint venture in the Helsinki metropolitan area.

YIT's order backlog in Finland and CEE is at a record high. The projects currently being prepared will create a strong foundation for growth in the next three-year period. The success of the projects depends on fostering the strengths of the corporate culture and highly competent personnel.

The Living Services and Renovation Services development programmes are geared towards new business growth. Growth is pursued by developing new business models and concepts.

Capital efficiency will continue to be improved as part of normal business operations.



# New development programmes launched

**THREE** development programmes were launched to support the implementation of strategy: Living Services, Renovation Services and Performance Leap. The company's renewal to adapt to the changing market environment will be expedited by internal changes in operating methods, building partnerships, deeper co-operation with customers and investments in innovations that help YIT expedite its renewal and further increase its competitiveness.

1. LIVING SERVICES

| | | | | |
|---|---|---|---|---|
| DIGITALISED CUSTOMER JOURNEY | GROWTH OF SERVICE IN RUSSIA | SERVICE BUSINESS | BUSINESS THROUGH INTELLIGENCE | Increased customer lifetime revenues |

2. RENOVATION SERVICES

| | | | | |
|---|---|---|---|---|
| RAISE CURRENT RENOVATON VOLUMES | GROWTH IN RENOVATION REAL ESTATE DEVELOPMENT | HOUSING COMPANY RENOVATION | RENOVATING ENTIRE URBAN AREAS | New concepts to double the revenue |

3. PERFORMANCE LEAP

| | | | | |
|---|---|---|---|---|
| ENSURING COMPETENCIES | DESIGN MANAGEMENT | PARTNERSHIPS AND PREFABRICATION | SITE EFFICIENCY | 15% decline in production costs |

# Financial targets

**IN CONJUNCTION** with the revision of the 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 cashflow 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.

The company presented its renewed strategy in more detail at its Capital Markets Day in autumn 2016. Read more

| LONG-TERM TARGET | TARGET LEVEL | OUTCOME 2016 | |
|---|---|---|---|
| Revenue growth | 5–10% annually on average | 8%, 9% at comp. fx | |
| Return on investment | 15% | 4.7% (7.0%)[1] | |
| Operating cash flow after investments | Sufficient for dividend payout | EUR -43.1 million | |
| Equity ratio | 40% | 35.1% | |
| Dividend payout | 40–60% of the net profit for the period | 373.3%[2] (95.3%)[3] | |

All figures based on the percentage of completion-based segment reporting method (POC).
[1] Calculated with adjusted EBIT [2] The Board of Director's proposal to Annual General Meeting
[3] Calculated with adjusted EPS

## PERFORMANCE LEAP WILL INCREASE OUR COMPETITIVE EDGE THROUGH DEVELOPMENT, NOT CUTS

The implementation of YIT's renewed strategy is supported by three development programmes: Living Services, Renovation Services and Performance Leap. Performance Leap concerns the entire Group and it is aimed at increasing our competitive edge through development, not cuts. This will be achieved by reducing waste in our existing processes, streamlining our operating methods and adding soft influencing factors to our supply chain; in practice, for example, by increasing the use of prefabricates, reducing production turnaround times, strengthening key employee competencies and by engaging in closer co-operation between design management, procurement and production.

In the context of the Performance Leap programme, waste refers to everything that does not produce value for our customers or uses up working time. Soft influencing factors refer to our co-operation culture, interaction skills and improving in these areas, which will open up new opportunities both internally and in our work with external stakeholders. In recent years, we have achieved excellent results in improving the customer experience, quality, occupational safety and well-being at work throughout the Group. This development work will continue and one of the goals of the Performance Leap programme is to have the best practices quickly adopted by all units.

# Improving capital efficiency to continue as part of our normal business operations

**CONTINUOUSLY** improving capital efficiency is a necessary condition for growth and improving capital turnover was a key aspect of our operations during the past strategy period. The objective of the capital release programme launched in autumn 2013 was to release EUR 380 million in capital from our balance sheet by normalising inventory in Finnish housing and business premises construction, selling plots of land in Russia and CEE countries that were classified as slow-moving assets and utilising plot co-operation with funds as a new source of financing. We achieved—and partly exceeded—the target set for the capital release programme in autumn 2016, in accordance with the original schedule, and our renewed strategy sees us focus primarily on improving profitability and achieving growth.

Improving capital efficiency nevertheless remains a theme that has a prominent role in our business. In the prevailing market climate, developing capital-efficient business models, utilising partnerships and effectively managing sales risk are essential measures to finance growth. With this in mind, we will continue to improve capital turnover as part of our normal business operations. Capital will be released in Russia and invested in project development in growth centres in Finland and CEE countries. Our aim is to reduce the amount of capital invested in Russia by a total of RUB 6 billion (approximately EUR 80 million) by the end of 2018 in comparison with 6/2016.

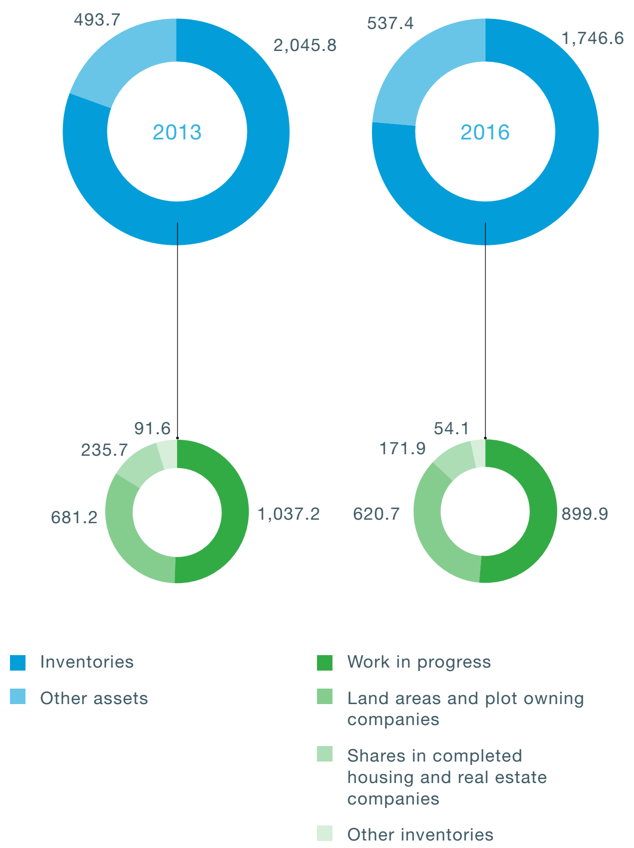
## CAPITAL RELEASE PROGRAMME

In connection with the strategy renewal in autumn 2016, it was stated that the EUR 380 programme will be completed and the targets will be achieved and even exceeded in certain areas. Therefore, the follow-up of the programme was ended in connection with the strategy renewal in September 2016.

| Target for capital release | Capital release 9/2013–9/2016 | |
|---|---|---|
| Reducing the inventory of unsold completed apartments in Finland >EUR 50 million | ~EUR 58 million | ✔ |
| Selling self-developed business premises projects in Finland (under construction) EUR 80 million | ~EUR 80 million | ✔ |
| Slow-moving assets >EUR 150 million[1] | ~EUR 94 million, ~EUR 41 million as impairment[2] | ✔ |
| New off-balance sheet partnership models in plot acquisitions >EUR 100 million | ~EUR 108 million | ✔ |

[1] Target set at the balance sheet rate at 9/2013: EUR/RUB 43.8240, cumulative progress calculated using the same EUR/RUB rate.
[2] The slow-moving assets have been reduced by impairment of EUR 9 million made in Q4/2014 and an impairment of EUR 18 million done in Q3/2016. The illustrative figure has been calculated by using the balance sheet rate at 9/2013: EUR/RUB 43.8240.

### ASSETS AT THE END OF YEAR, EUR MILLION



# Financing solutions

## DIVERSE FINANCING SOLUTIONS SUPPORT OUR BUSINESS

Our financing structure is guided by the financial targets set by the Board of Directors. The equity ratio target is 40% (segment reporting, POC). In 2016, YIT further improved its financial operating space by creating partnerships and diversifying its sources of financing. The most significant financing transactions during the review period included the issuing of a EUR 50 million bond, securing financing of EUR 300 million for the Tripla project and renewing a revolving credit facility of EUR 200 million.

Debt financing plays a key role in supporting return on equity in a business that ties up significant capital. YIT's financing is managed on a centralised basis at the Group level, and a significant proportion of financing comes from the Finnish market. Short-term financing is drawn within the framework of the commercial paper programme of EUR 400 million. In addition to the issued bonds, YIT also has bilateral loans from banks and insurance companies, as well as construction stage financing in the form of receivables sold to banks and housing corporation loans. In order to ensure its liquidity, at the end of the year YIT also had access to an undrawn revolving credit facility of EUR 200 million, EUR 74.6 million in account overdraft facilities, and EUR 66.4 million in cash reserves.

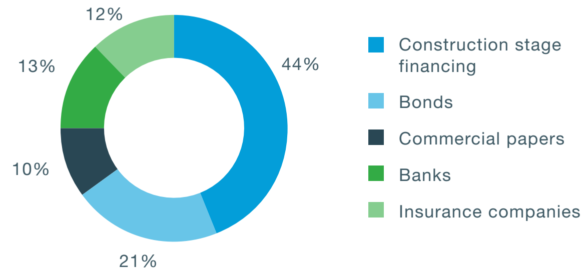
## FINANCING LARGE PROJECTS AS PART OF THE INVESTMENT BUDGET

During 2015 and 2016, YIT has concluded agreements on several projects that are significant in size and exceptional in terms of their financing solutions. The most important among these are the E18 Hamina-Vaalimaa project, the Mall of Tripla project in Central Pasila and the new construction project at Kasarmikatu 21 in Helsinki, Finland. The common factor between these projects is their implementation as a joint venture. Projects implemented as joint ventures are characterised by a project-like financing structure.

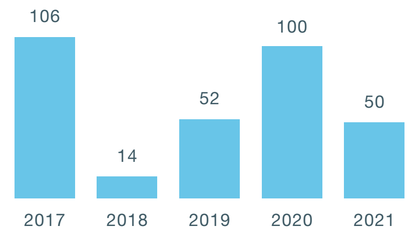
Project-specific financing deviates from YIT's Group-level financing due to its independent structure. The independent financing structure means that project-specific income serves as the security for the interest and repayment of both equity financing and debt financing.

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

**DEBTS COMBINED 12/2016, EUR 700 MILLION, AVERAGE INTREST RATE 3.48%**




**MATURITY STRUCTURE OF LONG-TERM DEBT 12/2016, EUR MILLION**



## CO-OPERATION IN RESIDENTIAL DEVELOPMENT PROJECTS IN THE CEE COUNTRIES

In December, YIT was involved in establishing a fund that will invest in residential development projects in the CEE countries. The investors in the fund are YIT (40%), Etera (30%) and a group of Finnish private investment companies (30% combined). The fund's own capital amounts to approximately EUR 37 million and it is managed by Vicus Capital Advisors Oy, which has extensive experience of property investment and property development in Eastern Europe and Russia. The fund supports YIT's growth strategy in the CEE countries by providing financing for projects in the construction phase and releasing capital for new projects in their earlier stages.

## REGENERO – A NEW JOINT VENTURE BETWEEN YIT AND HGR FOR LARGE-SCALE PROPERTY DEVELOPMENT PROJECTS

In June 2016, YIT and HGR Property Partners established a joint venture called Regenero, which will focus on developing large-scale combined apartment, commercial and business premises projects in the Helsinki metropolitan area. The first project will begin in 2017. YIT's area of expertise in the company includes design and implementation knowhow, infrastructure construction and segment-specific project expertise. HGR, on the other hand, has strong expertise in commercial development work, particularly in business ideas and concept design, as well as company-specific specialised solutions. Regenero acquired its first property in Espoo, Finland in January 2017.

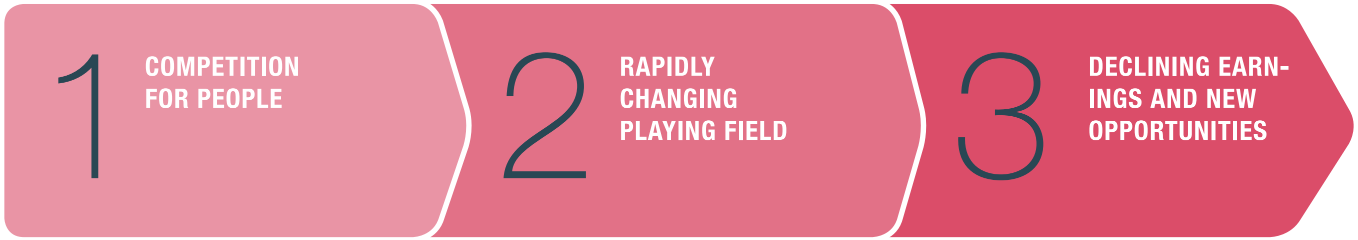
"Urban structures are developing and there is a need for new operating models. Regenero is one part of YIT's new city and project development model. By combining the strength and expertise of both companies, we can gain a completely new sector operator that is uniquely equipped to implement new, wide-ranging property development projects," says President and CEO **Kari Kauniskangas**.

# Future market realities – Old rules no longer apply

**OUR** operating environment and the market realities related to our business are changing rapidly. New players are reshaping the market with new business models and operating methods. The tighter competition is reflected in continuous competition for highly competent personnel in all of our business areas. Adapting to the rapid changes in the market environment requires agility and a strong capacity for renewal. The ageing of the population and a more conscious consumption are examples of the changing customer needs that create new requirements for our operations.

Urbanisation, digitalisation and sustainable development are megatrends that drive market development in the markets we operate in. Urbanisation is reflected in our business in, among other things, growing and increasingly dense cities and metropolises, as well as migration to growth centres, which creates the need for new infrastructure and mixed-use construction. Digitalisation is reshaping the construction industry and the needs of our customers, creating challenges as well as significant opportunities. Sustainable development is reflected in our customers' preferences and choices: people want to live in areas that are safe and comfortable while still being close to services, public transport and jobs. In our business, sustainable development means, among other things, the construction of attractive residential areas, building a denser urban structure, facilitating effective public transport and bringing services close to the daily life of our customers.

Our renewed strategy and focus areas for the coming years are based on these changes. The new realities of our market present significant opportunities to us. By taking advantage of these opportunities we can achieve our vision: More life in sustainable cities.




MEGATRENDS DRIVING MARKET DEVELOPMENT

OUR FOCUS AREAS

# Caring for customers

## Understanding and satisfying customer needs is one of our cornerstones.

Improving the customer experience has been a central theme of YIT's development efforts since 2014, when the company launched the WOW development programme focused on taking the customer's perspective. Our aim is to surprise the customer in a positive way in every encounter.

Our renewed strategy further sharpens this perspective. "Understanding and satisfying customer needs" is one of the five cornerstones that provide the foundation of everything we do. Similarly, we have highlighted "caring for customers" as one of our four focus areas.

The WOW development programme has been implemented in the Housing Finland and CEE segment, the Housing Russia segment and part of the units that make up the Business Premises and Infrastructure segment. Based on the work we have already done, we have identified special focus areas for the continued development of our customer service.

### LIVING SERVICES AND NEXT-GENERATION SOLUTIONS

The path YIT shares with its customers is typically a long one and it involves many different kinds of encounters. For this reason, it is essential to develop the consistency of customer service to ensure positive customer experiences throughout the journey.

The company plans to extend the customer path even further in the future, as YIT aims at widening its service offering related to living services by itself or with partners. We believe that the demand for services that make everyday life easier and more convenient will increase. In addition, consumers are looking for increasingly diverse ownership solutions, which can lead to a situation where housing is purchased as a service in the future.

We want to respond to consumers' changing expectations by complementing housing construction through the development of attractive and inspiring services that make consumers' everyday lives easier, and we also want to actively offer various opportunities. One example is the next-generation digital service YIT Plus, which makes it easy to keep abreast of what is going on in one's home and housing company. In addition, YIT's Neighbourly Guides service gives prospective homebuyers the opportunity to talk to genuine buyers of YIT Homes and ask questions about buying a home, construction and the neighbourhood in general. With respect to the customer experience, the goal is for YIT to provide a "WOW" experience in all of its projects, meaning the best experience in the construction industry and one that exceeds all expectations.


### NEIGHBOURLY GUIDES GIVE ADVICE BASED ON PERSONAL EXPERIENCE

YIT surveyed Finnish housing in December 2015. More than one-third of the respondents said they would like to talk to their future neighbours before moving in, and they indicated that they appreciate personal recommendations.

We responded to this need in January 2016 by launching the Neighbourly Guides service. The Neighbourly Guides are ordinary YIT Home residents who help prospective buyers in various matters related to buying an apartment.

With five new guides added to the Neighbourly Guides group in early October, their total number is now 11. Neighbourly Guides are currently available in Rovaniemi, Lahti, Vantaa, Helsinki, Järvenpää, Oulu, Jyväskylä, Espoo in Finland and Tallinn in Estonia.


## VIRTUAL REALITY IS COMING TO THE CONSTRUCTION INDUSTRY

Virtual reality (VR) is suddenly a hot topic everywhere. VR refers to technology that allows the user to be transported to a virtual environment, usually by wearing wrap-around goggles. VR devices from several manufacturers were launched in the Finnish market last year. In the coming years, VR is predicted to have a transformative effect on gaming, learning and human interaction, while rendering smartphones obsolete. YIT's Digital Development Manager **Toni Ruuska** is confident in the rapid proliferation of VR technology in the coming years as well as its potential in the construction industry. "In addition to designers and builders, virtual reality will offer significant benefits to homebuyers. The apartments under construction today are mostly visualised with the help of floor plans and conceptual drawings, but they leave a lot to the imagination," Ruuska explains.

VR goggles will allow customers to walk through their future homes and see with their own eyes what the apartment's rooms, surfaces and views will actually look like. YIT is using VR technology in Slovakia, where the company shifted from 3D modelling on a computer screen to the world of virtual reality in early December 2016. A number of different solutions and service providers were designed and tested in Slovakia before we began to offer the service to customers. The development of VR technology has now reached the point where we can be proud of the service and it is economically feasible. This year, YIT will expand its VR trials to Finland to determine the extent to which VR can help consumers understand what an under-construction apartment could eventually look like, and whether VR helps housing sales by complementing the existing sales materials in a manner that helps customers make the purchase decision.

"We have already had a few trial runs and, if the results of our tests continue to be positive, I expect we will implement VR quite quickly," Ruuska says.

## WOW IN THE BUSINESS PREMISES AND INFRASTRUCTURE SEGMENT

The Business Premises and Infrastructure segment launched its WOW development programme in early 2016. The aim of the programme is to take the customer's perspective. The objective is to surprise the customer—in this case typically a developer, investor or tenant—in a positive way in every encounter. Early on in the WOW programme, customers were surveyed regarding their wishes and experiences related to YIT. Based on the responses, the teams participating in the programme enhanced their customer relationship management models, communication and the building of trust. The experiences from the pilot stage were encouraging to the extent that the programme's fourth wave started in the segment in January 2017. This means that the WOW approach first introduced in housing construction is now being applied in a form that has been tailored to B2B customers. The segment is confident that WOW will produce significant and quantifiable impacts on the customer experience.

OUR FOCUS AREAS

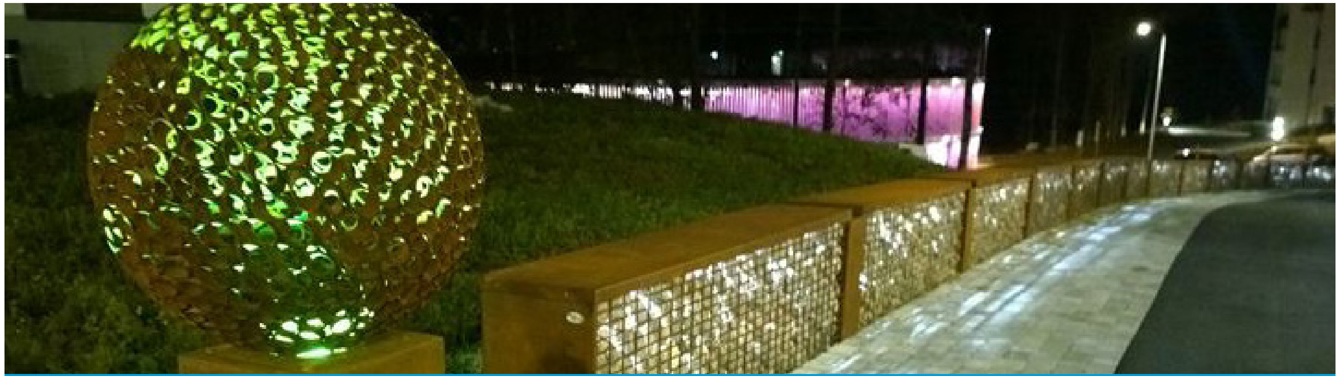
# Visionary urban development

We have defined YIT's primary engine of growth as urban development involving partners.

This means project development on the company's own plots of land, PPP (Public Private Partnership) projects that include design and other areas of technical expertise, as well as hybrid and mixed-use projects that allow us to combine our unique competencies. In the future, we will continue to focus on high value-added projects and seek partnership models that require us to invest less capital of our own. Strong partnerships enable us to focus on our strengths while also developing our competitiveness, innovativeness and appeal among customers, land owners and cities.

Our goal is to strengthen the innovation and implementation of long-term and visionary development projects and to expand the customer relationship from individual projects to long-term co-operation.

The markets of the future will provide us with a wealth of opportunities. Urban development with a long-term approach allows us to support convenience in the daily lives of our customers as people migrate increasingly to growth centres in cities. The idea underpinning our strategy is to promote development projects that bring housing, jobs, services and hobbies together, creating living environments where people are comfortable and that are effectively served by public transport.



## ART AS PART OF THE LIVING URBAN ENVIRONMENT

The value of art in building identity and increasing the appeal of an area has been recognised in a number of area development projects. There are many good examples of this.

Kruunuvuorenranta in Helsinki is one of the city's major area development projects. When completed in the 2030s, the area will include hundreds of light art installations. YIT's Viklo apartment building in Kruunuvuorenranta will feature its own piece of light art in the form of Valon virta (Stream of Light), designed by the artist **Kari Alonen**.

Penttilänranta in Joensuu is an old industrial district that is being developed into a comfortable residential neighbourhood. Art has been acquired for the Penttilänranta area under the percentage principle, which involves allocating approximately one per cent of the cost of the construction project to art. The art featured around the apartment buildings developed by YIT was presented to the public at the Joen yö event in August.

In Jyväskylä, YIT is participating in the development of the culturally and historically significant Kangas district. One of the exterior walls of YIT's Albertinpiha apartment building in Kangas will feature glazed brick art by **Mika Natri**. The percentage principle is also applied in the Kangas district, and art and culture play a strong role in the development of the area as a whole.


## TRIPLA STARTED AN UPHEAVAL IN PASILA - WATCH THE VIDEO: MALL OF TRIPLA

The construction of Central Pasila started with Tripla, which, in addition to a shopping mall and a parking facility, will include office space, apartments and a hotel. The construction project also covers Pasila station and the adjacent public transport terminal.

This enormous project had a significant year in 2016 as we joined Etera Mutual Pension Insurance Company, Onvest Oy and Fennia Mutual Insurance Company in signing a contract to establish a joint venture for the implementation of the Mall of Tripla and its parking facilities. The financing agreements for the shopping mall were signed in June, which also meant that the other key conditions for the project's implementation were in place in the form of legally valid construction permits and the necessary decisions by the authorities. In mid-August, our President and CEO Kari Kauniskangas had the privilege of laying down the foundation stone of the Tripla urban centre. The Tripla construction site currently employs over 500 people, and the number of personnel working on the project is set to double in the coming years.

The leasing of the commercial premises in the Mall of Tripla, which is scheduled to open in autumn 2019, has taken off even better than planned. By the end of 2016, binding agreements had been signed for approximately 40 per cent of the retail premises. When completed, the Mall of Tripla will be the largest shopping centre in Finland in terms of the number of retail spaces. The leasable floor area exceeds 85,000 square metres for a total of about 250 tenants, and there will be parking space for about 2,300 cars. The Finnish Music Hall of Fame—a museum showcasing the history of Finnish music as well as contemporary Finnish music—will be opened simultaneously with the Mall of Tripla, the parking facilities and the new Pasila station.

In December, YIT signed a letter of intent for the implementation of the hotel that is part of the Tripla project. The hotel will be operated by Sokotel Oy, and the investor will be a new limited partnership managed by Exilion Management Oy with Elo Mutual Pension Insurance Company and Suomen Osuuskauppojen Keskuskunta as owners. The intention is to sign the final project agreements in early 2017. The hotel is scheduled for completion in early 2020. Offering some 430 rooms, the hotel will be one of Finland's largest in terms of capacity.

Pasila will become the new heart of Helsinki and an even more important meeting hub for transportation that is expected to double its resident and job numbers by 2040. The City of Helsinki has planned the former railway yard to the north of Tripla for residential blocks, which will have apartments for more than 3,000 residents. An international architectural design and implementation competition has been launched for the high-rise area to the south of Tripla.

OUR FOCUS AREAS

# Passionate execution

Hard technical skills, design expertise, execution expertise and strong cost control are part of YIT's DNA when it comes to projects. Technically challenging and large in scale, our projects make our customers' daily lives easier and are significant for society.

We are an organisation with strong engineering competencies and an industry-leading partner network. We only execute projects for which we have the necessary key personnel. We operate transparently, in accordance with our values and the rules of society.

Our project expertise is created through high-quality construction, extensive experience, special competencies, effective co-operation and the development of our personnel. We share best practices and systematically transfer tacit knowledge within our organisation. We have organised extensive internal project management training for our project personnel and the personnel who play supporting roles in projects. During five training days and more in-depth training periods, we focus on topics such as understanding projects as a whole, personality factors and behavioural models, communication, quality management and schedule management, finances, procurement and good leadership. The training was completed by 100 white-collar employees in 2016, and the training will continue in 2017.

## A GOOD PROCESS IMPROVES QUALITY

Quality, occupational safety, professional pride and corporate culture go hand in hand. YIT's quality culture and the factors contributing to high-quality outcomes were extensively reviewed during the year with all personnel under various themes, including the management boards, the quality supervisors' network, in meetings held in our various Finnish units and support functions, as well as regular site meetings.

A high-quality construction process starts from customer insight and continues through design and construction, all the way to the liability period. Targets set for each sub-process in the different stages of construction lead to the desired outcome, which also relies on business-level planning, production management, procurement management and shared knowledge.

Our quality only meets our targets when the customer is satisfied with the outcome. For example, the Naantali CHP power plant site, which won the Construction Site of the Year 2016 competition, measures the alliance project's stakeholder satisfaction, continuously implements corrective measures and aims to achieve success through co-operation.

Part of YIT's quality culture is the belief that every employee improves quality by their own work. A proactive view creates the

## DIGITAL LEAP FROM HAMINA TO VAALIMAA

Digitality plays a major role in the construction of the E18 Hamina–Vaalimaa motorway. The project uses the Finnish Infrakit software for information model-based construction. Information modelling offers significant advantages in the work management, monitoring and quality control of a large-scale project. Among other things, the software allows the construction site to process, share and visualise plans, designs and data on actual work performed, which makes it easier to see the big picture and co-ordinate operations. There are 3D models on aspects such as the foundations, drum excavacations, drainage systems and telematics. YIT was contracted by the Finnish Transport Agency to implement the project, which involves the construction of 32 kilometres of motorway, a truck stop, a tunnel and 45 bridges, and employs hundreds of people and machines. The motorway is scheduled to be opened for traffic in March 2018 in its entirety.

conditions for successful work. Advance planning is carried out carefully and sample work is used for on-site quality assurance. When all of the components are in good order, everyone at YIT can do their jobs right the first time, with no compromises on quality and safety.

## OCCUPATIONAL SAFETY IS ONE OF THE CORNERSTONES OF OUR OPERATIONS

Occupational safety is one of the cornerstones of our renewed operations. Occupational safety and well-being functions were combined in 2016 with the aim of improving our capacity to provide safety and energy to the lives of our personnel and partners.

In our work to promote safety, we focus particularly on proactive measures such as safety observations and safety rounds by management. The effectiveness of site visits by management was studied in 2016 and, based on the results, measures were developed to further develop safety rounds by management.

Digitalisation is playing an increasingly prominent role at our construction sites. In 2016, we piloted the NordSafety mobile occupational safety tool at five construction sites. We also expanded the use of Yammer as a channel for occupational safety communications. We will continue our efforts to develop occupational safety tools and facilitate smoother day-to-day operations at construction sites in 2017.

Highly competent employees are among the cornerstones of our safety efforts, which is why we invest in various occupational safety training programmes. YIT was the first company in the construction industry to itself organise further occupational safety delegate training for its own employees. In addition, our safety management training programme brought together 247 white-collar employees during the year for two days of training.

We apply the same strict basic work practices, such as the use of personal protective equipment, in all of the countries we operate in. At our construction sites abroad, we require a level of safety that significantly exceeds local regulations and is in line with Finnish standards. We provide training and orientation to all personnel who work at our construction sites and require all of our contractors to apply the same rules.

## THE CONSTRUCTION SITE OF THE YEAR 2016

The multi-fuel power plant NA4 CHP under construction in Naantali won the Construction Site of the Year 2016 competition in October. The project represents the first alliance contracting project in industrial construction, with the alliance partners being A-Insinöörit Suunnittelu Oy, AX-LVI Consulting Ltd., Turun Seudun Energiantuotanto Oy (TSE) and YIT. High-quality project management has created the framework for a site that has been exceptionally successful in terms of its schedule management, cost-effectiveness and quality. One of the factors contributing to the site's success in the competition was safety, which has been at a high level right from the start. The jury's criteria included a high standard of professional skills among the individuals – from the developer and engineers to the contractors – involved in the project, a good spirit on site and an excellent level of occupational safety.

OUR FOCUS AREAS

# Inspiring leadership

Our inspiration stems from challenging projects, meaningful work, involving people and our way of working.

Our projects today are a collaborative effort between the customer, our personnel and our partners' personnel. The management of diverse teams is even more challenging in the increasingly digital environment, with practices such as remote work being used to a growing extent. Clear responsibilities, shared goals, a strong beat, positivity, humour and the spirit of getting things done together are all factors that make people inspired and committed. Inspiring leadership is a broad concept. Understanding it is now more important to us than ever before.

YIT employees want to proudly share our project successes with their friends and family. Our projects have an impact on the daily lives of our customers and we look for positive feedback from our stakeholders. It is also important for us to maintain a strong team spirit and co-operate effectively with our partners. Supervisors play a significant role in well-being at work, with openness and trust being key elements. When the basics are in good order, we can build inspiring co-operation around this strong core. Inspiration manifests itself as laughter and bubbly chatter. It is reflected in everything we do in the form of vigour, openness, positivity and a strong interest in other people.

## AKI AHREMAA FROM YIT WON THE CONSTRUCTION QUALITY 2016 COMPETITION

In October, the Confederation of Finnish Construction Industries RT named **Aki Ahremaa**, Site Manager of YIT, as the winner of the Construction Quality 2016 competition. A total of 44 employees or teams working at renovation and new construction sites or plants manufacturing construction products participated in the competition. Ahremaa has worked at YIT for almost 20 years. Most recently, he has spent more than four years at the Barkerinranta construction site in Turku's Raunistula district, which consists of eight apartment buildings.

"Employees at construction sites must always remember that we work for our customers. The question is, how can we meet their expectations", Ahremaa explains. According to Ahremaa, a trusting relationship with customers is an important part of high-quality work. For example, customers who have purchased an apartment in Barkerinranta are contacted immediately after the purchase and invited to the site to witness the completion of the apartment.

Ahremaa has used two tools in particular to ensure quality at Barkerinranta: the Golden Hour and the quality scorecard developed by YIT's Quality Manager **Jere Ritari**. The Golden Hour means that, before starting the work, at least one month is devoted to preparing detailed plans concerning schedules, costs and moisture control, as well as area plans and logistics plans. A quality scorecard, in turn, is used to measure the quality of site management every two weeks and upon the handover of each project.

## OPEN AND PARTICIPATORY LEADERSHIP

In 2016, we updated our people vision and HR strategy. In the future, we will continue to strive for leading project expertise, but we will do it in an even more open and participatory manner. This development will be built around smart and flexible ways of working as well as strong teams, whose members can include both our employees and others in our network.

YIT's philosophy of management by key results supports day-to-day leadership in various situations. Performance and development discussions are held regularly and they not only provide a direction for strategic goals and actions, but they also establish a foundation for competence development. The management of challenging situations is assisted by early support and early intervention models as well as the skills acquired in special training on work ability. Our day-to-day dialogue with personnel is enhanced by our annual personnel survey, YIT Voice, whose content will be updated in line with our new vision by autumn 2017.

YIT has several training programmes, methods and tools that support the development of open and inspiring leadership. Our project management training programme helps develop our company's characteristic capacity of using a diverse working community with the strong planning and implementation skills required for highly demanding construction projects. More than 100 employees completed this training during the year.

Three training programmes aimed at senior management, supervisors and employees in demanding expert roles support the development of personnel in different career stages. The content of each of these training programmes was updated during the year, particularly with respect to participatory methods and tools, to ensure that they are effectively put into action in day-to-day operations. Part of the programmes also include 360-degree feedback and coaching as integral elements. The Partner programme developed late in 2016 and set to begin in early 2017 is aimed at supporting our employees' understanding of—and skills related to—network management, as well as supporting the creation of strong partnerships.

## TACIT KNOWLEDGE TRANSFERRED THROUGH ORIENTATION TRAINING AND MENTORING

The year 2016 was characterised by active recruitment, orientation training focused on YIT's operating models and the transfer of tacit knowledge to employees who took up new positions. It is essential that key project participants are found among our own personnel, starting from the planning and tendering stages, and that the significance of teamwork skills is emphasised to our new recruits. New employees must also be provided with sufficient support to ensure quality, safety and expertise.

In the autumn, we launched a project specifically aimed at enhancing on-site orientation training through methods including the improved utilisation of digital tools and systems. A mentoring programme was piloted in 2015–2016 to support employees who are transferred to new roles. The decision was then made to expand the programme due to the positive outcomes achieved by it. Almost 50 people were selected to participate in the mentoring programme in the role of either mentor or mentoree, with the goal-driven one-on-one discussions between the pairs supported by a career motivation survey and working style assessment. As part of the Performance Leap development programme, targeted training


### THE MOST IDEAL EMPLOYER IN THE CONSTRUCTION INDUSTRY

YIT was ranked as the most ideal employer in the construction industry in Universum's 2016 Professionals Survey (university-educated professionals) as well as Universum's 2016 Student Survey.

YIT is perceived as a respected company that can offer challenging and diverse tasks. Professional training and development, the opportunity to hold supervisory and managerial positions and a corporate culture that values employees were also frequently highlighted by the respondents. YIT has dominated the top of the rankings of ideal employers in the construction industry in both surveys throughout the 2010s with the exception of a second-place ranking one year.

**#1 among students:** 2010, 2011, 2012, 2014, 2015 and 2016
**#1 among professionals:** 2010, 2011, 2012, 2013, 2015 and 2016

has also been introduced in project work using a coaching-based approach and techniques including the big room method and the last planner tool. Both contribute to increased openness and participation in practical work.

## PERSONALISED DEVELOPMENT FROM STUDENTS TO PROFESSIONALS

YIT's challenging projects require broad-based expertise. This expertise can be developed not only through learning on the job and job rotation, but also by having the best trainers in the industry. We developed the five-credit YIT Studies module for university students in the field of construction. The training programme includes practical training at our construction sites as well as classroom teaching periods in six universities of applied sciences and one university. Our other internal training programmes are also supported by partners with strong expertise in the area in question. For many young people, learning on the job begins while they are still students. In 2016, YIT provided more than 700 summer jobs, trainee positions and thesis writing positions. Our goal for the next year is to provide at least the same number. With respect to internal career opportunities, we have systematically increased openness and we implemented some 120 internal transfers in 2016 in Finland.

## "THE KNOW-HOW ACCUMULATED OVER THE YEARS MUST BE PASSED FORWARD"

**Pertti Kärkkäinen** is an experienced builder and bridge engineer who has worked on more than 150 bridge construction projects during his 32 years at YIT. His current role is Head of Construction Management at the Tripla construction site in Helsinki's Pasila district. Pertti's experience and attitude makes him a valuable resource. He has a sincere desire to help his colleagues achieve progress in their careers. Pertti joined YIT's mentoring programme in its pilot phase in 2015–2016, when it only consisted of four pairs of mentors and mentorees.

**Ingo Kvist** became Pertti's first mentoree soon after being appointed to the position of Construction Manager. He approached the idea of mentoring with an open mind to obtain support for facing his new challenges. "Being able to talk to Pertti about things has been a fantastic experience," Ingo says. His mentor was very approachable, with a low threshold for all kinds of questions. Having a mentor also meant he had immediate access to clear and coherent advice, even on challenging issues, and their discussions also covered themes such as good management and coping with work. Equally valuable was the opportunity to see how the industry veteran threw himself at challenges and the professional manner in which he handled tasks such as contract negotiations. "I found Pertti's enthusiasm very infectious," Ingo admits.

For Pertti, mentoring means being able to convey at least some parts of his expertise and having the sense that the mentoree feels he has benefited from their shared journey. Pertti and Ingo were both full of praise for their flexible and successful co-operation.

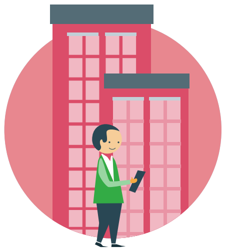
Our mentoring programme was expanded to include 24 pairs this year, and Pertti is again one of the mentors enthusiastically sharing his experiences with the next generation of talents.

“

We want to respond to consumers’ changing expectations by complementing housing construction through the development of inspiring services that make consumers’ everyday lives easier, and we also want to actively offer various housing opportunities.

PEKKA HELIN, SENIOR VICE PRESIDENT,
DIRECTOR OF THE LIVING SERVICES DEVELOPMENT PROGRAMME

# Our business segments


| | HOUSING FINLAND AND CEE | HOUSING RUSSIA | BUSINESS PREMISES AND INFRASTRUCTURE |
|---|---|---|---|
| BUSINESS OPERATIONS | We construct and develop apartments and entire residential areas. | We construct and develop apartments and entire residential areas, and we operate in the service and maintenance business. | We build offices, shopping centres, care facilities, roads, bridges, rail and metro stations, harbours and more. We also operate in the area of road and street maintenance. |
| OPERATING COUNTRIES | Finland, Estonia, Latvia, Lithuania, the Czech Republic, Slovakia, Poland | **Seven regions in Russia:** Rostov-on-Don, Yekaterinburg, Kazan, Moscow, Moscow region, St. Petersburg, Tyumen | **Business premises:** Finland, Estonia, Latvia, Lithuania, Slovakia<br>**Infra:** Finland |
| MARKET POSITION | Market leader in Finland, one of the major operators in the CEE countries, excluding Poland, where operations began in 2016 | Largest foreign housing developer | One of the major operators in Finland, strong foothold in the Baltic office market<br>A small but growing business premises constructor in Slovakia and the Czech Republic |
| CUSTOMERS | Households, private and institutional investors | Primarily households | Businesses, the public sector and institutional investors |
| MAIN COMPETITORS | Lemminkäinen, SRV, Skanska, Bonava, Lehto Group, Lapti, JM, Lujatalo, Hartela, Merko, Nordecon, Central Group, Finep, Dom Development, Robyg and smaller local operators in different cities | PIK Group, LSR Group, Etalon Group and local operators in different cities | Lemminkäinen, NCC, Skanska, Destia, VR Track, Peab, Graniittirakennus Kallio, Kreate, Jatke, SRV, Lehto Group and local operators in different countries. |
| MARKET SIZES | **Housing start-ups, units (2016 estimate):**<br>Finland 32,900 Slovakia 19,000<br>Czech Republic 25,700 Poland 170,000<br><br>**Completed apartments, units (2016 forecast):**<br>Estonia 4,500<br>Latvia 1,900<br>Lithuania 10,700 | **Completed apartments, units (2016 forecast):**<br>Moscow 49,000<br>Moscow region 146,000<br>St. Petersburg 50,000<br>Russia 1,100,000 | **Business premises construction, EUR million (2016 estimate):**<br>Finland 11,400<br>Baltic countries 3,600<br>Slovakia 2,200<br><br>**Infrastructure construction, EUR million (2016 estimate):**<br>Finland 6,500 |

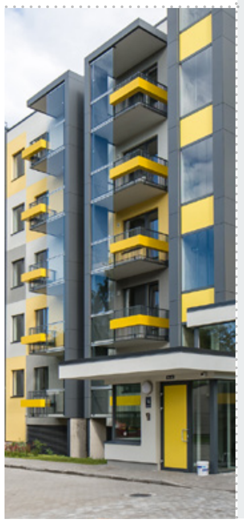
# Housing Finland and CEE

**WE STARTED** the construction of the Ranta-Tampella area project in Tampere, Finland. The foundation stone for the area as a whole and its first residential building, Näsinkeula, was laid in late November. The demand for the apartments in Näsinkeula was exceptionally high when their advance marketing began in September, which says a lot about the strong interest in the apartments.

**WE ARE** converting an old VR machine shop district into a residential area in Turku's Fabriikki neighbourhood. The foundation stone for the area as a whole and its first residential building, Fortuna, was laid in late autumn. The area has been zoned to include approximately 30 residential buildings in three blocks, which corresponds to about 1,000 apartments.

**WE ARE** currently constructing the second and third phase of the Suomi Hloubětín area in Prague in the Czech Republic. The project is YIT's largest area development project in Prague: the nine-hectare residential area will see a total of nearly 900 new apartments completed by 2024.

**IN MAY**, we started the construction of the final phase of the Bikerziedi project in Riga, Latvia. The project is located in a peaceful residential area, and most of the apartments are compact two- or three-room apartments. Approximately 1,900 square metres of commercial space will be constructed in connection with the building to accommodate a grocery store, among others.



## YIT RECEIVED AWARDS IN SLOVAKIA AND LITHUANIA DURING THE YEAR

YIT won the Developer of the Year award for the third time in a row in a competition organised by the Slovak magazines ASB and TREND. In addition, the YIT Plus online service won the Innovation of the Year award at the Slovakia CIJ Awards.

YIT's project Upės rezidencija in Vilnius was selected as the best residential project in the Baltic countries at the sixth Baltic Real Estate Investment Forum event in 2016. YIT's New Rivjera project in Vilnius was recognised as the best residential BIM project in a competition that assessed the implementation of Building Information Modelling in construction projects.

# Housing Russia

**WE STARTED** the construction of a new apartment building in our Novo Orlovsky area development project in northern St. Petersburg in Russia. The plan for the 46-hectare plot comprises nearly 10,000 apartments. The project also includes the construction of several car parks, day-care centres, schools, shops, a sports and leisure centre and other business premises in the area.

**THE SOVREMENNIK** residential area is located in the Novo-Savinovski region along the Kazanka River. The project comprises 11 buildings ranging from 12 to 20 storeys that will include apartments as well as office space. The apartments offer great views of the Kremlin in the city of Kazan's historical centre. The first BREEAM environmental certificate on Kazan property market was granted to a apartment building at Sovremennik area.

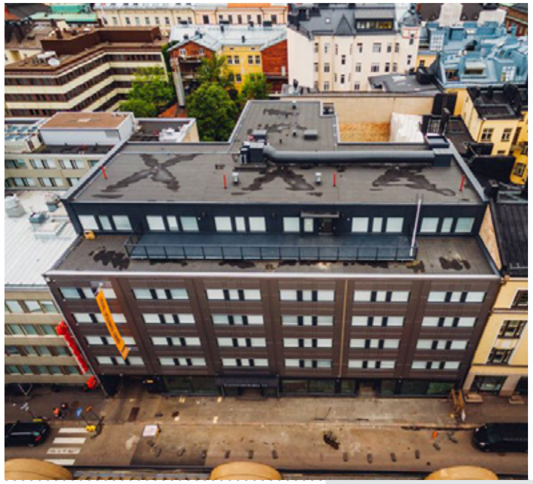
**OUR NEW PROJECT**, Akvamarin, will occupy a central location at the heart of Rostov-on-Don. The two apartment buildings under construction will house over 200 business class apartments, all with open views over the Don River. Special attention has been paid to energy-efficiency in this project.

**IN FEBRUARY**, we started a new residential project, New Noginsk, in the Moscow region. The project includes six 17-storey buildings consisting of apartments, commercial premises and a day-care centre. In the project, special attention has been paid to functional and efficient layouts, and apartment sizes vary from studios to small three-room apartments.

> In St. Petersburg, YIT received the "Reliable Developer in Russia" award for the third time in a row in 2016.

# Business Premises and Infrastructure

**YIT RENOVATED** an office building at Lönnrotinkatu 11 in Helsinki, Finland to meet the requirements of a modern office. In the renovation finalized in October, the façade, interiors and building systems of the building were renewed and sixth floor was constructed. The anchor tenant of the building is Lexia Attorneys Ltd.



**WE SIGNED** a contract with Posiva Oy on the next stages of excavation work for the ONKALO bedrock research site and on the excavation of the first tunnels of Posiva's final disposal facility. The contract also includes excavation work for the canister receiving station at a depth of approximately 430 metres.

**YIT WAS** selected as the contractor for Metropolia University of Applied Sciences' Myllypuro campus project. The contract's total value for YIT exceeds EUR 70 million. When completed, the campus will provide facilities to approximately 6,000 students and 500 employees.

Photo: Helsingin kaupunki / Arkkitehtitoimisto Lahdelma & Mahlamäki Oy ja Arkkitehtitoimisto Lehto Peltonen Valkama Oy

**LAUTTIS,** the new centre of Lauttasaari in Helsinki, was completed on schedule and opened its doors to customers in December. Lauttis also increases the convenience of daily life for local residents, with housing, services and excellent public transport connections available in the same location. Watch a video of the Lauttis opening ceremony.

**WATCH THE VIDEO**

**WE STARTED** construction on several care facility projects under the YIT Care concept. We signed a framework agreement of approximately EUR 75 million with Hemsö for the construction of care facilities in Finland, with related projects launched in Espoo and Tampere late in the year. We also signed an agreement with a care property fund managed by Northern Horizon Capital to build a care hybrid project in Seinäjoki.

# Risks and risk management

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

## RISK MANAGEMENT POLICY

YIT's risk management policy aims to identify key risk factors in the company's operations and manage these in an optimal manner to allow the company to achieve its strategic and financial objectives and ensure the continuity of its operations. The starting point is to manage the Group's total risk exposure, not merely the management of individual risk factors. Risk management must be proactive, co-ordinated and systematic.

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

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

The Group's financial and finance management is responsible for identifying and assessing financial risks, reporting to Group management.

The Group's internal audit organisation supports YIT's management in arranging and developing risk management and internal control. The internal audit reports to the Audit Committee of the Board of Directors and to the President and CEO. Risk management plays a key role in the management, supervision and reporting of the company's business operations.

## THE GROUP'S RISKS

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

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

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

## THE GROUP'S RISKS

| Strategic risks | Management methods |
|---|---|
| Changes in the operating environment | Geographical diversification, diversification of the business and project portfolio<br>Foresight, monitoring and analysis processes and ability to react<br>Development of new services inspired by megatrends and anticipated changes in the operating environment<br>Large-scale area development projects and contracting provide flexibility in different market situations |
| Management of capital | Efficient allocation of capital based on centralised decision-making on investments and investment policy<br>Partnership models<br>Monitoring processes and simulation models, flexible market analysis and monitoring |
| Product and service portfolio | Ensuring an attractive product offering that takes different customer segments and changes in customer behaviour into consideration<br>Agility in switching between different methods of implementation |
| Mergers and acquisitions | Selected based on the strategic frame of reference and pre-defined criteria<br>Improving integration competencies and effective integration processes |
| **Operational risks** | |
| Project management | A method of organisation that ensures the sufficient expertise of project personnel and effective steering group work<br>Harmonised decision-making processes and operating systems, regular auditing and procedures related to decision-making authorisations<br>In self-developed projects, a phased gate model in which the decision points involve specifically created control tools, decision-making authorisations and decision-making criteria<br>Continuous monitoring and control of profitability and degree of completion<br>Co-operation and communication with the authorities and other stakeholders to ensure that building rights are refined in a trouble-free manner and that construction projects proceed as planned<br>Project management systems that enable advanced and harmonised production management and transparency<br>Partnerships, fixed-term agreements and capacity reservations<br>Improving project management expertise and interaction skills, developing management principles and putting them into action |
| Building rights management | Analysis of property- and plot-related terms and conditions and opportunities<br>Market analyses and profitability control methods<br>Contractual terms |
| Sales risk | Adjustment of own start-ups according to the sales volume<br>Design management and profitability control practices, including market-based pricing<br>Contractual arrangements<br>Improving customer understanding and advance marketing |
| Contract tenders and service agreements | Tender and risk analyses<br>Contractual expertise |
| Risks related to personnel | The corporate culture, values and management principles, harmonised operating methods, training and career planning, internal job rotation, succession planning, recruitment, orientation training, co-operation with educational institutions, trainees, building the employer image, well-being at work and compensation and benefits |
| **Financial risks** | |
| Liquidity risks<br>Currency and interest rate risks<br>Credit and counterparty risks<br>Risks related to the reporting process | Accounting and financing policies, diverse sources of finance and balanced maturity structure, continuous cash flow planning and forecasting, internal and external audit<br>More information on financial risks and their management is provided in Note 28 to the financial statements. |

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

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

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

The Group's business development function is responsible for steering the practical development of risk management. The implementation of the annually selected development themes is spread out across the organisation.

YIT's most significant short-term risks are described in the Report of the Board of Directors on page 88.

## FOCUS AREAS IN THE DEVELOPMENT OF RISK MANAGEMENT IN 2016

The objective of risk management development projects is to make the company's risk management processes and operating methods even more systematic, thereby supporting the implementation of the company's strategy. In 2016, the company defined six focus areas for the development of risk management, the implementation of which was steered and supervised by senior management. Responsible persons and key performance metrics were defined for each focus area.

### BUSINESS CONTINUITY AND CONTINGENCY PLANNING

The purpose of continuity and contingency planning is to prepare to take action against the interruption of business operations. Continuity and recovery plans are available particularly for the protection of key processes and critical business functions from the impacts of disruptions and damage under all circumstances. The focus has been on development areas that have previously received less attention.

### THE ADEQUACY, COMPETENCE AND COMMITMENT OF PERSONNEL

Development areas have included recruitment methods and channels, internal job rotation, the management of personnel information and participatory methods. Competence is ensured by a diverse offering of internal and external training, as well as mentoring practices. The evaluation of personnel makes it possible to develop the content of the training offering and prepare career advancement plans for individuals. Compensation and benefit practices are continuously reviewed to support the achievement of strategic objectives and the commitment of personnel.

## THE GROUP'S SHORT-TERM RISKS

| Risks | |
|---|---|
| **Market change**<br>New operators, operating models and concepts | Increasing |
| **Market uncertainties**<br>Decreasing consumer confidence and purchasing power, decline in the market for apartment projects sold to investors (apartments for sale) | Stable |
| **Employee attrition**<br>Failed resource management | Increasing |
| **Decline in housing prices** | Stable |
| **Plot availability and permits** (including funds) | Increasing |
| **Wrong sales portfolio and inventory (unattractive products)** | Stable |
| **Overheating markets in the CEE countries** | Increasing |
| **Weak demand among residents and investors** | Decreasing |
| **Information leaks**<br>Cybersecurity deficiencies | Increasing |

Increasing   Stable   Decreasing

### PROJECT RISKS

As part of the Group-wide renewal of the production management system, the management of project risks has been made more systematic with the aim of achieving greater transparency and consistency.

### REPORTING PRINCIPLES

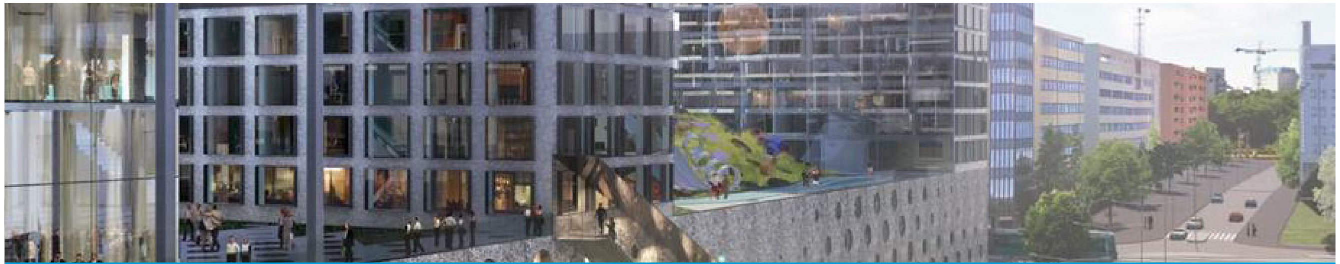
The principles of Group reporting have been specified further and guidelines have been put into practice across all operations. The goal is more real-time, transparent and coherent reporting that meets external and internal requirements.

### INFORMATION SECURITY

A newly implemented service is used to monitor the IT environment and react to potentially damaging events. The classification of information and the rules governing access have been specified further. Increasing awareness and skills among personnel has been a key aspect of improving information security. In anticipation of amendments to the legislation governing personal data, the company has strengthened its capacity to comply with the new requirements.

### CORPORATE SECURITY

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



## RISK MANAGEMENT IN A MAJOR PROJECT LIKE TRIPLA

The risks of the Tripla project were comprehensively defined at the start of the project. Among other things, they include:

- Strategic risks: Zoning, building permits, economic cycles, leasing and investor sales, personnel, certain technical risks.
- Operational risks: Schedule, quality, safety, technical and legal risks, communication and logistics, etc.

The risk management for Tripla takes place at many levels. The risk management has been organised as follows:

- The steering group focuses on strategic risks and their management.
- The Senior Project Director monitors strategic and operational risks.
- The design, production, sales and concept directors manage operational risks.
- The project has been divided into several sub-projects to make it easier to manage. Project managers monitor the operational risks of their projects.

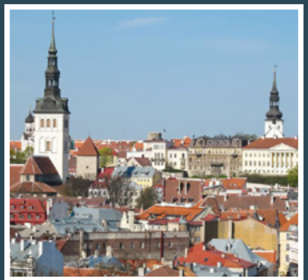
Risk management practices:

- Clear objectives and responsibilities.
- Continuous risk identification and monitoring — immediate reaction to deviations.
- Seamless co-operation with stakeholders (authorities, residents, investors, subcontractors, etc.).
- Standardised operations and production planning.
- Dividing the project into manageable sub-projects.
- Highly competent personnel and a strong culture.

The project's risk level has declined significantly as investor sales and leasing has progressed and the foundation work has been completed. The risk level will decrease continuously as construction and leasing progresses further. Thanks to excellent planning and execution, the project is even ahead of schedule.

# CORPORATE RESPONSIBILITY





## TALLINN, ESTONIA

Tallinn's low price level, active housing market and new housing stock are particularly attractive to Finnish housing investors. Estonia's functional and advanced digital infrastructure is another pull factor.

# Sustainable development at YIT

**DESIGNING** and building sustainable urban environments is at the core of YIT's corporate responsibility. Our most significant impact on society and our stakeholders is created by our products, namely the apartments, business premises and infrastructure that make up the urban environment. As such, the focus of our corporate responsibility is on the sustainability of urban environments. More information on that subject is provided on page 18 of this Annual Report. Our discussions with our stakeholders have made it clear that our stakeholders are in strong agreement with us regarding this focus area.

In addition to the sustainability of the urban environments we build, our operations involve aspects that are material particularly with respect to certain specific stakeholders. We report on these material aspects in our GRI report and, based on the principle of integrated reporting, throughout the Annual Report. We engage in continuous dialogue with our stakeholders and, in our operations and communications, we also take into consideration potential changes in the aspects defined as being material.

**Material aspects from the perspective of YIT and stakeholders:**

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

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

## 100 GOOD DEEDS

When our company celebrated the milestone of 100 years of operation in 2012, we wanted to mark the occasion by doing something different and particularly good. This led to the 100 Good Deeds campaign, which has gradually evolved from a mere campaign to a new responsible way of working.

Good deeds promote a sense of community and collaboration. The beneficiaries of the good deeds include various communities, associations, organisations, schools, day-care centres and assisted living facilities. Our good deeds have helped communities and made their daily lives easier in many ways.

We do concrete good deeds ourselves by utilising our competencies and equipment. Our efforts in the areas of repairs, restorations, giving guidance, recycling and lending have delighted people across Finland. This demands a whole new level of commitment from us compared to simply giving away money.

We have also challenged sponsorship applicants in an entirely new way. In exchange for sponsorship funds, we request applicants to do a good deed that benefits a third party.

This is how we do it today and how we will continue to do it in the future. Our goal is to complete our next set of 100 good deeds and to expand the good deeds to all of our operating countries.

You can express your support for applicants and read more about the good deeds that have already been done on our website at www.yit.fi/100hyvaatekoa

# What does a sustainable city look like?

### SOCIAL
From the social perspective, a sustainable city is a place where people are comfortable, where the community is strong and where people have an attachment to their neighbourhood. The city also feels like a safe place to live. Daily life is smooth in a sustainable city.

### ENVIRONMENTAL
A sustainable city minimises the greenhouse gas emissions created in and around the city. There is a low need for private cars and public transport is efficient and attractive. Biodiversity is protected and nature is an integral part of the city.

### ECONOMIC
An economically sustainable city remains an attractive place to live from one decade to the next. The local property stock maintains its value, making it a safe investment for people. The technical solutions used in buildings are made to last, and buildings are easy to maintain.

# What's in it for me?

A SUSTAINABLE CITY HAS VALUE FOR ALL OF ITS STAKEHOLDERS.

### RESIDENTS
For residents, a sustainable city means a pleasant place to live, with local services, effective public transport and a good framework for a happy and sustainable life.

### CITY REPRESENTATIVES
For city representatives, a sustainable city means attractive urban areas that support the future of the entire city as a sustainable place to live and work. Sustainable cities also mean reliable partnerships in urban development.

### COMPANIES
For companies, a sustainable city means a place with population density and flow is good enough for profitable business at the footing of buildings. There is demand for many kinds of services and it is possible to spesialise. Sustainable city is a lively place and an innovative environment for business.

### ENVIRONMENT
For the environment, a sustainable city means lower greenhouse gas emissions, reduced use of natural resources and a larger number of places where diverse nature can thrive within cities.

# GRI Index

| General disclosures | | Page | |
|---|---|---|---|
| STRATEGY AND ANALYSIS | | | |
| G4-1 | CEO's statement | p. 9 | |
| ORGANISATIONAL PROFILE | | | |
| G4-3 | Name of the organisation | | YIT Corporation |
| G4-4 | Primary brands, products and services | p. 43 | |
| G4-5 | Location of organisation's headquarters | | YIT's headquarters is located in Helsinki, Finland |
| G4-6 | Number of countries and location of operations | p. 43 | |
| G4-7 | Nature of ownership and legal form | p. 64–65 | |
| G4-8 | Markets served | p. 13–16 | |
| G4-9 | Scale of reporting organisation | p. 5 | |
| G4-10 | Basic information on employees | p. 86 | see table below |
| G4-11 | Percentage of employees covered by collective bargaining agreements | | YIT complies with the general collective bargaining agreements in effect in all countries in which collective bargaining agreements are generally used, including Finland. In Russia, the Group complies with company-specific agreements in line with local legislation. YIT has traditionally had very good employer–employee relationships based on negotiation and co-operation. |
| G4-12 | Supply chain description | | The Group uses suppliers and subcontractors extensively in its operations in all of the countries it operates in. The materials used in construction come from an extensive network of suppliers located mainly in Europe, particularly in the Group's current operating countries, but also on a small scale from suppliers in Asia. With regard to subcontractors, operating models vary slightly by country and business unit: in some operating countries, all of the workforce used in construction, with the exception of project management, comes from the subcontractor network, while in Finland, for example, the workforce of subcontractors mainly complements YIT's own workforce in the area of construction. Subcontractors and their workforce are largely from the Group's operating countries and their neighbouring countries. |
| G4-13 | Significant changes during the reporting period | p. 80–83 | |
| G4-14 | Addressing the precautionary approach in environmental issues | p. 47–50 | |
| G4-15 | Voluntary charters and other initiatives | | No significant commitments to voluntary charters and other initiatives. |
| G4-16 | Memberships in associations | | Memberships include the Confederation of Finnish Construction Industries RT and associations under it, FIBS ry, Construction Quality Association |

G4-10 Basic information on employees:

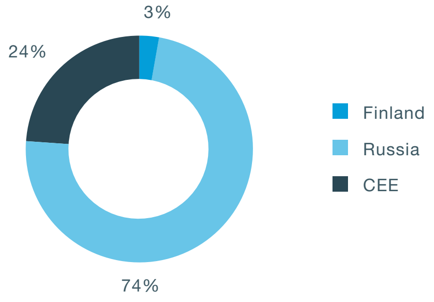
| | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Average number of personnel | 5,361 | 5,613 | 6,116 | 6,575 |
| Non-salaried /salaried employees (%) | 43/57 | 46/54 | 47/53 | 53/47 |
| Women/men (%) | 26/74 | 26/74 | 26/74 | 24/76 |

| General disclosures | | Page | | |
|---|---|---|---|---|
| MATERIAL ASPECTS AND BOUNDARIES | | | | |
| G4-17 | Coverage of the report | | The report covers all of the Group's functions, unless otherwise mentioned. | |
| G4-18 | Process for defining report content | | The definition of report content and the identification of material aspects are based on consideration of the economic, social and environmental impacts of YIT's business operations, YIT's strategy as well as stakeholder dialogue. | |
| G4-19 | Material aspects | p. 52 | | |
| G4-20 | Internal coverage of the material aspects | | The aspects identified as material are material for all Group functions, unless otherwise indicated in the section in question. | |
| G4-21 | External coverage of the material aspects | | More details on the materiality of various aspects is provided in the section on each aspect. | |
| G4-22 | Restatements of information provided in previous reports | | There are no restatements of information provided in previous reports. | |
| G4-23 | Significant changes from previous reporting periods | | No significant changes from previous reporting periods. | |
| STAKEHOLDER ENGAGEMENT | | | | |
| G4-24 | List of stakeholder groups | | YIT has identified the following as its key stakeholders: customers, personnel, shareholders and investors, municipalities and public administration, partners and civil society. | |
| G4-25 | Identification and selection of stakeholders | | The identification and selection of stakeholders is based on a materiality analysis from both YIT's perspective and the stakeholders' perspective. Due to the nature of YIT's business, the company is in daily interaction with several different stakeholder groups. These stakeholders are therefore also very significant with regard to YIT's business operations. YIT also engages in dialogue with all stakeholders whose daily life the company's operations have material significance to. | |
| G4-26 | Approach to stakeholder engagement | | **Stakeholder** | **Interaction and communication channels** |
| | | | Customers | Customer meetings and events, trade fairs and public events, customer satisfaction surveys, diverse feedback, website |
| | | | Personnel | Everyday work and communication; Result and development discussions; Annual personnel survey; Internal training programmes and introductory events; Personnel communications materials and channels |
| | | | Shareholders and investors | Investor meetings and events; Investor communications materials; Releases and official financial communications; Investor website |
| | | | Partners | Auditing and evaluation processes; Continuous co-operation with significant suppliers; Supplier meetings and events; Participation in co-operative bodies in the industry |
| | | | Municipalities and public administration | Personal meetings, public communications, workshops and seminars |
| | | | Civil society | Seminars and events, mass media, social media |
| | | | With most stakeholders, engagement is built on regularly recurring forms of interaction, in addition to which there is also other, continuous engagement. | |
| G4-27 | Key topics raised through stakeholder engagement | p. 52 | | |

| General disclosures | | Page | |
|---|---|---|---|
| REPORT PROFILE | | | |
| G4-28 | Reporting period | | The reporting period is the calendar year, January 1, 2016 – December 31, 2016. |
| G4-29 | Date of most recent previous report | | The most recent previous report was published on February 22, 2016. |
| G4-30 | Reporting cycle | | The report is published annually. |
| G4-31 | Contact point | back cover | |
| G4-32 | GRI Content Index | p. 54–62 | |
| G4-33 | External assurance | | The report has not been assured by a third party. |
| GOVERNANCE | | | |
| G4-34 | Governance structure | p. 64–65 | |
| ETHICS AND INTEGRITY | | | |
| G4-56 | Organisation's values, principles, standards and norms of behaviour | p. 11, 72 | YIT's operations are guided by company's values, management principles, mission and vision, and its Business Principles. They are all included in the orientation of new personnel and regularly highlighted in various events and materials for personnel. In recent years, particular focus has been placed on leadership in accordance with the company's values, and compliance with the values in the company's day-to-day operations. The principles have been implemented in all of YIT's operating countries. |

| Material Aspect | | Page | |
|---|---|---|---|
| ECONOMIC RESPONSIBILITY | | | |
| Economic Performance | | | |
| G4-DMA | Management approach | | YIT's operations have a major economic impact on the surrounding society and the company's key stakeholders. YIT employs a significant number of personnel and creates business for suppliers and subcontractors. YIT's business operations are very long-term in nature, which is also reflected in the company's co-operation with stakeholders where possible, and stakeholders' economic stability. |
| G4-EC1 | Direct economic value generated and distributed | p. 25 | |

**CORPORATE INCOME TAXES PAID IN 2016 PER AREA**




**YIT's approach to taxes**

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

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

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

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

| Material Aspect | | Page | |
|---|---|---|---|
| **Market presence** | | | |
| G4-DMA | Management approach | | From the perspective of some of YIT's stakeholders, it is important that the company uses a substantial amount of local labour and local subcontractors. However, this is not always feasible on the scale the stakeholders would want. In some situations, a sufficient amount of skilled labour is not available locally, in which case YIT will utilise labour that is available from elsewhere in the labour market. In the EU, with freedom of movement for workers, YIT cannot discriminate against subcontractors or workers based on nationality. Correspondingly, YIT does not tolerate discrimination based on the nationality or origin of workers in any other cases either. YIT always complies with local collective bargaining agreements and labour law in its operating countries, regardless of where the workers originate from. |
| **Significant indirect economic impacts** | | | |
| G4-DMA | Management approach | | YIT's business operations are very closely linked to the local societies in which the company operates. YIT has numerous indirect impacts on these local societies' functionality, safety and comfort. In many operating countries and municipalities, zoning sets a strict framework for the design and construction of projects, but YIT introduces its own expertise to the planning of residential neighbourhoods, for instance, where possible. In these cases, YIT increasingly considers a broad range of social, economic and environmental factors related to the urban environment, such as the long-term attractiveness of areas, their comfort, convenience in daily life, environmental efficiency, and creating a sense of community. This allows YIT to contribute to promoting the economic, social and environmental well-being of society by creating urban environments that support the other goals of society. |
| G4-EC7 | Infrastructure investments and services | p. 16 | In Russia, YIT is involved in building the so-called social infrastructure. The construction of social infrastructure, such as schools and day-care centres, is a condition for being granted building rights for residential neighbourhoods. In Russia, YIT's projects often include other work such as the construction of road infrastructure. In other operating countries, society manages infrastructure development by means of competitive bidding between vendors. In Finland, for instance, YIT builds public facilities, day-care centres, schools, assisted living facilities, traffic infrastructure and energy infrastructure as part of the company's business operations. |
| G4-EC8 | Significant indirect economic impacts | p. 24–25 | The value creation involved in YIT's business operations is described in two figures, on pages 24 and 25 of the Annual Report. |
| **ENVIRONMENTAL RESPONSIBILITY** | | | |
| **Materials** | | | |
| G4-DMA | Management approach | | Operations in the construction business involve the substantial use of construction materials. As such, the efficiency of the use of construction materials is also a significant cost issue that is given a lot of attention from that perspective in particular. Every construction project is unique, which makes it difficult to develop an unambiguous measure of material efficiency that would accurately reflect its true level. For this reason, material efficiency is monitored and managed on a project-specific basis. In addition to project-specific analysis, YIT engages in more general development of design management and technical calculation practices from the perspective of material efficiency, focusing on aspects such as the optimisation of building structures and the selection of materials. |

| Material Aspect | | Page |
|---|---|---|
| **Energy** | | |
| G4-DMA | Management approach | YIT's industry is not particularly energy-intensive, but the company does consume a significant amount of energy, and energy-efficiency is also an important factor in the cost-efficiency of YIT's own operations. Due to the project-intensive nature of YIT's business, energy consumption can vary significantly from one period to the next. The company focuses on the energy-efficiency of its own operations particularly at the project and unit level by developing various energy-efficient working methods and replacing its vehicles and equipment as energy efficiency improves. |
| G4-EN3 | Energy consumption within the organisation | (see tables below) |
| G4-EN5 | Energy intensity | The energy consumption to revenue ratio, which is an indicator of energy intensity, is indicated in the table in the section G4-EN3. |
| **Waste** | | |
| G4-DMA | Management approach | Significant amounts of waste are generated in the construction business. A particularly large volume of waste is generated when a construction site has existing buildings that are demolished to make way for new construction. Similar to materials and energy, the reutilisation of waste, reducing waste volume and recycling waste are cost-efficiency issues for YIT, and as such they are managed and developed on a project-specific and unit-specific basis. As a rule, YIT's construction sites sort the construction waste they generate and the focus is placed on reducing the volume of waste. Waste that can be re-utilised as material is re-used depending on the local availability of re-use methods. |
| **Compliance** | | |
| G4-DMA | Management approach | The risk of significant environmental damage is quite small in YIT's business operations, although local damage may be significant in cases such as fuel leaks. YIT's construction sites have established practices for avoiding and managing such risks. In addition to the prevention of actual environmental damage, YIT also takes special protection measures in its construction projects to avoid negative impacts from construction on endangered species, for example. The assessment is very project-specific in these situations. |
| G4-EN29 | Significant fines and sanctions for non-compliance with environmental regulations | No significant fines and sanctions for non-compliance with environmental regulations during the period. |

G4-EN3 Energy consumption within the organisation:

| Consumption of direct energy sources, GWh | 2016 | 2015 | 2014 |
|---|---|---|---|
| Petrol | 3.4 | 4.2 | 4.7 |
| Diesel | 25.7 | 22.4 | 46.0 |
| Light fuel oil | 22.6 | 14.3 | 16.9 |
| Natural gas | 1.5 | 1.5 | 3.5 |
| **Total** | **57.2** | **42.4** | **71.0** |

| Consumption of indirect energy sources, GWh | 2016 | 2015 | 2014 |
|---|---|---|---|
| Electricity | 59.4 | 55.2 | 69.7 |
| District heating | 34.1 | 29.2 | 40.9 |
| **Total** | **93.5** | **84.4** | **110.6** |
| Total energy consumption, GWh | 150.7 | 126.8 | 181.6 |
| Ratio: energy consumption (MWh) / revenue (EUR million) | 84.5 | 76.8 | 100.8 |

| Material Aspect | | Page | |
|---|---|---|---|
| **SOCIAL RESPONSIBILITY** | | | |
| **LABOUR PRACTICES AND DECENT WORK** | | | |
| **Occupational health and safety** | | | |
| G4-DMA | Management approach | | Occupational health and safety is one of the key responsibility aspects related to YIT's personnel, and it also creates the foundation for an employment relationship that is good in other respects as well. As the risk of occupational accidents is always present in YIT's line of business, the company places significant focus on the development of occupational safety. Over a period of several years, the company has created a very systematic approach to ensure occupational safety in particular, including personnel training, the development of operating methods, management engagement, as well as continuous reporting and monitoring. During 2016, the strategy for occupational safety was renewed and three focus areas were chosen: safety management and leadership, proactive measures and convenience in every day life and functioning tools. Digitalisation of the sites was improved and for example on many sites safety observations are being recorded with a mobile application. The development work will continue further in 2017. The impact of occupational safety visits by the management was studied during autumn 2016 and the occupational safety visits will be renewed according to the results. The most essential measurements for occupational safety (accident frequency rate, among others) show a good progress, but consistent work in order to improve safety will continue. |
| G4-LA6 | Rates of injury, fatalities and absenteeism | | See table below |
| G4-CRE6 | Coverage of internationally recognised health and safety management system | | In 2016, the international health and safety certificate OHSAS 18001 covered all of YIT's operations in Finland, the Baltic countries and Central Eastern Europe. |
| **Training and Education** | | | |
| G4-DMA | Management approach | p. 39–41 | One of the material factors in the value creation in YIT's business operations is personnel competence and its development. Regular and high-quality performance and development discussions create a strong foundation for competence development at YIT. They are used to monitor the development of personnel and provide encouragement at the individual level. The response to competence development includes coaching programmes aimed at all personnel groups, training, seminars and other development methods. |
| G4-LA11 | Employees receiving regular performance and career development reviews | | According to YIT's 2016 personnel survey, 72% of the Group's personnel participated in performance reviews. In 2015 the result was 74%. |

G4-LA6 Rates of injury, fatalities and absenteeism:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Accident frequency rate | 10 | 10 | 12 |
| Fatal accidents[1] | 1 | 2 | 3 |

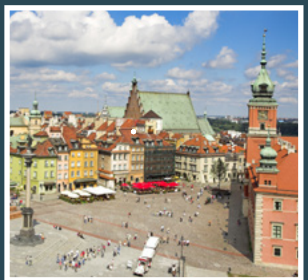
[1] YIT's and subcontractors' employees' deaths at YIT's construction sites

| Material Aspect | | Page | |
|---|---|---|---|
| **Labour practices of subcontractors and suppliers** | | | |
| G4-DMA | Management approach | | Supplier assessment and monitoring practices vary slightly between operating countries. In Finland, YIT utilises a country-wide information system to continuously ensure that both Finnish and Estonian subcontractors take care of their employer obligations in compliance with the law. Subcontractors from other countries are required to supply corresponding information manually to YIT. However, the proportion of subcontractors used in Finland who are from countries other than Finland and Estonia is very small.<br><br>A corresponding information system is not available in other operating countries for the time being, but the background of new suppliers and subcontractors is always checked before co-operation begins. YIT also emphasises the importance of strict occupational safety practices in the selection of suppliers and in supplier operations. Matters related to wages, working hours and occupational safety are communicated as part of the drafting of each subcontracting agreement, and separately if necessary, should any deficiencies and ignorance be observed. Cases of misconduct are considered on a case-by-case basis and, where necessary, the co-operation is terminated with immediate effect.<br><br>The aim is to audit all significant suppliers at regular intervals. A further aim is to audit all new significant suppliers before the first agreement is signed with them. Audits cover factors related to labour practices and working conditions, environmental issues, as well as the quality and reliability of operations. The selection of suppliers is also affected by YIT's continuous internal monitoring of complaints and supplier feedback. |
| **SOCIETY** | | | |
| **Anti-corruption** | | | |
| G4-DMA | Management approach | | Due to YIT's industry and geographical operating area, the company must pay attention to the prevention of corruption in its business operations. The YIT Business Principles are complied with throughout the Group, and there is a general communication channel for anonymously reporting suspicions of illegal activity in the various languages spoken in YIT's operating countries. YIT's strategy has confirmed a zero tolerance policy regarding the grey economy, and high ethical standards are part of the company's values.<br><br>In Russia, where the risk of corruption is greater than in the other operating countries, special attention is paid to the prevention of corruption in all of the necessary operating processes. Internal control is also particularly emphasised in Russian operations. |
| G4-SO4 | Communication and training on anti-corruption policies and procedures | | YIT continuously provides training and orientation to its personnel on the prevention of corruption and other illegal operating practices. The content and scope of the training depends partly on the role of the persons concerned; in procurement, for instance, operating methods are continuously developed to better ensure the prevention of corruption in the supply chain. At a general level, all personnel are required to comply with the YIT Business Principles, which unequivocally prohibit corruption, bribery and other illegal activities. YIT's values are reviewed as part of the orientation training of new employees, and the practical implementation of the values is assessed with the help of the annual personnel survey. |
| G4-SO5 | Confirmed incidents of corruption and actions taken | | YIT investigates all suspected cases of misconduct and corruption and decides on further action based on the results of the investigation. In 2016, there were a total of 49 suspected cases of misconduct, a part of which the investigation has been deferred from a year to another. In terms of numbers, the most suspected cases of misconduct were detected regarding construction site loss and geographically in Russia. In addition in Finland, one  criminal case that has lasted many years came to its end and two former YIT employees were sentenced for fraud. Following the results of the investigations regarding suspected cases of misdonduct, co-operation with the subcontractors or suppliers and any YIT employees involved was terminated, when necessary. |

| Material Aspect | | Page | |
|---|---|---|---|
| **Political contributions** | | | |
| G4-DMA | Management approach | | YIT is strongly linked to the local administration in its operating countries, from public officials to politicians, in contexts such as land use and building permit processes. Local administrative bodies make many decisions that affect the company's business operations. It is therefore important that relationships with them are completely neutral, and that there is no need to question the impartiality of their decisions due to actions taken by YIT. The YIT Business Principles, which are complied with throughout the Group, specify that YIT does not make financial contributions of any kind to political parties. |
| G4-SO6 | Contributions to political parties and related institutions | | YIT does not support any politicians, political parties or other political institutions. |
| **PRODUCT RESPONSIBILITY** | | | |
| **Customer satisfaction** | | | |
| G4-DMA | Management approach | p. 33–34 | YIT strives for excellent customer service and an excellent customer experience in all of its business operations. In recent years, the company has developed and harmonised its operating methods for measuring customer satisfaction across different functions, and specified strategic goals of flawless deliveries and improving the customer experience. Group-wide indicators used include the number of flawless deliveries in the housing construction business, and the Net Promoter Score in all functions across the Group. In addition, YIT utilises customer feedback surveys in its all business operations. Customer satisfaction is regularly measured and monitored, and the development of the results is monitored by Management Boards. Customer satisfaction and quality are factors that influence the compensation and benefits of employees, and the related procedures and indicators are continuously developed further. |
| G4-PR5 | Results of surveys measuring customer satisfaction | p. 6 | In Housing businesses, 93% (2015: 90%) of the apartments handed over to consumer customers were handed over in completely flawless condition. Over the long term, the target is a 100% flawless handover rate. Weighted Net Promoter Score, which covers all the Group's operations, was 62% in 2016 (2015: 60%). The Net Promoter Score reflects the degree to which customers are prepared to recommend the company in question. The index score is affected by the proportion of Promoters and Detractors among all respondents, and the scale is -100%–100%. YIT's long term target for the NPS index is a score above 60%. Both indicators were first implemented in 2014, and their use was developed and expanded further in 2016. |

# CORPORATE GOVERNANCE





## WARSAW, POLAND

The construction of the first YIT homes in Warsaw began in 2016. The construction of new apartments places a priority on the values of sustainable development, including energy efficiency and environmental issues.

# Corporate Governance

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

## GOVERNING BODIES

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

## ANNUAL GENERAL MEETING

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

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

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

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

### THE RIGHTS OF SHAREHOLDERS

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

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

The notice of the meeting is published no later than three weeks before the meeting on the company's website. The notice contains the agenda and the Board's proposals to the General

Meeting, as well as the names of the persons nominated for seats on the Board of Directors and the nominated auditor. The minutes of the General Meeting with voting results are available on our website no later than two weeks after the General Meeting.

### ANNUAL GENERAL MEETING 2016

The Annual General Meeting was held on March 15, 2016, in Helsinki. A total of 506 shareholders participated in the General Meeting personally or by proxy (2015: 606), representing a total of 47,181,346 (47,273,156) shares and voting rights, which is approximately 37.09 (37.15) per cent of the company's shares and voting rights. The members of the Board of Directors, the President and CEO and the auditor were present at the meeting.

The resolutions of the General Meeting are presented as a summary in the Report of the Board of Directors on page 85, and they can be viewed in full on our website.

| YIT's Corporate Governance, December 31, 2016 |
|---|
| **General Meeting**<br>40,016 shareholders on December 31, 2016 |
| **Shareholder's Nomination Board**<br>3 largest shareholders |
| **Board of Directors**<br>Chairman, Vice Chairman, three members |
| **Board committees**<br>Personnel Committee and Audit Committee |
| **President and CEO** |
| **Management Board**<br>Chairman (President and CEO), Vice Chairman, six members |

## BOARD OF DIRECTORS

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

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

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

### Additional information online

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

### YIT's website

- www.yitgroup.com/corporategovernance
- Investor information pursuant to the Securities Market Association's Finnish Corporate Governance Code, including, among other things, the Corporate Governance Statement and the Remuneration Statement for 2016.
- Articles of Association
- YIT Business Principles

and heads of business units and functions attend the meetings when necessary. The President and CEO and the secretary of the Board prepare the meetings with the Chairman of the Board and draw up the agendas. The President and CEO ensures that the Board is provided with sufficient information on matters such as the structure, operations, markets and competitive situation of the company in order to carry out its tasks. The meeting agendas and materials are sent to Board members in good time before the meeting.

The Board of Directors and its committees have ratified standing orders. Board members evaluate the operation of the Board each year, including the committees, and the results are taken into account in the Board's work and its development.

### KEY TASKS OF THE BOARD OF DIRECTORS

Among other duties, the Board of Directors:

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

### BOARD MEMBERS' ATTENDANCE IN MEETINGS IN 2016

| | Board of Directors | Personnel Committee | Audit Committee |
|---|---|---|---|
| Kim Gran[1] | 1/2 | 1/2 | |
| Reino Hanhinen[2] | 2/2 | 2/2 | |
| Satu Huber | 12/12 | 6/6 | 5/5 |
| Erkki Järvinen | 12/12 | 2/2 | 4/4 |
| Inka Mero[3] | 10/10 | 6/6 | |
| Juhani Pitkäkoski | 11/12 | | 4/5 |
| Teuvo Salminen[4] | 2/2 | | 1/1 |
| Matti Vuoria[5] | 10/10 | 6/6 | |
| Board members' average attendance rate | 93% | 92% | 95% |

### YIT Corporation's Board of Directors on December 31, 2016

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

#### AUDIT COMMITTEE

Erkki Järvinen (Chairman)
Satu Huber
Juhani Pitkäkoski

#### PERSONNEL COMMITTEE

Matti Vuoria (Chairman)
Satu Huber
Inka Mero

1. Kim Gran was a member of the Board and the Personnel Committee until March 15, 2016. Before March 15, 2016, the Board of Directors and the Personnel Committee convened twice. 2. Reino Hanhinen was a member of the Board and the Personnel Committee until March 15, 2016. Before March 15, 2016, the Board of Directors and the Personnel Committee convened twice. 3. Inka Mero was a member of the Board and the Personnel Committee as of March 15, 2016. After March 15, 2016, the Board of Directors convened ten times and the Personnel Committee convened six times. 4. Teuvo Salminen was a member of the Board and the Audit Committee until March 15, 2016. Before March 15, 2016, the Board of Directors convened twice and the Audit Committee convened once. 5. Matti Vuoria was a member of the Board and the Personnel Committee as of March 15, 2016. After March 15, 2016, the Board of Directors convened ten times and the Personnel Committee convened six times.

## BOARD OF DIRECTORS 2016

The members of YIT Corporation's Board of Directors between January 1 and March 15, 2016, were Reino Hanhinen as the Chairman, Kim Gran as the Vice Chairman and Satu Huber, Erkki Järvinen, Juhani Pitkäkoski and Teuvo Salminen as members. The Annual General Meeting held on March 15, 2016, elected three (3) ordinary members to YIT's Board of Directors in addition to the Chairman and the Vice Chairman. As the Chairman of the Board of Directors, the Annual General Meeting elected **Matti Vuoria**, born 1951, BA, LL.M.; as Vice Chairman **Juhani Pitkäkoski**, born 1958, LL.M., Executive Vice President & CEO of Division Industrial Solutions at Caverion Corporation; and as members **Satu Huber**, born 1958, M.Sc. (Econ.), Chief Executive Officer of Elo Mutual Pension Insurance Company; **Erkki Järvinen**, born 1960, M.Sc. (Econ.), President and CEO of Tikkurila Group; and **Inka Mero**, born 1976, M.Sc. (Econ.), Co-founder of the startup accelerator and investment company Pivot5 Oy.

In 2016, all of the members of the Board of Directors were independent of YIT and its major shareholders, except Juhani Pitkäkoski, who was not independent of the company due to having worked as the President and CEO of YIT Corporation within the three years (until June 30, 2013) preceding the beginning of his membership of the Board of Directors. The Board of Directors convened 12 times during 2016. The members' total attendance rate was 93%. The Board of Directors conducted a self-evaluation during the year, assessing matters such as the efficiency of its work, the quality of information and materials submitted to the Board, the focus areas of its work and the targets set for management. The results of the evaluation are to be used in developing the Board's work.

In 2016, the Board's work focused on selecting the strategic focus areas for the next strategy period, assessing the effects of changes in the operating environment and supervising the implementation of measures. Other focus areas in the Board's work in 2016 included stabilising the profitability of the Group's business in Russia, ensuring the agreements and financing related to the Group's major projects as well as matters related to the Group's financing.

Group CFO Timo Lehtinen served as the secretary of the Board until September 5, 2016, followed by Corporate General Counsel Juha Jauhiainen.

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

## SHAREHOLDERS' NOMINATION BOARD

On March 15, 2016, the Annual General Meeting of YIT Corporation resolved to establish a Shareholders' Nomination Board for the company to prepare proposals on the election and remuneration of the members of the Board of Directors for the Annual General Meeting, and confirmed the proposal for the standing order of the Nomination Board.

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

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

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

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

### SHAREHOLDERS' NOMINATION BOARD 2016

YIT Corporation's three largest shareholders on August 31, 2016, in accordance with the shareholder register maintained by Euroclear Finland Ltd and the principles specified in the standing order, were entitled and willing to exercise their right to appoint representatives to the Nomination Board. The appointees to the Nomination Board were **Risto Murto**, CEO of Varma Mutual Pension Insurance Company, **Kalle Saariaho**, CEO of OP Fund Management Company Ltd., and **Antti Herlin**. The Chairman of YIT Corporation's Board of Directors, Matti Vuoria, served as an expert member on the Nomination Board, and Risto Murto served as the Chairman of the Nomination Board.

The Nomination Board convened twice in 2016. The members' total attendance rate was 100 per cent. Between meetings, the Nomination Board prepared its proposals under the leadership of its Chairman.

### PROPOSAL ON THE COMPOSITION OF THE BOARD OF DIRECTORS IN 2017

YIT Corporation's Nomination Board has proposed that a Chairman, a Vice Chairman and four (4) ordinary members be elected to the Board of Directors. The Nomination Board proposes that Matti Vuoria be elected as Chairman, Juhani Pitkäkoski as Vice Chairman and Satu Huber, Erkki Järvinen, Inka Mero and Tiina Tuomela (new member) as members for a term ending at the close of the next Annual General Meeting following their election. All candidates have consented to being elected. All candidates are presented on the company's website.

## COMMITTEES FOR THE BOARD OF DIRECTORS

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

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

### PERSONNEL COMMITTEE

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

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

#### PERSONNEL COMMITTEE IN 2016

The members of the Personnel Committee of the Board of Directors of YIT Corporation between January 1 and March 15, 2016, were Reino Hanhinen as the Chairman and Kim Gran and Erkki Järvinen as members. At its organisational meeting on March 15, 2016, the Board of Directors elected Matti Vuoria as the Chairman and Satu Huber and Inka Mero as members of the Personnel Committee. The Committee convened a total of eight times in 2016. The members' total attendance rate was 92 per cent. Pii Raulo, Senior Vice President, Human Resources, served as the Committee's secretary.

During 2016, the Personnel Committee prepared the diversity principles and the matters pertaining to the establishment of the Shareholders' Nomination Board for the Board of Directors to decide on. The Personnel Committee also followed the revision of the HR strategy, monitored the remuneration levels of senior management and, in conjunction with organisational changes, presented appointments of key personnel for confirmation by the Board of Directors. During the year, the Personnel Committee also prepared rules for performance-based bonuses and the annual targets, key personnel categories and key personnel allocation of the long-term incentive scheme, and steered the planning of the potential new long-term incentive scheme.

### AUDIT COMMITTEE

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

The Committee convenes five times per year and more often if necessary. It comprises three members, the majority of whom must be independent of the company, and at least one of the members must be independent of major shareholders. Persons who have extensive knowledge of the Group's business operations and business segments and competence required by the position are elected as members. In addition at least one member must have sufficient knowledge of accounting, book-keeping or auditing. The Corporate General Counsel acts as the secretary of the Audit Committee.

#### AUDIT COMMITTEE IN 2016

The members of the Audit Committee of YIT Corporation's Board of Directors between January 1 and March 15, 2016, were Satu Huber as the Chairman and Juhani Pitkäkoski and Teuvo Salminen as members. At its organisational meeting on March 15, 2016, the Board of Directors elected Erkki Järvinen as Chairman and Satu Huber and Juhani Pitkäkoski as members of the Audit Committee.

The Audit Committee convened five times in 2016. The members' total attendance rate was 95 per cent. Group CFO Timo Lehtinen served as the secretary of the Committee until September 5, 2016. Interim CFO and Internal Audit Director Ari Ladvelin served as the Committee's secretary from September 5, 2016 to November 7, 2016, and Corporate General Counsel Juha Jauhiainen served as the secretary starting from November 7, 2016. The company's President and CEO Kari Kauniskangas, the Internal Audit Director Ari Ladvelin and, as the company's chief auditor, APA Juha Wahlroos (PricewaterhouseCoopers) also participated in the Committee's meetings, as did members of the company's management and experts, depending on the matters dealt with by the meeting.

During the financial period, in addition to its main tasks, the Audit Committee regularly discussed the capital release programme and the monitoring of the use of capital, risk management and the company's financing situation and the preparation of financing arrangements, and monitored system projects and reporting and accounting processes related to business operations in Russia.

In addition, the Audit Committee monitored the progress of disputes and legal proceedings, and discussed the Group's decision-making authorisations.

### PRESIDENT AND CEO

The President and CEO attends to the day-to-day administration of the company in accordance with the instructions and regulations laid down by the Board of Directors. The Board of Directors appoints and discharges the CEO and supervises his operation. It also decides on the President and CEO's salary and fees and other terms of employment. The CEO ensures that the company's accounting is lawful and asset management is organised reliably. YIT's President and CEO serves as the Chairman of the Group's Management Board.

### MANAGEMENT BOARD AND GROUP INVESTMENT BOARD

YIT Group's Management Board is the highest operational decision-making body and is responsible for allocating resources to the business segments. The Group Management Board is also responsible for assessing the performance of the business segments.

The President and CEO and other members appointed by the Board of Directors make up the Group's Management Board. The President and CEO appoints the Management Board's secretary. The Group Management Board, which meets on a regular basis, approximately once a week, assists the Group CEO with operational planning and management and prepares matters that are to be processed by the Board of Directors. Among other duties, the Management Board formulates and co-ordinates the Group's strategic and annual planning, supervises the implementation of plans and financial reporting and prepares significant investments, mergers and acquisitions. The development of the Group's internal co-operation and promoting joint development projects are among the Management Board's key duties.

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

MANAGEMENT BOARD IN 2016

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

The Group Management Board as of January 1, 2016:

- Kari Kauniskangas, Chairman, President and CEO
- Tero Kiviniemi, Vice Chairman, Executive Vice President, Head of Business Premises and Infrastructure segment
- Teemu Helppolainen, Head of Housing Russia segment
- Antti Inkilä, Head of Housing Finland and CEE segment
- Timo Lehtinen, Chief Financial Officer
- Juhani Nummi, Secretary to the Management Board, Senior Vice President, Business Development
- Pii Raulo, Senior Vice President, Human Resources

From January 1, 2016 to September 5, 2016, the Group's CFO was **Timo Lehtinen**. **Esa Neuvonen** was appointed CFO and member of the Management Board on September 5, 2016, and he took up his post on November 7, 2016. Internal Audit Director **Ari Ladvelin** served as interim CFO from September 5, 2016 to November 7, 2016. In addition, **Juha Kostiainen**, Senior Vice President, Sustainable Urban Development, was appointed to the Management Board on October 1, 2016.

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

The Management Board convened twelve (12) times during the year for actual Management Board meetings. The focus areas of the Management Board's work in 2016 included the revision and implementation of strategy, risk management, controlling investments, controlling strategic development programmes and focusing other development efforts on strategically important areas. Key content themes included HR development, the product offering, sales and customer relationship management, customer orientation, customer experience and the brand, profitability control, cash flow and capital efficiency. In addition to controlling common development programmes, the Management Board led the development of quality and occupational safety.

## AUDIT FEES

| EUR million | 2016 | 2015 |
|---|---|---|
| Audit fee | 0.8 | 0.8 |
| Statements | 0.0 | 0.0 |
| Tax services | 0.0 | 0.0 |
| Other services | 0.1 | 0.1 |
| Total | 0.9 | 0.9 |

## INTERNAL AUDIT

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

INTERNAL AUDIT IN 2016

The focus areas of the internal audit were the management of large-scale area developments and projects, IT, major projects in Russia and business development projects. The internal audit engaged in close co-operation with the Group corporate security organisation and the Russian corporate security organisation.

## AUDIT

YIT has one auditor, which must be an approved and registered auditing firm pursuant to the Auditing Act (1141/2015).

The Annual General Meeting elects the auditor based on the proposal of the Audit Committee of the Board of Directors. The Board's Audit Committee prepares the draft resolution concerning the election of the auditor. The auditor audits the company's accounting, Board of Directors' report, Financial Statements and administration for the financial year. The parent company's auditor must also audit the consolidated financial statements. The auditor reports regularly to the Board of Directors and its Audit Committee and gives YIT's shareholders an Auditor's Report as required by law.

Pursuant to the decision of the Annual General Meeting, the auditor's fee is paid as per the invoice approved by the company.

We comply with the provisions of the Auditing Act and the EU Statutory Audit Directive with regard to the maximum duration of the auditor's terms of office and, in electing the auditor, we also take into consideration that the total duration of the consecutive terms of office of the auditor with main responsibility must not exceed seven years.

### AUDIT IN 2016

The Annual General Meeting in 2016 elected Pricewaterhouse-Coopers Oy as the auditor. The auditor with main responsibility was Juha Wahlroos, Authorised Public Accountant. The Auditor's Report for the financial year 2016 is presented in the Financial Statements section of the Annual Report.

## INSIDER ADMINISTRATION

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

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

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

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

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

# Operating principles and control systems

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

## YIT BUSINESS PRINCIPLES

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

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

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

## INTERNAL CONTROL AND RISK MANAGEMENT CONNECTED WITH THE FINANCIAL REPORTING PROCESS

Financial reporting and supervision are based on the strategy updated annually, budgets drafted every six months and monthly performance reporting. The most significant part of the accounting material is generated in projects, the result, cash flow and capital forecasts of which are updated on a monthly basis. The financial units of business units are responsible for reporting in their respective areas of responsibility in accordance with the accounting principles defined by the Group. The reporting carried out by segments and divisions is supported by such functions as Group accounting, IT and financing. The CFO is a member of the Group Management Board.

The representatives of centralised financial functions and the financial management of the segments convene on a monthly basis to review matters that concern the segments, the most significant development projects and topical special issues concerning financial administration.

### IN 2016

The risks of financial reporting are assessed annually. Risks related to financial reporting are managed with the help of the Group's accounting manual, financing policy, investment guideline, acquisition instructions and internal audit.

In 2016, the Group continued to revise and harmonise its accounting and reporting systems for all business segments. For the Housing Russia segment, the decision was made to establish a financial service centre to handle the accounting and reporting of the Group's Russian subsidiaries. Group financing controls were developed and verified further.

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

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

## OUR OPERATIONS ARE GUIDED BY

**Key external regulations**

- Limited Liability Companies Act
- Securities Markets Act
- Rules of Nasdaq Helsinki Ltd
- The Finnish Corporate Governance Code issued by the Securities Market Association

**Key internal regulations**

- Articles of Association
- Guidelines for Insider Matters and Trading in Financial Instruments
- Standing order of the Shareholder's Nomination Board
- Standing orders of the Board of Directors, its Committees and the Management Board
- YIT Business Principles
- YIT Group's standing order
- Group Policies and Principles

# Board of Directors

VIEW CAREER HISTORY

## Juhani Pitkäkoski

Vice Chairman

born 1958, LL.M., Caverion Corporation, Executive Vice President, Head of Division, 2015–

Member of the Board of Directors, 2014–
Member of the Audit Committee, 2014–

Not independent of the company (until 30 June 2016), but independent of its major shareholders.

## Inka Mero

Member

born 1976, M.Sc. (Econ.), Co-founder and Chairman of the Board of Pivot5 Oy, 2016–

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

Independent of the company and its major shareholders.

## Matti Vuoria

Chairman

born 1951, BA, LL.M.

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

Independent of the company and its major shareholders.

## Satu Huber

Member

born 1958, M.Sc. (Econ.), CEO of Elo Mutual Pension Insurance Company, 2015–

Member of the Board of Directors, 2009–
Member of the Audit Committee, 2009–

Independent of the company and its major shareholders.

## Erkki Järvinen

Member

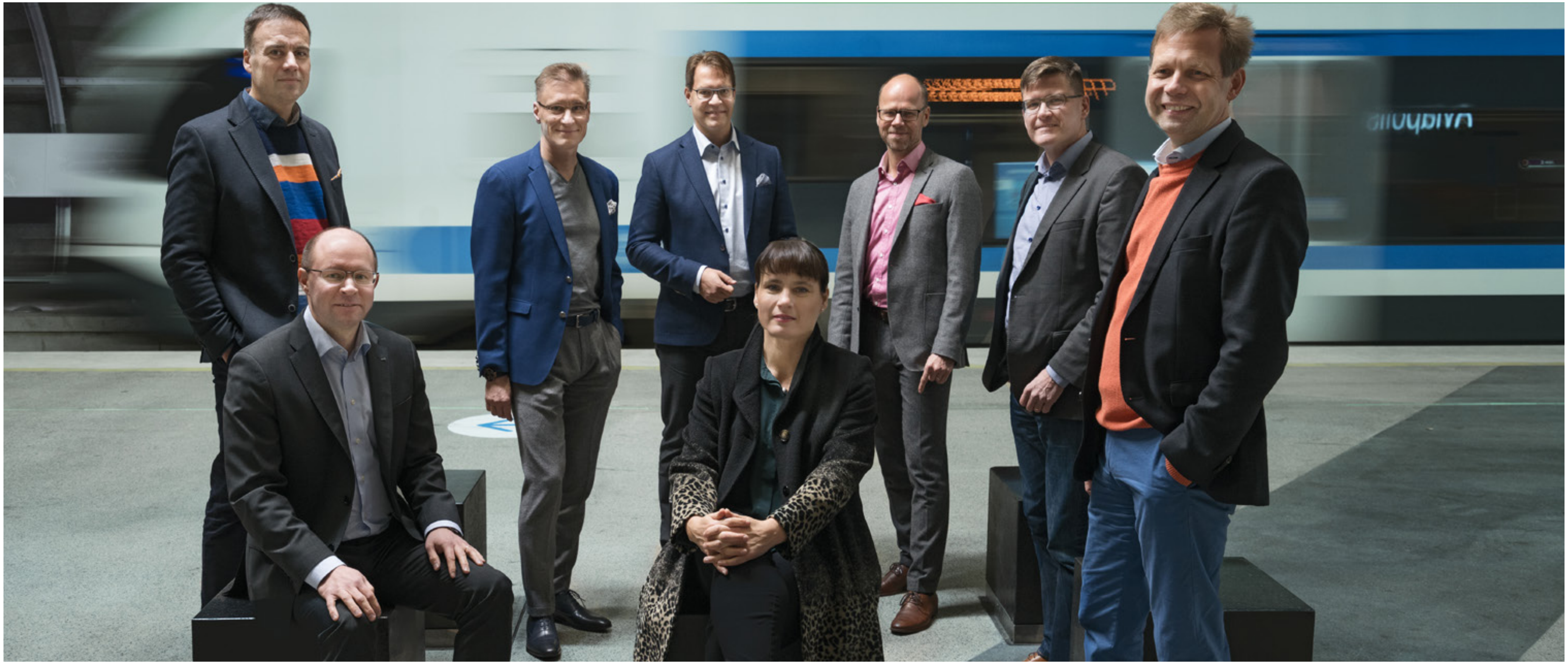
born 1960, M.Sc. (Econ.), President and CEO of Tikkurila Group, 2009–

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

Independent of the company and its major shareholders.

# Management Board

VIEW CAREER HISTORY



| Juhani Nummi | Kari Kauniskangas | Juha Kostiainen | Esa Neuvonen | Pii Raulo | Antti Inkilä | Tero Kiviniemi | Teemu Helppolainen |
|---|---|---|---|---|---|---|---|
| Senior Vice President, Business Development | President and CEO | Senior Vice President, Sustainable Urban Development | Chief Financial Officer | Senior Vice President, Human Resources | Head of Housing Finland & CEE Segment | Executive Vice President Head of Business Premises and Infrastructure segment | Head of Housing Russia segment |
| born 1967, M.Sc. (Eng.) | born 1974, M.Sc. (Eng.), B.Sc. (Econ.) | born 1965, M.Sc. (Eng.) D.Sc. (Adm.), docent | born 1967, M.Sc. (Econ.) | born 1967, M.Sc. (Econ.) | born 1969, M.Sc. (Eng.) | born 1971, M.Sc. (Eng.). Executive MBA | born 1962, M.Sc. (Econ.), |

# FINANCIAL STATEMENTS



## VILNIUS, LITHUANIA

Vilnius a major city whose city centre is a popular residential area. As the old housing stock no longer satisfies modern requirements, apartment buildings are being comprehensively renovated or demolished to make way for new buildings.

# Report of the Board of Directors January 1 – December 31, 2016

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 report also according to segment reporting. The effects of the differences of the recognition principles are presented in detail in the financial statements.

## GROUP FINANCIAL DEVELOPMENT, GROUP REPORTING (IFRS)

| IFRS, EUR million | 1–12/16 | 1–12/15 | Change |
|---|---|---|---|
| Revenue | 1,678.3 | 1,732.2 | -3% |
| Operating profit | 17.7 | 81.6 | -78% |
| Operating profit margin, % | 1.1 | 4.7 | |
| Adjusted operating profit | 44.7 | 91.9 | -51% |
| Adjusted operating profit margin, % | 2.7 | 5.3 | |
| Profit before taxes | -2.5 | 61.3 | |
| Profit for the review period[1] | -7.1 | 47.2 | |
| Earnings per share, EUR | -0.06 | 0.38 | |
| Order backlog at end of period | 3,048.2 | 2,467.3 | 24% |
| Effective tax rate, % | -189.8 | 22.9 | |

[1] Attributable to equity holders of the parent company

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 | 1–12/16 | 1–12/15 | Change |
|---|---|---|---|
| Gross capital expenditure on non-current assets | 83.5 | 12.0 | 596% |
| % of revenue | 5.0 | 0.7 | |
| Depreciation | 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 Kasarmikatu office project.

## CASH FLOW AND INVESTED CAPITAL

| IFRS, EUR million | 1–12/16 | 1–12/15 | Change |
|---|---|---|---|
| Operating cash flow after investments | -43.1 | 183.7 | |
| Cash flow of plot investments | -104.7 | -138.1 | -24% |

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

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 |
|---|---|---|---|
| Net interest-bearing debt | 633.1 | 529.0 | 20% |
| Cash and cash equivalents | 66.4 | 122.2 | -46% |
| Interest-bearing debt | 699.5 | 651.2 | 7% |
| Bonds | 149.5 | 204.9 | -27% |
| Commercial papers | 68.9 | 38.8 | 78% |
| Construction-stage financing | 309.6 | 213.8 | 45% |
| Pension loans | 81.7 | 102.6 | -20% |
| Bank loans | 89.8 | 91.1 | -1% |
| Average interest rate, % | 3.48 | 3.86 | |
| Revolving credit facilities | 200.0 | 300.0 | -33% |
| Overdraft facilities | 74.6 | 63.2 | 18% |
| Equity ratio, % | 31.2 | 32.9 | |
| Gearing ratio, % | 112.3 | 101.1 | |

| IFRS, EUR million | 1–12/16 | 1–12/15 | Change |
|---|---|---|---|
| Net financial expenses | -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 (1–12/15: 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 capitalisations.

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 (1–12/15: EUR 3.1 million).

At the end of the 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 to subsidiaries are hedged against exchange rate risk, while equity investments are not hedged due to their permanent nature.

## GROUP FINANCIAL DEVELOPMENT, SEGMENT REPORTING (POC)

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

### REVENUE

| POC, EUR million | 1–12/16 | 1–12/15 | Change | Change[1] |
|---|---|---|---|---|
| **Revenue** | **1,783.6** | **1,651.2** | **8%** | **9%** |
| Housing Finland and CEE | 727.9 | 777.8 | -6% | -6% |
| Housing Russia | 267.9 | 266.4 | 1% | 10% |
| Business Premises and Infrastructure | 797.4 | 615.6 | 30% | 30% |
| Other items | -9.7 | -8.6 | | |

[1] At comparable exchange rates

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, especially 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 | 1–12/16 | 1–12/15 |
|---|---|---|
| Finland | 74% | 73% |
| Russia | 15% | 16% |
| The CEE countries | 11% | 11% |

## RESULT

| POC, EUR million | 1–12/16 | 1–12/15 | Change |
|---|---|---|---|
| **Operating profit** | **52.9** | **65.7** | **-19%** |
| **Operating profit margin, %** | **3.0** | **4.0** | |
| **Adjustments** | **-27.0** | **-10.4** | |
| **Adjusted operating profit** | **79.9** | **76.0** | **5%** |
| Housing Finland and CEE | 59.9 | 56.0 | 7% |
| Housing Russia | -2.3 | 10.9 | |
| Business Premises and Infrastructure | 38.1 | 22.7 | 68% |
| Other items | -15.7 | -13.5 | |
| **Adjusted operating profit margin, %** | **4.5** | **4.6** | |
| Housing Finland and CEE | 8.2 | 7.2 | |
| Housing Russia | -0.9 | 4.1 | |
| Business Premises and Infrastructure | 4.8 | 3.7 | |

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 adjusted 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 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 | 1–12/16 | 1–12/15 | Change |
|---|---|---|---|
| Profit before taxes | 13.8 | 27.0 | -49% |
| Profit for the review period[1] | 7.4 | 20.0 | -63% |
| Earnings per share, EUR | 0.06 | 0.16 | -63% |
| Dividend per share, EUR | 0.22[2] | 0.22 | |
| Dividend per earnings, % | 373.3[2] | 137.8 | |
| Effective tax rate, % | 46.3 | 25.5 | |

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

## ORDER BACKLOG

| POC, EUR million | 12/16 | 12/15 | Change |
|---|---|---|---|
| **Order backlog** | **2,613.1** | **2,172.9** | **20%** |
| 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% |

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 |
|---|---|---|---|
| Invested capital | 1,175.3 | 1,131.5 | 4% |
| Return on investment (last 12 months), % | 4.7 | 5.3 | |

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 programme targeting EUR 380 million was nearly completed. In September, slow-moving assets, located in Russia and included in the capital release programme, were reduced by an impairment charge of EUR 18.0 million.

The external reporting of the progress of the capital release programme 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 | 1–12/16 | 1–12/15 | Change |
|---|---|---|---|
| Revenue | 727.9 | 777.8 | -6% |
| Operating profit | 59.9 | 56.0 | 7% |
| Operating profit margin, % | 8.2 | 7.2 | |
| Adjusted operating profit | 59.9 | 56.0 | 7% |
| Adjusted operating profit margin, % | 8.2 | 7.2 | |
| Operative invested capital at end of period | 453.5 | 437.1 | 4% |
| Return on operative invested capital (last 12 months), % | 13.4 | 11.0 | |
| Order backlog at end of period | 833.4 | 802.7 | 4% |

The segment's revenue decreased by 6% year-on-year. The decline in revenue is explained by the 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%).

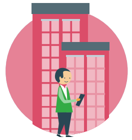
YIT aimed at shifting its customer focus in Finnish housing from investors to consumers, in line with its strategy. Consumer start-ups were increased by 43% year-on-year and the unit sales to consumers grew by 28%. The Smartti concept aimed at increasing the supply of affordable and flexible apartments 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 | 1–12/16 | 1–12/15 | Change |
|---|---|---|---|
| Sold | 2,730 | 3,192 | -14% |
| of which initially started to consumers[1] | 1,838 | 1,715 | 7% |
| Start-ups | 2,877 | 2,864 | 0% |
| of which to consumers | 1,985 | 1,387 | 43% |
| Completed | 2,535 | 2,626 | -3% |
| of which to consumers | 1,087 | 1,600 | -32% |
| Under construction at end of period | 3,842 | 3,500 | 10% |
| of which sold at end of period, % | 69 | 73 | |
| For sale at end of period | 1,406 | 1,259 | 12% |
| of which completed | 201 | 302 | -33% |
| Plot reserve in the balance sheet at end of period, EUR million | 154.0 | 134.0 | 15% |
| Plot reserve at end of period[2], floor sq. m. | 2,044,160 | 1,628,500 | 26% |
| Cost of completion at end of period, EUR million | 264 | 213 | 24% |

[1] Includes apartments sold to residential funds: 1–12/16: 242 units; 1–12/15: 464 units.
[2] Includes pre-agreements and rental plots.

| Residential construction in the CEE countries, units | 1–12/16 | 1–12/15 | Change |
|---|---|---|---|
| Sold | 1,197 | 1,023 | 17% |
| Start-ups | 1,300 | 1,021 | 27% |
| Completed | 703 | 717 | -2% |
| Under construction at end of period | 2,043 | 1,442 | 42% |
| of which sold at end of period, % | 47 | 40 | |
| For sale at end of period | 1,227 | 1,014 | 21% |
| of which completed | 151 | 145 | 4% |
| Plot reserve in the balance sheet at end of period, EUR million | 123.5 | 112.7 | 10% |
| Plot reserve at end of period, floor sq. m. | 485,000 | 558,000 | -13% |
| Cost of completion at end of period, EUR million | 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 programme 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 | 1–12/16 | 1–12/15 | Change |
|---|---|---|---|
| Revenue | 267.9 | 266.4 | 1% |
| Operating profit | -29.3 | 0.6 | |
| Operating profit margin, % | -10.9 | 0.2 | |
| Adjusted operating profit | -2.3 | 10.9 | |
| Adjusted operating profit margin, % | -0.9 | 4.1 | |
| Operative invested capital at end of period | 405.1 | 363.0 | 12% |
| Return on operative invested capital (last 12 months), % | -7.6 | 0.2 | |
| Order backlog at end of period | 463.4 | 508.5 | -9% |

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 changes 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 | 1–12/16 | 1–12/15 | Change |
|---|---|---|---|
| Sold | 3,523 | 3,129 | 13% |
| Start-ups | 2,782 | 2,542 | 9% |
| Completed[1] | 4,278 | 4,053 | 6% |
| Under construction at end of period | 6,618 | 8,100 | -18% |
| of which sold at end of period, % | 37 | 40 | |
| For sale at end of period | 4,591 | 5,329 | -14% |
| of which completed | 414 | 484 | -14% |
| Plot reserve in the balance sheet at end of period[2], EUR million | 238.7 | 174.7 | 37% |
| Plot reserve at end of period2, floor sq. m. | 2,115,000 | 2,193,000 | -4% |
| Cost of completion at end of period, EUR million | 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 |
|---|---|---|---|
| St. Petersburg | 2,271 | 3,211 | -29% |
| Moscow | 2,687 | 1,736 | 55% |
| Russian regions | 1,660 | 3,153 | -47% |

## BUSINESS PREMISES AND INFRASTRUCTURE

### OPERATING ENVIRONMENT

The construction of business premises and infrastructure was brisk in Finland 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 | 1–12/16 | 1–12/15 | Change |
|---|---|---|---|
| Revenue | 797.4 | 615.6 | 30% |
| Operating profit | 38.1 | 22.7 | 68% |
| Operating profit margin, % | 4.8 | 3.7 | |
| Adjusted operating profit | 38.1 | 22.7 | 68% |
| Adjusted operating profit margin, % | 4.8 | 3.7 | |
| Operative invested capital at end of period | 183.9 | 168.6 | 9% |
| Return on operative invested capital (last 12 months), % | 21.6 | 11.7 | |
| Order backlog at end of period | 1,316.3 | 861.6 | 53% |

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

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 |

## 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.

### PERFORMANCE LEAP

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.

### RENOVATION SERVICES

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.

### LIVING SERVICES

The Living Services development programme is designed to develop new business and business models that support 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.

### ADDED VALUE AND NEW BUSINESS THROUGH INTELLIGENCE

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.

## RESOLUTIONS PASSED AT THE ANNUAL GENERAL MEETING

The Annual General Meeting of YIT Corporation held on March 15, 2016, adopted the 2015 financial statements and discharged the members of the Board of Directors and the President and CEO from liability. The Annual General Meeting decided on the dividend payout, the composition of the Board of Directors and their fees, the election of the auditor and its fees as well as authorising the Board of Directors to decide on the repurchase of company shares and share issues and on establishing the Shareholders' Nomination Board.

It was decided that a dividend of EUR 0.22 would be paid per share, or a total of EUR 27.6 million, as proposed by the Board of Directors, and that the remainder of the earnings would be retained in distributable equity. No dividend was paid on treasury shares. The right to a dividend rested with a shareholder who, by the record date of March 17, 2016, had been entered as a shareholder in the company's shareholder register maintained by Euroclear Finland Ltd. It was decided that the dividend would be paid on April 4, 2016.

The Annual General Meeting resolved to elect a Chairman, Vice Chairman and three ordinary members to the Board of Directors, namely: Matti Vuoria as Chairman, Juhani Pitkäkoski as Vice Chairman and Satu Huber, Erkki Järvinen and Inka Mero as members.

It was resolved to pay the Board of Directors remuneration as follows: the Chairman EUR 6,600 per month (EUR 79,200 per year), the Vice Chairman EUR 5,000 per month (EUR 60,000 per year) and the Board members EUR 3,900 per month (EUR 46,800 per year), as well as an attendance fee of EUR 550 per meeting. In addition, the members of Board Committees are paid an attendance fee of EUR 550 for each committee meeting. Per diems for trips in Finland and abroad are paid in accordance with the state's travel compensation regulations.

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

The Annual General Meeting authorised the Board of Directors to decide on the purchase of company shares as proposed by the Board of Directors. The authorisation covers the purchasing of a maximum of 10,760,000 company shares using the company's unrestricted equity. The authorisation is valid until March 31, 2017. The authorisation reversed the authorisation to purchase the company's own shares issued by the Annual General Meeting on March 18, 2015.

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

The share issue authorisation also includes the Board of Director's authorisation to decide on the transfer of a maximum of 12,400,000 treasury shares irrespective of the purpose for which the treasury shares originally were acquired. The authorisation reversed the authorisation to decide on share issues by the Annual General Meeting on March 18, 2015. The authorisation is valid until March 31, 2017.

The Annual General Meeting decided to establish a Shareholders' Nomination Board, to prepare proposals on the election and remuneration of the members of the Board of Directors for the Annual General Meeting. The standing order of the Shareholders' Nomination Board was confirmed according to the proposal of the Board of Directors. The decision is valid for an indefinite period, until otherwise decided by the General Meeting.

## ORGANISATION OF THE BOARD OF DIRECTORS

YIT Corporation's Board of Directors held its organisational meeting on March 15, 2016. In the meeting, the Board decided on the composition of the Personnel Committee and the Audit Committee.

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

## ORGANISATIONAL CHANGES AND CHANGES IN COMPANY MANAGEMENT

As of January 1, 2016 The Group Management Board comprised of:

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

During the year, changes took place in YIT Corporation's Management Board. In September, YIT Corporation's Board of Directors nominated M.Sc. (Econ.) Esa Neuvonen as Group's new Chief Financial Officer and as the member of the management board, replacing Timo Lehtinen. Neuvonen started in his new position on November 7, 2016. M.Sc. (Tech.), D.Sc. (Adm.) Juha Kostiainen was nominated as a member of Group Management Board as of October 1, 2016. He took the lead and responsibility of the Group's Sustainable Urban Development operations.

As of the beginning of 2016, the segment management boards took the role of the extended management board.

In 2015 YIT reorganised its Russian operations to better match the changed demand situation. The division structure of YIT's Russian operations was revised. As of January 1, 2016, the divisions are St. Petersburg, Moscow (City and region) and Russian regions (Rostov-on-Don, Yekaterinburg, Kazan and Tyumen). Part of the support functions are centralised to serve all divisions. In addition, a separate YIT Service Russia business unit was established to better exploit the opportunities in serving the over 20,000 customers. The business unit is responsible for the maintenance of the delivered YIT projects in all operating cities. In connection to the reorganisation, YIT targets to reduce fixed costs related to the Russian operations to match the decrease in sales and the production volume.

## CORPORATE GOVERNANCE STATEMENT

YIT has prepared a separate Corporate Governance Statement for 2016 in accordance with the recommendation of the Finnish Corporate Governance Code. The statement is published on our website.

## PERSONNEL

| Personnel by business segment | 1–12/16 | 1–12/15 | 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 by geographical area | 1–12/16 | 1–12/15 | Change |
|---|---|---|---|
| Finland | 3,120 | 3,104 | 1% |
| Russia | 1,418 | 1,569 | -10% |
| The CEE countries | 723 | 667 | 8% |
| **Group, total** | **5,261** | **5,340** | **-1%** |

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 Russia 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 1 October. 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.

## 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 investments sufficient for paying dividends. Previously, the company has communicated that the target is to have sufficient operating cash flow after investments 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] Board of Directors' proposal to Annual General Meeting
[3] Calculated with adjusted EPS

## 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 programme 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 and better yield of alternative investments 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.

## 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 31, 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.

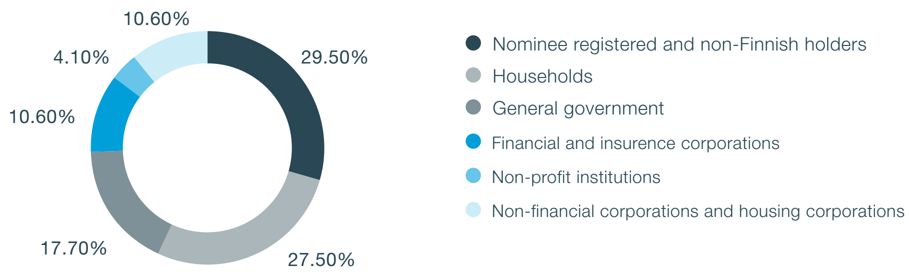
## MAJOR SHAREHOLDERS, DECEMBER 31, 2016

| | Shareholder | Shares | % of shares and voting rights |
|---|---|---|---|
| 1 | Varma Mutual Pension Insurance Company | 12,000,000 | 9.43 |
| 2 | Herlin Antti | 4,710,180 | 3.70 |
| 3 | OP funds | 3,556,859 | 2.80 |
| 4 | Elo Mutual Pension Insurance Company | 3,335,468 | 2.62 |
| 5 | The State Pension Fund | 2,600,000 | 2.04 |
| 6 | Danske Invest funds | 2,583,762 | 2.03 |
| 7 | Nordea funds | 1,894,419 | 1.49 |
| 8 | YIT Oyj | 1,646,767 | 1.29 |
| 9 | Etera Mutual Pension Insurance Company | 1,410,000 | 1.11 |
| 10 | Aktia funds | 1,217,663 | 0.96 |
| 11 | Mandatum Life Insurance Company Ltd. | 1,000,000 | 0.79 |
| 12 | Ilmarinen Mutual Pension Insurance Company | 887,573 | 0.70 |
| 13 | Brotherus Ilkka Johannes | 844,740 | 0.66 |
| 14 | Evli funds | 795,738 | 0.63 |
| 15 | OP-Eläkekassa | 725,000 | 0.57 |
| | 200 largest shareholders total | 71,319,817 | 56.06 |
| | Nominee registered | 36,810,954 | 28.93 |
| | Other shares | 19,092,651 | 15.01 |
| | **Total** | **127,223,422** | **100.00** |

## OWNERSHIP BY NUMBER OF SHARES HELD, DECEMBER 31, 2016

| Number of shares | Shareholders | % | Shares | % |
|---|---|---|---|---|
| 1–100 | 10,076 | 25.18 | 622,861 | 0.49 |
| 101–500 | 15,587 | 38.95 | 4,441,811 | 3.49 |
| 501–1,000 | 6,484 | 16.20 | 5,179,992 | 4.07 |
| 1,001–5,000 | 6,554 | 16.38 | 14,574,792 | 11.46 |
| 5,001–10,000 | 758 | 1.89 | 5,442,568 | 4.28 |
| 10,001–50,000 | 426 | 1.07 | 8,559,040 | 6.73 |
| 50,001–100,000 | 56 | 0.14 | 3,971,745 | 3.12 |
| 100,001–500,000 | 51 | 0.13 | 11,152,654 | 8.77 |
| 500,001– | 24 | 0.06 | 73,277,959 | 57.60 |
| **Total** | **40,016** | **100.00** | **127,223,422** | **100.00** |

## OWNERSHIP BY SECTOR DECEMBER 31, 2016



**BOARD OF DIRECTORS' AND MANAGEMENT'S SHAREHOLDING, DECEMBER 31, 2016**

| | Number of shares | % of share capital |
|---|---|---|
| The Board of Directors | 55,100 | 0.04 |
| President and CEO | 17,624 | 0.01 |
| Deputy to the President and CEO | 10,692 | 0.01 |
| The Group's Management Board excluding the President and CEO and his deputy | 16,951 | 0.01 |
| **Total** | **100,367** | **0.08** |

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

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

## OTHER IMPORTANT EVENTS DURING THE REVIEW PERIOD

YIT specified its guidance in connection with the January–June Interim Report published on July 28, 2016. According to the specified guidance, the Group revenue growth was estimated to be in the range of 5–10% at comparable exchange rates. The earlier guidance estimated the Group revenue growth to be in the range of 0 and 10% at comparable exchange rates. The guidance related to the adjusted operating profit estimated the adjusted operating profit to grow from the level of 2015 (EUR 76.0 million) and the guidance was not specified during the year.

## 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 polarisation 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 is 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. Stabilisation 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 programme might have an impact on the housing demand, however the significance of the programme 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, was published in its entirety as a separate stock exchange release on February 3, 2017.

## KEY FIGURES BASED ON GROUP REPORTING (IFRS)

| Condensed consolidated income statement, EUR million | 2016 | 2015 | 2014 |
|---|---|---|---|
| Revenue | 1,678.3 | 1,732.2 | 1,778.6 |
| Operating profit | 17.7 | 81.6 | 94.8 |
| Operating profit margin, % | 1.1 | 4.7 | 5.3 |
| Profit before taxes | -2.5 | 61.3 | 74.3 |
| Profit for the review period | -7.1 | 47.2 | 55.8 |
| Attributable to equity holders of the parent company | -7.1 | 47.2 | 55.9 |
| Attributable to non-controlling interest | | 0.0 | -0.1 |

| Other key figures | 2016 | 2015 | 2014 |
|---|---|---|---|
| Operating cash flow after investments, EUR million | -43.1 | 183.7 | 151.9 |
| Return on equity, % | -1.3 | 9.0 | 9.1 |
| Return on investment, % | 1.6 | 6.4 | 6.4 |
| Equity ratio, % | 31.2 | 32.9 | 29.2 |
| Net interest-bearing debt, EUR million | 633.1 | 529.0 | 696.0 |
| Gearing ratio, % | 112.3 | 101.1 | 129.9 |
| Net interest-bearing debt / EBITDA | 13.0 | 4.6 | 5.7 |
| Gross capital expenditure on non-current assets, EUR million | 83.5 | 12.0 | 13.9 |
| % of revenue | 5.0 | 0.7 | 0.8 |
| Research and development expenditure, EUR million | 15.8 | 15.8 | 14.5 |
| % of revenue | 0.9 | 0.9 | 0.8 |
| Order backlog at the end of period, EUR million | 3,048.2 | 2,467.3 | 2,507.1 |
| Number of personnel at December 31 | 5,261 | 5,340 | 5,881 |
| Number of personnel on average during the year | 5,361 | 5,613 | 6,116 |

| Share-related key figures | 2016 | 2015 | 2014 |
|---|---|---|---|
| Earnings per share, EUR | -0.06 | 0.38 | 0.44 |
| Earnings per share, diluted, EUR | -0.06 | 0.37 | 0.44 |
| Equity per share, EUR | 4.49 | 4.16 | 4.26 |
| Dividend per share, EUR | 0.22[1] | 0.22 | 0.18 |
| Dividend per earnings, % | -388.8[1] | 58.6 | 40.9 |
| Effective dividend yield, % | 2.9[1] | 4.2 | 4.2 |
| Price/earnings ratio (P/E) | -134.1 | 13.9 | 9.7 |

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

| Share price trend | 2016 | 2015 | 2014 |
|---|---|---|---|
| Average share price, EUR | 6.14 | 5.65 | 7.35 |
| Low, EUR | 4.32 | 4.26 | 4.17 |
| High, EUR | 8.07 | 7.21 | 10.7 |
| Closing price at December 31, EUR | 7.59 | 5.24 | 4.27 |
| Market capitalisation at 31 December, EUR million | 953.1 | 658.0 | 536.2 |

| Share turnover trend | 2016 | 2015 | 2014 |
|---|---|---|---|
| Share turnover, thousands | 127,791 | 157,857 | 144,276 |
| Share turnover, % of shares outstanding | 101.8 | 125.7 | 114.9 |
| Weighted average number of shares outstanding, thousands | 125,577 | 125,582 | 125,587 |
| Weighted average number of shares outstanding, diluted, thousands | 127,366 | 126,773 | 126,237 |
| Number of shares outstanding at 31 December, thousands | 125,577 | 125,579 | 125,584 |

## KEY FIGURES BASED ON SEGMENT REPORTING (POC)

| Condensed consolidated income statement, EUR million | 2016 | 2015 | 2014 |
|---|---|---|---|
| Revenue | 1,783.6 | 1,651.2 | 1,801.2 |
| Operating profit | 52.9 | 65.7 | 114.0 |
| Operating profit margin, % | 3.0 | 4.0 | 6.3 |
| Profit before taxes | 13.8 | 27.0 | 75.0 |
| Profit for the review period[1] | 7.4 | 20.0 | 56.6 |

[1] Attributable to equity holders of the parent company

| Other key figures | 2016 | 2015 | 2014 |
|---|---|---|---|
| Operating cash flow after investments, EUR million | -43.1 | 183.7 | 151.9 |
| Return on equity, % | 1.3 | 3.6 | 8.3 |
| Return on investment, % | 4.7 | 5.3 | 7.7 |
| Equity ratio, % | 35.1 | 35.5 | 32.4 |
| Net interest-bearing debt, EUR million | 503.9 | 460.8 | 616.6 |
| Gearing ratio, % | 83.3 | 84.0 | 105.0 |
| Net interest-bearing debt / EBITDA | 7.3 | 5.9 | 4.9 |
| Gross capital expenditure on non-current assets, EUR million | 83.5 | 12.0 | 13.9 |
| % of revenue | 4.7 | 0.7 | 0.8 |
| Research and development expenditure, EUR million | 15.8 | 15.8 | 14.5 |
| % of revenue | 0.9 | 1.0 | 0.8 |
| Order backlog at the end of period, EUR million | 2,613.1 | 2,172.9 | 2,125.9 |

| Share-related key figures | 2016 | 2015 | 2014 |
|---|---|---|---|
| Earnings per share, EUR | 0.06 | 0.16 | 0.45 |
| Dividend per share, EUR | 0.22[1] | 0.22 | 0.18 |
| Dividend per earnings, % | 373.3[1] | 137.8 | 40.0 |

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

# FORMULAS FOR THE KEY FIGURES

| | | |
|---|---|---|
| **Return on investment (ROI, %) =** | Group's profit before taxes + interest expenses + other financial expenses +/- exchange rate differences / Equity + interest bearing liabilities (average) | x 100 |
| **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) | |
| **Return on equity (%) =** | Net profit for the period / Shareholders' equity + non-controlling interest (average) | x 100 |
| **Equity ratio (%) =** | Equity + non-controlling interest / Equity + liabilities - advances received | x 100 |
| **Net interest-bearing debt =** | Interest-bearing debt – cash and cash equivalents | |
| **Gearing ratio(%) =** | Net interest-bearing debt / Equity + non-controlling interest | x 100 |
| **Net interest-bearing debt / Operating profit before depreciation and impairments =** | Net interest-bearing debt / Operating profit before depreciation and impairments + interest expenses included in operating profit | |
| **Gross capital expenditures =** | Investments in tangible and intangible assets, shares in subsidiaries, associated companies and joint ventures | |
| **Earnings per share (EUR) =** | Net profit for the period (attributable to equity holders) / Average number of outstanding shares during the period | |
| **Equity per share (EUR) =** | Equity / Number of outstanding shares at the end of the period | |
| **Dividend per share (EUR) =** | Dividends distributed for the financial period / Number of outstanding shares at 31 December | |
| **Dividend per earnings (%) =** | Dividend per share / Earnings per share | x 100 |
| **Effective dividend yield (%) =** | Dividend per share / Closing price of the share 31 December | x 100 |
| **Price per earnings ratio (P/E-ratio) =** | Closing price of the share 31 December / Earnings per share | |
| **Market capitalisation =** | (Number of shares - treasury shares) x share price on the closing date by share series | |
| **Average share price =** | EUR value of shares traded during period / Number of shares traded during period | |
| **Share turnover (%) =** | Number of shares traded / Average number of outstanding shares | x 100 |
| **Adjusted operating profit =** | 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] More detailed definition is described in the accounting principles for the Financial Statements.

# YIT Corporation Financial statement 2016

# Consolidated financial statements, IFRS

## Consolidated statement of income

| EUR million | Note | 2016 | 2015 |
|---|---|---|---|
| **Revenue** | 2 | **1,678.3** | **1,732.2** |
| Other operating income | 4 | 12.8 | 16.0 |
| Change in inventories of finished goods and in work in progress | | 13.0 | -116.7 |
| Production for own use | | 0.3 | 0.6 |
| Materials and supplies | | -245.2 | -233.5 |
| External services | | -892.4 | -774.9 |
| Personnel expenses | 7 | -250.3 | -244.0 |
| Other operating expenses | 5,8 | -281.7 | -286.0 |
| Share of results in associated companies | 14 | -0.6 | 0.0 |
| Depreciation, amortisation and impairment | 6 | -16.5 | -12.1 |
| **Operating profit** | | **17.7** | **81.6** |
| Financial income | | 1.7 | 1.5 |
| Exchange rate differences (net) | | -9.2 | -7.5 |
| Financial expenses | | -12.6 | -14.3 |
| Financial income and expenses, total | 9 | -20.1 | -20.3 |
| **Profit before taxes** | | **-2.5** | **61.3** |
| Income taxes | 10 | -4.7 | -14.0 |
| **Net profit for the financial year** | | **-7.1** | **47.2** |
| | | | |
| **Attributable to** | | | |
| Equity holders of the parent company | | -7.1 | 47.2 |
| Non-controlling interests | | | 0.0 |
| | | | |
| **Earnings per share for profit attributable to the equity holders of the parent company during the financial year** | | | |
| Undiluted, EUR | 11 | -0.06 | 0.38 |
| Diluted, EUR | | -0.06 | 0.37 |

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

## Statement of comprehensive income

| EUR million | Note | 2016 | 2015 |
|---|---|---|---|
| **Profit for the financial year** | | **-7.1** | **47.2** |
| | | | |
| **Items that may be subsequently recognised through profit or loss:** | | | |
| Cash flow hedging | 28 | 0.5 | 0.2 |
| - Deferred tax | 15 | -0.1 | -0.0 |
| Change in fair value of available-for-sale assets | | | 0.0 |
| - Deferred tax | | | -0.0 |
| Change in translation differences | | 75.2 | -32.9 |
| Items that may be reclassified subsequently to the statement of income, total | | 75.6 | -32.7 |
| | | | |
| **Items that will not be reclassified to the statement of income:** | | | |
| Change in fair value of defined benefit pension | 22 | -1.1 | -0.0 |
| - Deferred tax | | 0.2 | 0.0 |
| Items that will not be reclassified to the statement of income, total | | -0.9 | -0.0 |
| | | | |
| **Other comprehensive income, total** | | **74.7** | **-32.7** |
| | | | |
| **Total comprehensive income** | | **67.6** | **14.5** |
| | | | |
| **Attributable to** | | | |
| Equity holders of the parent company | | 67.6 | 14.5 |
| Non-controlling interest | | | 0.0 |

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

# Consolidated statement of financial position

| EUR million | Note | 2016 | 2015 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Tangible assets | 12 | 53.2 | 47.3 |
| Goodwill | 13 | 8.1 | 10.9 |
| Other intangible assets | 13 | 11.9 | 14.1 |
| Investments in associated companies and joint ventures | 14 | 63.5 | 0.7 |
| Available-for-sale financial assets | 15 | 0.4 | 0.4 |
| Interest-bearing receivables | 16 | 33.5 | |
| Other receivables | 16 | 4.2 | 3.7 |
| Deferred tax receivables | 17 | 54.2 | 40.5 |
| Total non-current assets | | 229.1 | 117.7 |
| | | | |
| **Current assets** | | | |
| Inventories | 18 | 1,746.6 | 1,528.4 |
| Trade and other receivables | 3,19 | 235.4 | 187.6 |
| Tax receivables | | 6.5 | 10.7 |
| Cash and cash equivalents | 20 | 66.4 | 122.2 |
| Total current assets | | 2,054.9 | 1,848.9 |
| | | | |
| **Total assets** | | **2,284.0** | **1,966.6** |

| EUR million | Note | 2016 | 2015 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| **Equity attributable to the equity holders of the parent company** | 21 | | |
| Share capital | | 149.2 | 149.2 |
| Legal reserve | | 1.5 | 1.5 |
| Other reserves | | -0.0 | |
| Treasury shares | | -8.3 | -8.3 |
| Translation differences | | -185.0 | -260.2 |
| Fair value reserve | | -0.3 | -0.7 |
| Retained earnings | | 606.7 | 641.4 |
| Total equity attributable to the equity holders of the company | | 563.9 | 523.0 |
| Non-controlling interest | | | 0.1 |
| **Total equity** | | **563.9** | **523.1** |
| | | | |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 17 | 17.6 | 18.5 |
| Pension obligations | 22 | 2.1 | 0.9 |
| Provisions | 23 | 44.8 | 40.8 |
| Borrowings | 24 | 249.1 | 266.1 |
| Other liabilities | 25 | 51.0 | 10.4 |
| Total non-current liabilities | | 364.6 | 336.7 |
| | | | |
| **Current liabilities** | | | |
| Trade and other liabilities | 25 | 869.1 | 700.3 |
| Income tax liabilities | | 4.4 | 1.3 |
| Provisions | 23 | 31.7 | 20.2 |
| Borrowings | 24 | 450.4 | 385.1 |
| Total current liabilities | | 1,355.5 | 1,106.8 |
| | | | |
| **Total liabilities** | | **1,720.1** | **1,443.5** |
| | | | |
| **Total equity and liabilities** | | **2,284.0** | **1,966.6** |

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

# Consolidated cash flow statement

| EUR million | Note | 2016 | 2015 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Net profit for the financial year | | -7.1 | 47.2 |
| Adjustments for: | | | |
| Depreciation, amortisation and impairment | | 16.5 | 12.1 |
| Other non-cash transactions | | 30.3 | 23.4 |
| Financial income and expenses | | 20.1 | 20.3 |
| Gains on the sale of tangible and intangible assets | | -1.8 | -0.8 |
| Taxes | | 4.7 | 14.0 |
| Total adjustments | | 69.8 | 69.1 |
| | | | |
| Change in working capital: | | | |
| Change in trade and other receivables | | -76.3 | 23.7 |
| Change in inventories | | -83.5 | 91.4 |
| Change in trade and other payables | | 181.9 | 11.0 |
| Total change in working capital | | 22.0 | 126.2 |
| | | | |
| Interest paid | | -33.0 | -35.9 |
| Other financial items, net | | -8.2 | -1.7 |
| Interest received | | 1.6 | 1.5 |
| Dividends received | | 0.0 | 0.2 |
| Taxes paid | | -9.1 | -10.9 |
| Continuing operations, total | | -48.6 | 195.7 |
| Discontinued operations | | -0.2 | -1.3 |
| **Net cash used in operating activities** | | **35.9** | **194.4** |

| EUR million | Note | 2016 | 2015 |
|---|---|---|---|
| **Cash flow from investing activities** | | | |
| Acquisition of subsidiaries, net of cash acquired | | -1.0 | -6.2 |
| Purchases of tangible assets | 12 | -13.9 | -6.6 |
| Purchases of intangible assets | 13 | -5.2 | -4.9 |
| Acquisition of associated companies and joint ventures | 14 | -63.6 | -0.1 |
| Proceeds from sale of associated companies and joint ventures | | 1.1 | |
| Proceeds from sale of tangible and intangible assets | | 3.3 | 5.4 |
| Proceeds from sale of available-for-sale financial assets | | 0.0 | 0.4 |
| Continuing operations, total | | -79.2 | -12.1 |
| **Net cash used in investing activities** | | **-79.2** | **-12.1** |
| | | | |
| **Operating cash flow after investments** | | **-43.3** | **182.3** |
| | | | |
| **Cash flow from financing activities** | | | |
| Proceeds from borrowings | 24 | 50.0 | 125.0 |
| Repayment of borrowings | 24 | -131.4 | -203.9 |
| Change in loan receivables | | -0.6 | 2.6 |
| Change in current borrowings, net | 24 | 91.3 | -160.5 |
| Payments of financial leasing debts | | -0.0 | -0.1 |
| Dividends paid and other distribution of assets | | -27.6 | -22.6 |
| Continuing operations, total | | -18.4 | -259.5 |
| **Net cash used in financimg activities** | | **-18.4** | **-259.5** |
| | | | |
| **Net change in cash and cash equivalents** | | **-61.7** | **-77.1** |
| Cash and cash equivalents at the beginning of the financial year | | 122.2 | 199.4 |
| Foreign exchange rate effect on cash and cash equivalents | | 6.0 | -0.1 |
| Cash and cash equivalents at end of period | 20 | 66.4 | 122.2 |

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

# Consolidated statement of changes in equity

| | | Equity attributable to equity holders of the parent company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **EUR million** | **Note** | **Share capital** | **Legal reserve** | **Other reserve** | **Translation difference** | **Fair value reserve** | **Treasury share** | **Retained earnings** | **Total** | **Non-controlling interest** | **Equity, total** |
| **Equity on January 1, 2015**[1] | | **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 financial year | | | | | | | | 47.2 | 47.2 | 0.0 | 47.2 |
| Other comprehensive income: | | | | | | | | | | | |
| Cash flow hedges | 28 | | | | | 0.2 | | | 0.2 | | 0.2 |
| - Deferred tax | | | | | | -0.0 | | | -0.0 | | -0.0 |
| Change in fair value of available for sale investments | 15 | | | | | 0.0 | | | 0.0 | | 0.0 |
| - Deferred tax | | | | | | -0.0 | | | -0.0 | | -0.0 |
| Change in fair value of defined benefit pension obligations | 22 | | | | | | | -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 | 21 | | | 0.1 | | | -0.0 | 1.2 | 1.2 | | 1.2 |
| **Transactions with owners, total** | | | | **0.1** | | | **-0.0** | **-21.5** | **-21.4** | | **-21.4** |
| Change in non-controlling interest | | | | | | | | -0.4 | -0.4 | -0.3 | -0.7 |
| **Changes in ownership in 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** |

[1] Comparative figures restated as a result of correction of an error relating to previous financial periods. Correction was made in 2015 financial statements. Additional information regarding the nature of the error is presented in the accouting principles.

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

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

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

# Notes to the consolidated financial statements

## 1. ACCOUNTING PRINCIPLES OF THE FINANCIAL STATEMENT

### GENERAL INFORMATION

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

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

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

### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). All of the IAS/IFRS standards and SIC/IFRIC interpretations approved by the EU Commission by December 31, 2015 have been complied with. International Financial Reporting Standards refer to the Finnish Accounting Act and related legal code based on EU regulation 1606/2002 concerning the adoption of IFRS standards and interpretations in the EU. The notes to the consolidated financial statements also comply with the Finnish GAAP and the Companies Act that complement the IFRS standards. In the financial statements the figures are presented in million euros doing the roundings on each line, which may cause some rounding inaccuracies in column and total sums.

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

In the 2015 financial statements, an error pertaining to previous financial periods was corrected. The error was due to the incorrect processing of area costs in the project reporting on YIT's Russian subsidiaries. In accordance with retrospective accounting for errors pursuant to IAS 8, the overvaluation of work-in-progress inventory resulting from the error has been corrected in the opening equity on the balance sheet for 2014 and was as follows: work-in-progress inventory EUR -10.0 million, deferred tax assets EUR +2.0 million, and equity EUR -8.0 million. The error did not have any effect on the result for 2014 and 2015, nor did it have any cash flow effect. Correcting the error has only a minor effect on the key figures for previous periods presented in the financial statements dated December 31, 2015, and they have therefore not been adjusted.

#### APPLICATION OF REVISED STANDARDS AND INTERPRETATIONS AS FROM JANUARY 1, 2016

The consolidated financial statements have been prepared according to the same accounting principles as in 2015, with the exception of the following new standards, interpretations and revisions to existing standards that the Group has applied from January 1, 2016.

- Annual Improvements to IFRSs 2012–2014 cycle: The latest annual improvements clarify:
  - IFRS 5 – when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution' or vice versa, this does not constitute a change to a plan of sale or distribution and does not have to be accounted for as such
  - IFRS 7 – specific guidance for transferred financial assets to help management determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition
  - IFRS 7 – that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by IAS 34

- IAS 19 – that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise
- IAS 34 – what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report' and adds a requirement to cross-reference from the interim financial statements to the location of that information.

The changes do not have any material impact on the information presented in the consolidated financial statements.

## CONSOLIDATION

### SUBSIDIARIES

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

### ASSOCIATED COMPANIES

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

### JOINT VENTURES

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

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

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

### TRANSACTIONS WITH NON-CONTROLLING INTEREST

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

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

## FOREIGN CURRENCY TRANSLATION

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

### FOREIGN CURRENCY TRANSACTIONS

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

### TRANSLATION OF FINANCIAL STATEMENTS OF FOREIGN GROUP COMPANIES

The income statements of foreign Group companies have been translated to euro using the average exchange rate quoted for the calendar months of the reporting period. The balance sheets have been translated using the rates on the closing date. The translation of the result for the period using different exchange rates in the income statement and balance sheet results in a translation difference, which is entered in equity in the retained earnings.

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

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

### CURRENCY EXCHANGE RATES USED IN YIT CONSOLIDATED FINANCIAL STATEMENTS:

| | | Income statement Jan-Dec/2016 | Income statement Jan-Dec/2015 | Balance Sheet 31.12.2016 | Balance Sheet 31.12.2015 |
|---|---|---|---|---|---|
| 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 |

## TANGIBLE ASSETS

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

The estimated useful lives of tangible assets are the following:

| | |
|---|---|
| Buildings | 40 years |
| Constructions | 5–10 years |
| Productive machinery and equipment | 10 years |
| Office furniture | 5 years |
| Computers and computer supplies | 3–5 years |
| Cars and trasferable vehicles | 3–8 years |
| Other property, plant and equipment | 10–40 years |

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

## GOVERNMENT GRANTS

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

## INVESTMENT PROPERTY

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

## GOODWILL

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

## OTHER INTANGIBLE ASSETS

An intangible asset is initially entered in the balance sheet at acquisition cost when the acquisition cost can be reliably determined and the intangible asset is expected to yield economic benefit to the Group. Intangible assets with a known or estimated limited economic lifetime are expensed in the income statement on a straight-line basis over their economic lifetime. Intangible assets with an unlimited economic lifetime are not depreciated, but are instead subjected to an impairment test annually.

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

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

Research expenditure is expensed in the income statement. Expenditure on the design of new or more advanced products is capitalised as intangible assets in the balance sheet as from the date when the product is technically feasible, can be utilised commercially and is expected to yield future financial benefits. Capitalised development expenditure is amortised over the economic life. Amortisation begins when the asset is ready for use. Incomplete assets are tested annually for impairment.

Development expenses that are not expected to yield financial benefits are expensed in the income statement. To date, the Group's research and development expenditure has not met capitalisation criteria.

The amortisation periods of other intangible assets are as follows:

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

## IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS

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

The recoverable amount is the fair value of the asset item less the higher of selling costs or the value in use. The value in use is determined based on the discounted future net cash flows estimated to be recoverable from the assets in question or cash-generating units. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset items. An impairment loss is recognised if the carrying amount of the asset item is higher than its recoverable amount. The impairment loss is entered directly in the income statement and is initially allocated to the goodwill allocated to the cash-generating unit and thereafter equally to other asset items. An impairment loss is reversed when the situation changes and the amount recoverable from the asset item has changed since the date when the impairment loss was recorded. However, impairment losses are not reversed beyond the carrying amount of the asset exclusive of impairment losses. Impairment losses on goodwill are never reversed. The calculation of recoverable amounts requires the use of estimates. For more information on impairment testing, see note 13.

## INVENTORIES

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

## LEASE AGREEMENTS

### GROUP AS LESSEE

Lease agreements concerning assets in which the Group holds a material share of the risks and benefits of ownership are classified as financial lease agreements. A financial lease agreement is entered in the balance sheet at the lower of the fair value of the leased asset on the starting date of the lease agreement or the current value of the minimum rents. Assets acquired under financial lease agreements are depreciated over their economic lifetime or the period of lease, whichever is shorter. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding per financial period. The lease commitments of financial lease agreements are included in the financial liabilities.

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

#### THE GROUP AS LESSOR

The Group has subleased business premises it leases from others, and these are treated as other lease agreements. The leased assets are included in the original lessor's balance sheet. Rental income is recorded as income on the income statement during the lease period.

### NON-CURRENT ASSETS AND DISCONTINUED OPERATIONS HELD FOR SALE

Non-current assets or assets related to discontinued operations are classified as assets held for sale when their carrying amount is to be recovered principally through a sale or disposal transfer transaction. An asset is to be classified as held for sale when the sale or disposal is highly probable, the asset is available for sale in its present condition and on customary terms, the management is committed to sell the asset and the sale is expected to be completed within one year from the date of classification. Assets held for sale are valued at the lower of their carrying amount or fair value less costs to sell. The depreciation of these assets will be discontinued at the time of reclassification.

The disposal group includes assets, which do not fall within the scope of IFRS 5, while liabilities are measured in accordance with the applicable IFRS standards also after the classification.

A discontinued operation is a component of the Group that either has been disposed of or is classified as held of sale and meets the following conditions:

- It represents a separate major line of business or geographical area of operations
- It is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations
- It is a subsidiary acquired exclusively with a view to resale.

Revenue from discontinued operations is presented as a separate item in the Group's OCI. Assets held for sale, disposal groups, items related to the assets held for sale and recognised directly in the shareholders' equity, and liabilities related to the disposal group are presented separately from other assets in the balance sheet.

### EMPLOYEE BENEFITS

#### PENSION LIABILITIES

The Group has different defined contribution and defined benefit pension plans in its various operating areas. The local regulations and practices of the countries in question are applied in these plans. Contributions to defined contribution pension plans are entered in the statement of income in the financial period during which the charge applies.

The Group has defined benefit pension plans in Finland. Obligations connected with the Group's defined benefit plans are calculated by independent actuaries. The discount rate used in calculating the present value of the pension liability is the market rate of high-quality corporate bonds or the interest rate of treasury notes. The maturity of the reference rate substantially corresponds to the maturity of the calculated pension liability. The liability recognised on the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. Defined benefit pension plan expenses comprise expenses based on employee service, which is recognised in personnel expenses, and net interest cost, which is also recognised in personnel expenses. Actuarial gains and losses are charged or credited to equity in other comprehensive income in the period in which they arise.

#### SHARE-BASED PAYMENTS

Possible rewards under the share-based incentive scheme are paid as a combination of YIT Corporation shares and cash settlement, or fully in cash, based on achieved financial target levels. The cost effect of equity-settled share is recognised as personnel expenses and equity reserve. The cost is based on the market price of the YIT Corporation share at the grant date and it will be expensed over the vesting period. The fair value on the grant date is estimated by taking the market price for the company's shares on the date in question and deducting from it the present value of their expected dividends. The cash-settled reward is based on the market value of YIT's share at the balance sheet date and it is expensed to personnel expenses and current liabilities until the settlement date.

#### TERMINATION BENEFITS

Termination benefits are payable when employment is terminated by the Group before normal retirement. The Group recognises termination benefits when it is committed to terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal. In addition, benefits that the Group has offered in connection with terminations to encourage voluntary redundancy are expensed. Benefits falling due more than 12 months after the balance sheet date are discounted to present value. Other possible liabilities arising from the termination of employees in different legislations are assessed at the closing date and recognised as an expense and liability.

## PROVISIONS

Provisions are recorded when the Group has a legal or constructive obligation on the basis of a prior event, the materialisation of the payment obligation is probable and the size of the obligation can be reliably estimated. Provisions are valued at the current value of the costs required to cover the obligation. If compensation for a share of the obligation can be received from a third party, the compensation is recorded as a separate asset item, but only when it is practically certain that said compensation will be received. Provisions are booked for loss-making agreements when the obligatory expenditure required to meet obligations exceeds the benefits yielded by the agreement. The amount of the guarantee and Finnish 10-year provisions for commitments in the construction industry provision is set on the basis of experience of the materialisation of these commitments. Provisions for restructuring are recognised when the Group has made a detailed restructuring plan and initiated the implementation of the plan or has communicated about it. Provisions are not recognised for the continuing operations of the Group. A contingent liability is an obligation that has possibly arisen as a result of past events and whose existence is confirmed only when the uncertain event that is beyond the Group's control is realised. In addition, an existing obligation that probably does not require the fulfilment of debt or whose amount cannot be reliably assessed is considered a contingent liability. Contingent liabilities are presented in the notes.

## INCOME TAXES

Tax expenses in the income statement comprise taxes on the taxable income for the financial period and deferred tax liabilities. Taxes are entered in the income statement except when they are associated with items recognised under shareholders' equity. Taxes on the taxable income for the financial period are calculated on the taxable income on the basis of the tax rate stipulated for each country by the balance sheet date. Taxes are adjusted for the taxes of previous financial periods, if applicable. The management evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. The tax provisions entered in such situations are based on evaluations by the management.

Deferred taxes are calculated on all temporary differences between the carrying amount and taxable value. No deferred taxes are calculated on goodwill impairment that is not deductible in taxation and no deferred taxes are recognised on the undistributed profits of subsidiaries to the extent that the difference is unlikely to be discharged in the foreseeable future. Deferred taxes have been calculated using the statutory tax rates or the tax rates whose confirmed content has been announced by the closing date. Deferred tax assets have been recognised to the extent that it is probable that taxable income against which the temporary difference can be applied will materialise in the future. The most significant temporary differences arise from differences of the partial debiting and taxable income of long-term projects, depreciation differences of property, plant and equipment, defined benefit pension plans, provisions deductible at a later date, measurement at fair value in connection with acquisitions, unused tax losses and voluntary provisions.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## FINANCIAL ASSETS AND LIABILITIES

### CLASSIFICATION AND ENTRY OF FINANCIAL ASSETS

The Group records financial assets at the settlement day. Financial assets are derecognised from the balance sheet when the right to cash flows from an item included in financial assets ends or when control over said cash flows has been assigned outside the Group with the related risks and revenue.

The fair values of the financial assets are market rates if one has been reliably available, or otherwise discounted values or accounting values if this is reasonably close to the fair value. The discount rate used is the rate at which the Group could possibly sell a corresponding batch on the closing date.

The Group has, at the initial recognition, classified its financial assets into the following categories on the basis of the purpose for which they have been acquired:

#### FINANCIAL ASSETS ORIGINALLY MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS

Financial assets measured at fair value through profit and loss are financial assets or derivatives held for trading that do not meet the criteria for hedge accounting according to IAS 39. Currency forward contracts and interest rate swaps associated with business operations and financing to which IAS 39-compliant hedging is not applied have been classified into this category. Derivatives are originally measured at fair value when the Group becomes a contractual party to an agreement and are subsequently measured at fair value. Currency forward contracts are used for hedging against the currency exposure of exchange rates and resulting changes in fair value are entered in other operating income and expenses or financial income and expenses based on their nature in the financial period in which they were incurred. Interest rate swaps are used to hedge against changes in market interest rates, and changes in the fair value of interest rate swaps are entered in financing income or expenses in the financial period in which they were incurred. Derivatives are non-current assets when their maturity is more than 12 months (Receivables) and current assets (Trade and other receivables) when the remaining maturity is less than 12 months. Derivatives may also be liabilities; their accounting principles are specified below under "Financial liabilities."

#### LOANS AND OTHER RECEIVABLES

Loans and receivables consist of loan receivables, trade receivables and certain other receivables. Loan receivables are current if the maturity date is within 12 months after the closing date, otherwise they are non-current. They are initially measured at fair value and subsequently valued at the periodised acquisition costs using the effective yield method less any impairment. The changes are recognised in the income statement under financial income or expenses.

Trade and other receivables are current if the maturity date is within 12 months after the closing date, otherwise they are non-current. They are initially measured at fair value and subsequently valued at the periodised acquisition costs using the effective yield method less any impairment. The changes are recognised under other operating income or expenses.

#### AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets not falling into the categories presented above. They are non-current financial assets that the Group will not actively dispose of in the short-term. Available-for-sale financial assets primarily comprise shares and participations acquired to support business operations, e.g. in local telecom, water and environment service companies. They are not primarily quoted in well-functioning markets and they are measured at acquisition cost less any impairment. Quoted shares are measured at fair value and others, when the fair value cannot be evaluated reliably, at the original acquisition cost. When fair value can be evaluated reliably, the changes in fair value are entered in the comprehensive income statement and are presented in the fair value reserves in shareholders' equity, taking the tax impact into consideration. Changes in fair value are transferred from the fair value reserve to financing income or expenses when the Group disposes of an available-for-sale financial asset or its value has declined such that an impairment loss must be recognised on it. Impairment of an equity investment classified as an available-for-sale financial asset is not derecognised through profit or loss.

#### CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits withdrawable on demand and liquid short-term investments whose original maturity is no more than three months. They are recorded in the balance sheet at the original acquisition cost and the yield under financing income. The available overdraft facilities are included in current liabilities in the balance sheet and netted as the Group has a contractual offsetting right to execute the net amount to the creditor.

#### IMPAIRMENT OF FINANCIAL ASSETS

Assessment as to whether there is objective evidence of an impairment of an item included in the financial assets occurs on the closing date. An impairment loss is recognised if the carrying amount of the asset item is higher than its recoverable amount. An impairment loss is reversed if the recoverable amount has changed from the date it was recognised due to a change in circumstances.

The fair value of available-for-sale financial assets is considered decreased when their value has decreased significantly over a longer term. In this case, changes to the fair value are entered from shareholders' equity to the income statement. Impairment losses to equity investments classified as available-for-sale financial assets are not derecognised through profit or loss.

The value of loan and trade receivables in other receivables is considered to have decreased when it is apparent that the Group will not be able to collect the receivable in accordance with the original terms and conditions. The Group recognises the impairment loss concerning sales receivables immediately when there is objective evidence that the receivable cannot be collected in full. In addition, delay or default on a payment by the debtor or known financial difficulties of the debtor are considered additional factors indicative of an impairment of trade receivables. According to the

Group's principle concerning the valuation of trade receivables, 50% of unsecured and uncertain receivables overdue more than 180 days and 100% of those overdue more than 360 days is recognised as an expense. Due to the application of the percentage of completion method, part of the items considered write-downs is included in the project cost estimate and taken into consideration as weakened margin forecast. Write-downs on loss-making projects are included in the provisions for losses.

## FINANCIAL LIABILITIES

Financial liabilities are recorded in the balance sheet at the settlement day and derecognised from the balance sheet when the related obligations expire or transfer outside the Group in accordance with the agreements.

The Group has classified its financial liabilities into the following categories:

### FINANCIAL LIABILITIES AT PERIODISED ACQUISITION COST USING THE EFFECTIVE INTEREST RATE METHOD

These are originally measured at fair value. Transaction costs arising in connection with taking out the loan have been included in the original carrying amount. Financial liabilities may be current or non-current. Financial liabilities are later valued at the periodised acquisition cost using the effective interest rate method. Borrowing costs arising as a result of the acquisition, construction or manufacturing of a qualifying asset are capitalised as part of the acquisition cost of the asset in question when it is probable that they will produce future financial benefit and can be reliably determined. Other borrowing costs are expensed in the period during which they emerged. Fees paid on the establishment of loan facilities are recognised as expenses over the period of the facility to which it relates.

Developer contracting-related debts from contract receivables sold to financing companies are also presented in financial liabilities. The receivables sold to financing companies are included in the current borrowings during the loan period to the extent they are related to housing production or commercial real estates recognised as revenue upon completion. Loans from external financial institutions drawn down by housing corporations have been accounted for as liabilities to the extent that they apply to unsold shares.

The Group has applied from January 1, 2010 the IFRIC 15 interpretation, according to which sold residential units in own residential development projects are recognised when projects are complete. As a result, all construction-stage contract receivables related to residential housing production or business premises recognised as revenue upon completion must be reported as part of the interest-bearing liabilities on the balance sheet. Previously, this part of the construction-stage contract receivables was reported as an off-balance sheet item.

The fair values of the financial liabilities are market rates if one has been reliably available, or otherwise discounted values or accounting values if this is reasonably close to the fair value. The discount rate used is the rate at which the Group could possibly buy a corresponding item on the closing date.

### FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

Currency forward contracts and interest rate swaps associated with business operations and financing to which IAS 39 compliant hedging is not applied have been classified into this category. Derivatives are originally measured at fair value when the Group becomes party to an agreement and is subsequently measured at fair value. Currency forward contracts are used for hedging against the currency exposure of exchange rates and resulting changes in fair value are entered in other operating income and expenses or financial income and expenses in the financial period in which they were incurred. Interest rate swaps are used to hedge against changes in market interest rates, and changes in the fair value of interest rate swaps are entered in financing income or expenses in the financial period in which they were incurred. Derivatives are non-current liabilities when their maturity is more than 12 months (Other liabilities) and current liabilities when the remaining maturity is less than 12 months (Trade and other payables).

### FAIR VALUE OF DERIVATIVE INSTRUMENTS AND HEDGE ACCOUNTING

The fair value of derivative instruments equals the value the Group would receive or pay if the derivative contract were transferred. The fair value of exchange rate forward agreements has been assessed by using the market prices at the closing day. These quoted prices for interest rate swap agreements are derived from the discounted future cash flows, and the quoted prices for other agreements are based on general market conditions and common pricing models.

Derivative instruments used in hedge accounting that meet the hedge accounting criteria under IAS 39 are entered in the balance sheet at fair value on the day that the Group becomes counterpart to the agreement. The Group has applied hedge accounting for hedging against the reference rate of floating rate loans (cash flow hedging). The Group documents the relationship between the target and the hedging instruments and assesses the effectiveness of the hedging ratio. The effectiveness of hedging is evaluated in connection with the preparation of each financial statement, at minimum. Changes in the fair value of the effective part of derivative instruments meeting the criteria for cash flow hedging are entered in the fair value reserves in shareholders' equity, taking the tax impact into consideration. Gains and losses recognised in shareholders' equity are transferred to financial income or expenses within the same financial periods as the items of the hedging target.

## TREASURY SHARES

If a Group company acquires YIT Corporation shares, the consideration paid for the shares and acquisition-related costs are decreased from shareholders' equity until the shares are nullified or re-circulated. When the company sells its own shares, the direct transaction costs can be decreased from the consideration received, which is then entered in shareholders' equity.

## REVENUE RECOGNITION

Income from product and service sales is recorded as revenue at fair value with the indirect taxes, discounts.

### GOODS AND SERVICES SOLD

YIT Group designs, constructs and sells residential units and business premises and develops and maintains living infrastructure. Furthermore, in Russia, the Group provides after-sales service and maintenance for consumer customers' new homes. Income from sales of products is recorded when the significant risks, benefits and control associated with the ownership of the goods have transferred to the buyer. Income from short-term services is recorded when the service has been performed.

### LONG-TERM SERVICE AGREEMENTS AND CONSTRUCTION CONTRACTS

Long-term service agreements and construction contracts are recorded as revenue on the basis of the degree of completion when the end result of the project can be estimated reliably. The degree of completion of long-term service agreements is calculated on the basis of the share of the estimated total cost of a contract represented by the costs realised at the time of assessment or based on the share of the estimated completion of the contract. The revenue from developer contracting is recognised on the basis of the percentage of degree of completion and the degree of sale. Costs in excess of the degree of completion are capitalised in work in progress included in inventories. Revenue from construction projects including leasing liabilities is recognised as revenue on the basis of the percentage of degree of completion, degree of sale and occupancy rate. Leasing liabilities are treated as contract expenses. A provision for leasing liabilities is made if the remaining unrecognised margin of the construction project is lower than the amount of the remaining leasing liability.

The Group may also carry out a certain construction contract or long-term service agreement through a construction consortium. A construction consortium is not an independent legal unit; instead the contracting parties are directly responsible for its operations and liabilities. Construction contracts and long-term service agreements carried out through a consortium are included in the relevant Group company's reporting and are recorded as revenue on the basis of the degree of completion and the Group's share in the consortium.

### OWN RESIDENTIAL AND COMMERCIAL REAL ESTATE DEVELOPMENT PROJECTS

From January 1, 2010, the revenue generated by YIT's own residential development projects is recognised when the project is complete i.e. when the residential units are ready to be handed over to the client. Revenue recognition of completed projects is based on the degree of sale.

Under the old practice, the revenue was recognised during the construction phase based on the percentage of degree of completion and the degree of sale. In the case of YIT's commercial real estate development projects, the recognition practice will be evaluated on a case-by-case basis and in accordance with the terms and conditions of each contract. These projects will be recognised when the construction work has started or when the project is complete. The share of income and expenses to be recognised is calculated by using the formula percentage of completion multiplied by the percentage of sale multiplied by the occupancy rate. YIT normally secures the key tenants prior to starting a business premises project and the investor at the early stage of construction of the project.

If it is probable that the total expenditure required to complete a contract will exceed the total income from the project, the expected loss is expensed immediately in all circumstances. Revenue recognition on the basis of the degree of completion related to long-term service agreements and construction contracts is based on estimates. If the estimates of the end result of a contract change, the sales and profits recognised are adjusted in the reporting period when the change first becomes known and can be evaluated.

### INTEREST AND DIVIDENDS

Interest income is recognised using the effective yield method and dividend income when the right to dividend has materialised.

## ADJUSTMENT ITEMS

Adjustment items are presented in the Notes to the Consolidated Financial Statements. The Group treats as adjustment items that have a material impact on the quarterly result that help understand the formation of the Group's financial result. The Group treats as adjustment items such as the following, when their impact on the quarterly result is material:

- Gains or losses arising from the divestment of a business or part of a business
- Write-down of goodwill
- Provisions made on the basis of statutory personnel negotiations and adaptation measures
- Costs associated with acquisitions
- Impairment of fixed asset items
- Impairment of plots of land
- Material effect on profit/loss from disputes based on a decision by a court or arbitration proceedings
- Any other extraordinary items that have a material impact on the quarterly result

## CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

When financial statements are prepared in accordance with IFRS, the Group management must make estimates and exercise judgement in the application of the accounting policies. Estimates and assumptions have an effect on the amounts of assets, liabilities and contingent liabilities in the balance sheet of the financial statements and the final actual results may differ from the estimates. The following presents the critical accounting estimates and judgements included in the financial statements:

### ESTIMATED IMPAIRMENT OF GOODWILL

Goodwill is tested for any impairment annually in accordance with the accounting policy stated in note 13. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The cash flows in the value-in-use calculations are based on the management's best estimate of market development for the subsequent years.

The cash flows in the value-in-use calculations reflect the best estimate for different time period, and the sensitivity analysis for discount rate, profitability as well as terminal value have been made. On December 31, 2016, goodwill amounted to EUR 8.1 million.

### PERCENTAGE OF COMPLETION REVENUE RECOGNITION OF LONG-TERM PROJECTS

Due to estimates included in the revenue recognition of long-term service agreement and construction projects, revenue and profit presented by financial period only rarely correspond to the equal distribution of the total profit over the duration of the project. When revenue recognition from long-term projects is based on the percentage of completion method, the final result of the projects is regularly and reliably estimated. Calculation of the total income of projects includes estimates on the total expenditure required to complete the project as well as the development of sales prices. If the estimates of the end result of a contract change, the sales and profits recognised are adjusted in the reporting period when the change first becomes known and can be evaluated. If it is probable that the total expenditure required to complete a contract will exceed the total income from the project, the expected loss is expensed immediately. In 2016, revenue recognition through percentage of completion method amounted to EUR 1,523.9 million, representing 91 percent of the Group's revenue (Note 3).

### INCOME TAXES

The Group is subject to income taxes in several countries. Evaluating the total amount of income taxes at the Group level requires significant consideration, so the amount of total tax includes uncertainty. On December 31, 2016, deferred tax receivables amounted to EUR 55.8 million and deferred tax liabilities amounted to EUR 19.2 million (Note 17).

### PROVISIONS

The recognition of provisions is associated with estimates concerning probability and quantity. Provisions are booked for loss-making agreements when the obligatory expenditure required to meet obligations exceeds the benefits yielded by the agreement. A guarantee provision and Finnish 10-year provisions for commitments are recorded when a project is recognised in the income statement. The amount of the guarantee and Finnish 10-year provisions for commitments in the construction industry provision is set on the basis of experience of the materialization of these commitments. On December 31, 2016, provisions amounted to EUR 76.4 million (Note 23).

### PENSION BENEFITS

The current value of pension obligations depends on various actuarial factors and the discount rate used. Changes in the assumptions and discount rate have an effect on the carrying amount of pension liabilities. The discount rate used is the market rate of high-quality corporate bonds or the interest rate of treasury notes for the currency in which the benefits will be realised. The maturity of the reference rate used corresponds substantially to the maturity of the calculated pension liability. Other assumptions are based on actuarial statistics and prevailing market conditions. On December 31, 2016, pension liabilities amounted to EUR 2.1 million (Note 22).

### INVENTORIES

On each closing date, the Group assesses the valuing of inventory and possible decrease in value based on its best estimate. The estimates are based on systematic and continuous monitoring. Plot reserves are measured at acquisition cost and the value is impaired only when it is estimated that the building being constructed on the plot will be sold at a price lower than the sum of the price of the plot and the construction costs. The valuing of plot reserves has been made by using time period of 3–4 years. On December 31, 2016, work in progress amounted to EUR 899.9 million, completed housing units amounted to EUR 171.9 million and plot reserves amounted to EUR 620.7 million (Note 18).

### TRADE RECEIVABLES

The Group books write-offs or provision on receivables when it is evident that no payment can be expected. Group adopts its policy of valuing trade receivables and the bookings include estimates and critical judgements. The estimates are based on experience on realised write-offs in previous years, empirical knowledge of debt collecting, analysis made by clients and general market situation at the time. On December 31, 2016, trade receivables amounted to EUR 113.0 million (Note 19).

## EVALUATION OF THE FUTURE IMPACT OF NEW STANDARDS AND INTERPRETATIONS

IASB has published the following new or amended standards and interpretations, which group has not applied for or EU commission has not approved yet. YIT Group will adopt them in the financial statements for the year 2016 or later.

- IFRS 15 Revenue from contracts with customers standard was published in May 2014. In April 2016, the IASB published clarifications and expediens for the transition to the standard. IFRS 15 determines how and when the revenue from contracts with clients are to be recorded. The standard starting point is the customer agreement, in which a five-step model will be applied. The standard effective date is 1 January 2018 or fiscal years beginning after that. Central to recognition of revenue is the transfer of control. Revenue is recognized either over time or at a single point in time. When effective, the new standard replaces the existing IAS 18 and IAS 11 standards.
- Due to the nature of the business operations of YIT the final effects are dependent on the structure of application of the agreement and the contract terms and business models.

A major part of YIT's construction services revenues are recognised at the percentage of completion according to current standards. The criteria for revenue recognition over time of the new standard are met in the majority of YIT's contracts and under the present best knowledge available the company does not expect significant changes in the timing of revenue recognition as project progresses.

- The number of performance obligations could increase to situations in which the contract can cover several separate building constructions or contains other than construction services.
- The number of performance obligations can be influenced, for example by the nature of the guarantee obligations.
- If the warranty obligation is actually an additional service to the customer, it is treated according to the standard model, as a separate performance obligations and part of the sales contract sales separated from construction service of sales and amortised later than at the moment. The same shall apply if the agreement is included in other IFRS later carried out in accordance with Article 15 services as construction services.
- Variable transaction price may have to be taken into account earlier than what is currently done. Currently the company takes consider the variable sales price when the amount can be reliably measured and the conditions for receiving it are met. IFRS 15 requires the recognition of revenue as early as possible in this regard, by contracts, depending on the uncertainties.

The company has not yet made a decision on the implementation procedures and expedients applicable of the standard and will inform how the 15 IFRS implementation project progresses, regarding the implementation procedure, as well as any relevant quantitative effects.

- IFRS 16 Leases: IFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.
  The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.
  The group management is assessing the impact of the standard on the financial statements of the Group.

- IFRS 9 Financial Instruments and associated amendments to various other standards. IFRS 9 replaces the multiple classification and measurement models in IAS 39 Financial instruments: Recognition and measurement with a single model that has initially only two classification categories: amortised cost and fair value.
  Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.
- All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss). For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.
  The new standard also introduces expanded disclosure requirements and changes in presentation. In December 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. With these amendments, IFRS 9 is now complete. The changes introduce:

  - a third measurement category (FVOCI) for certain financial assets that are debt instruments
  - a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (e.g. trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

  The group management is assessing the impact of the standard on the financial statements of the Group.

- Amendments to IFRS 10 and IAS 28: The amendments clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures.
  The IASB has made limited scope amendments to IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures. They confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' (as defined in IFRS 3 Business Combinations). Where the non-monetary assets constitute a business, the investor will recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's investors in the associate or joint venture. The amendments apply prospectively.
  The group management is assessing the impact of the standard on the financial statements of the Group.

- Share-based Payment Transactions'- Amendments to IFRS 2: The amendments clarify how to account for certain types of share-based payment transactions and provide requirements on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled

The group management is assessing the impact of the standard on the financial statements of the Group.

- IFRIC 22: Foreign Currency Transactions and Advance Considerations: IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. The group management is assessing the impact of the standard on the financial statements of the Group.

- Transfers of Investment Property – Amendments to IAS 40: The amendment was made to reinforce the principle for transfers into, or out of, investment property in respect of properties under construction or development.
The group management is assessing the impact of the standard on the financial statements of the Group.

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12: Amendments made to IAS 12 in January 2016 clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. Specifically, the amendments confirm that:
  - A temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period.
  - An entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit.
  - Where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type.
  - Tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

The group management is assessing the impact of the standard on the financial statements of the Group.

- Annual improvements to IFRSs 2014–2016 cycle: IFRS 12 – that the disclosure requirements in IFRS 12, other than those relating to summarised financial information for subsidiaries, joint ventures and associates, apply to an entity's interests in other entities that are classified as held for sale or discontinued operations in accordance with IFRS 5.
The group management is assessing the impact of the standard on the financial statements of the Group.

## 2. SEGMENT INFORMATION

YIT Corporation's segment structure changed from the beginning of 2015. As of January 1, 2015, the Group's three reportable segments are 1) Housing Finland and CEE , 2) Housing Russia and 3) Business Premises and Infrastructure.

The Business Premises and Infrastructure segment comprises business premises construction in Finland, the Baltic countries and Central Eastern Europe, as well as infrastructure services in Finland.

The reason for the change from the previous business segment structure was YIT's aim to revise its business segment structure to better correspond to the company's new management structure and business areas.

### HOUSING FINLAND AND CEE

- Development and construction of housing, holiday homes and entire residential areas
- Emphasis on own developments

### HOUSING RUSSIA

- Development and construction of housing and entire residential areas, emphasis on own developments
- Property maintenance

## BUSINESS PREMISES AND INFRASTRUCTURE

- Development and construction of offices, shopping malls, public facilities, assisted living facilities and other business premises
- Renovation projects
- Construction of roads, bridges, tunnels, rail and metro stations, ports and power plants
- Road and street maintenance
- Equipment business

## OTHER ITEMS

Other items include Group internal services, rental revenue from external customers and Group level unallocated costs.

## ACCOUNTING PRINCIPLES IN SEGMENT REPORTING

In the Group's segments' reporting to the management, the revenue from own residential and commercial development projects is recognised by multiplying the degree of completion and the degree of sale, i.e. according to the percentage of completion method, which does not fully comply with the Group's IFRS accounting principles. According to the Group's IFRS accounting principles, revenue from our own residential construction projects is recognised on completion and in commercial development projects the recognition practice will be evaluated on a case-by-case basis and in accordance with the terms and conditions of each contract. The share of income and expenses to be recognised is calculated by multiplying the percentage of completion by the percentage of sale multiplied by the occupancy rate. YIT usually sells own commercial development projects to investors either prior to construction or during an early phase. The impact of the difference in reporting principles is shown in the line IFRS adjustment. As a result of the accounting policy, Group figures can fluctuate greatly between quarters.

In addition to group reporting, the interest expenses are capitalised according to IAS 23 standard, which causes differences in operating profit and financial expenses between segment reporting and group reporting. 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.

The operative invested capital and return on operative invested capital (%) are included in the reports regularly reviewed by the YIT Group's Management Board. These key indicators are reported regularly to Group's Management. Operative invested capital is determined as follows:

+ Tangible and intangible assets
+ Goodwill
+ Investments in associates and joint ventures
+ Inventories
+ Trade receivables and other non-interest-bearing receivables (excl. items related to taxes, interests and distribution of assets)

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= Segments' assets

- Provisions
- Trade payables
- Advances received
- Other non-interest-bearing liabilities (excl. items related to taxes, interests and distribution of assets)

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= Segments' liabilities

Segment's assets - Segment's liabilities = Operative invested capital

Return on operative invested capital

$$\% = \frac{\text{Segment's operating profit (12 months)}}{\text{Operative invested capital (average) *100}}$$

From the beginning of 2016 YIT's reporting was changed so that Equipment business is reported as part of Business Premises and Infrastructure instead of Other items. The reason for the change is due to the central role of the construction equipment as part of the segment's business, especially for special equipment in infrastructure construction. The comparative figures for 2015 have been restated to reflect the change.

## OPERATING SEGMENTS 2016

| EUR million | Housing Finland and CEE | Housing Russia | Business Premises and Infrastructure | Other items and eliminations | Items allocated to segments |
|---|---|---|---|---|---|
| **Segments' revenue** | **727.9** | **267.9** | **797.4** | **-9.7** | **1,783.6** |
| Group internal | -0.0 | | -9.7 | 9.7 | |
| Revenue from external customers | 727.9 | 267.9 | 787.7 | 0.1 | 1,783.6 |
| | | | | | |
| Share of profit from associates and joint ventures | 0.0 | | -0.6 | -0.0 | -0.6 |
| | | | | | |
| **Operating profit segment/ Group** | **59.9** | **-29.3** | **38.1** | **-15.7** | **52.9** |
| Operating profit includes: | | | | | |
| Depreciation, amortistation and impairments | -2.5 | -3.1 | -7.0 | -3.9 | -16.5 |
| Change in provisions | -0.2 | 13.5 | 2.1 | 0.6 | 16.1 |
| | | | | | |
| **Segments' assets** | **741.7** | **524.3** | **531.2** | **19.9** | **1,817.0** |
| Total assets include: | | | | | |
| Investments | 1.6 | 0.6 | 76.5 | 4.7 | 83.5 |
| Investments in associates and joint ventures | 0.0 | | 63.5 | | 63.5 |
| | | | | | |
| **Segments' liabilities** | **288.2** | **119.1** | **347.3** | **5.5** | **760.1** |
| | | | | | |
| Segment's operative invested capital | 453.5 | 405.1 | 183.9 | 14.3 | 1,056.9 |
| Return on operative invested capital (last 12 months) % | 13.4 | -7.6 | 21.6 | | |

## OPERATING SEGMENTS 2015

| EUR million | Housing Finland and CEE | Housing Russia | Business Premises and Infrastructure | Other items and eliminations | Items allocated to segments |
|---|---|---|---|---|---|
| **Segments' revenue** | **777.8** | **266.4** | **615.6** | **-8.6** | **1,651.2** |
| Group internal | 0.0 | -0.1 | -8.7 | 8.8 | 0.0 |
| Revenue from external customers | 777.8 | 266.3 | 606.8 | 0.2 | 1,651.2 |
| | | | | | |
| Share of profit from associates and joint ventures | | | 0.0 | | 0.0 |
| | | | | | |
| **Operating profit segment/ Group** | **56.0** | **0.6** | **22.7** | **-13.6** | **65.7** |
| Operating profit includes: | | | | | |
| Depreciation, amortistation and impairments | -1.3 | -0.7 | -7.5 | -2.6 | -12.1 |
| Change in provisions | 2.3 | -1.1 | -1.5 | -0.7 | -1.0 |
| | | | | | |
| **Segments' assets** | **698.1** | **463.2** | **387.1** | **17.7** | **1,566.2** |
| Total assets include: | | | | | |
| Investments | 2.7 | 1.9 | 3.6 | 3.8 | 12.0 |
| Investments in associates and joint ventures | | | 0.7 | | 0.7 |
| | | | | | |
| **Segments' liabilities** | **261.0** | **100.2** | **218.5** | **-3.2** | **576.6** |
| | | | | | |
| Segment's operative invested capital | 437.1 | 363.0 | 168.6 | 21.0 | 989.6 |
| Return on operative invested capital (last 12 months) % | 11.0 | 0.2 | 11.7 | | |

## SEGMENT INFORMATION RECONCILIATION

| EUR million | 2016 | 2015 |
|---|---|---|
| **Revenue reconciliation** | | |
| Revenue, segment reporting | 1,783.6 | 1,651.2 |
| IFRS adjustment | -105.3 | 81.0 |
| **Revenue, Group** | **1,678.3** | **1,732.2** |
| | | |
| **Reconciliation of net profit for the financial year** | | |
| Operating profit, segment reporting | 52.9 | 65.7 |
| Unallocated items: | | |
| Financial income and expenses | -39.1 | -38.7 |
| **Profit before taxes, segment reporting** | **13.8** | **27.0** |
| Taxes | -6.4 | -6.9 |
| Non-controlling interest | | 0.0 |
| **Net profit for the financial year, segment reporting** | **7.4** | **20.0** |
| IFRS adjustment: | | |
| Operating profit | -35.2 | 15.9 |
| Financial income and expenses | 19.0 | 18.4 |
| Deferred taxes | 1.7 | -7.2 |
| Non-controlling interest | | 0.0 |
| **Net profit for the financial year, Group** | **-7.1** | **47.2** |

| EUR million | 2016 | 2015 |
|---|---|---|
| **Reconciliation of assets** | | |
| Assets allocated to segments | 1,817.0 | 1,566.2 |
| Unallocated items: | | |
| Cash and cash equivalents | 66.4 | 122.2 |
| Non-current receivables | 35.7 | 1.6 |
| Tax related items | 51.5 | 45.2 |
| Accrued financial items | 1.3 | 6.1 |
| **Assets total, segment reporting** | **1,971.9** | **1,741.4** |
| IFRS adjustment: | | |
| Inventories | 381.1 | 263.2 |
| Other current receivables | -78.1 | -44.0 |
| Deferred tax assets | 9.1 | 5.9 |
| **Assets total, Group** | **2,284.0** | **1,966.6** |
| | | |
| **Reconciliation of liabilities** | | |
| Liabilities allocated to segments | 760.1 | 576.6 |
| Unallocated items: | | |
| Interest-bearing liabilities | 570.3 | 583.1 |
| Tax related items | 20.1 | 19.3 |
| Accrued financial items | 16.4 | 14.0 |
| **Liabilities total, segment reporting** | **1,366.9** | **1,193.0** |
| IFRS adjustment: | | |
| Interest-bearing current liabilities | 129.2 | 68.1 |
| Other current liabilities | 222.0 | 182.0 |
| Deferred tax liabilities | 2.0 | 0.5 |
| **Liabilities total, Group** | **1,720.1** | **1,443.5** |

## GEOGRAPHICAL INFORMATION

In geographical segments revenues are presented by location of customers and assets are presented by location of assets.

### REVENUE FROM EXTERNAL CUSTOMERS

| EUR million | 2016 | 2015 |
|---|---|---|
| Finland | 1,233.3 | 1,240.1 |
| Russia | 271.6 | 335.1 |
| Baltic countries | 104.8 | 108.2 |
| Central Eastern Europe | 68.6 | 48.8 |
| **Group total** | **1,678.3** | **1,732.2** |

### NON-CURRENT ASSETS

| EUR million | 2016 | 2015 |
|---|---|---|
| Finland | 121.5 | 55.2 |
| Russia | 5.3 | 7.7 |
| Baltic countries | 9.0 | 9.1 |
| Central Eastern Europe | 1.4 | 1.4 |
| **Group total** | **137.2** | **73.4** |

## 3. LONG-TERM CONSTRUCTION CONTRACTS

| EUR million | 2016 | 2015 |
|---|---|---|
| Contract revenue recognised as revenue in the period | 1,523.9 | 1,403.2 |
| Contract costs incurred and recognised profits less recognised losses to date for work in progress | 1,550.6 | 1,241.5 |
| Accrued income from long-term projects | 55.1 | 22.5 |
| Advances received | 434.5 | 295.1 |

The expenditure incurred and the profits recognised for the long-term projects, that exceed the amount invoiced for the project, is presented in “Trade and other receivables” in the balance sheet. Advances received and difference that arises if the expenditure and recognised income are lower than the amount of invoiced for the project, is presented in “Trade and other payables”.

## 4. OTHER OPERATING INCOME

| EUR million | 2016 | 2015 |
|---|---|---|
| Gains on the sale of tangible and intangible assets | 2.2 | 0.8 |
| Rental income | 8.7 | 9.1 |
| Other income | 2.0 | 6.0 |
| **Total** | **12.8** | **16.0** |

## 5. OTHER OPERATING EXPENSES

| EUR million | 2016 | 2015 |
|---|---|---|
| Losses on the sale of tangible and intangible assets | -0.4 | -0.0 |
| Rental expenses | -43.7 | -44.5 |
| Voluntary indirect personnel expenses | -7.9 | -7.1 |
| Other variable expenses for work in progress | -196.4 | -200.6 |
| Travel expenses | -9.6 | -8.8 |
| IT expenses | -1.1 | -0.8 |
| Premises expenses | -7.4 | -0.9 |
| Other fixed expenses | -15.2 | -3.2 |
| **Total** | **-281.7** | **-286.0** |

### AUDITORS' FEES

| EUR million | 2016 | 2015 |
|---|---|---|
| PricewaterhouseCoopers | | |
| Audit fee | -0.8 | -0.8 |
| Statements | -0.0 | -0.0 |
| Tax services | -0.0 | -0.0 |
| Other services | -0.1 | -0.1 |
| **Total** | **-0.9** | **-0.9** |

## 6. DEPRECIATION, AMORTISATION AND IMPAIRMENT

### DEPRECIATION, AMORTISATION AND IMPAIRMENT BY CATEGORY

| EUR million | 2016 | 2015 |
|---|---|---|
| Intangible assets | | |
| Allocations | | 0.0 |
| Other intangible assets | -3.5 | -1.9 |
| Goodwill | -2.4 | |
| Tangible assets | | |
| Buildings and structures | -0.5 | -0.5 |
| Machinery and equipment | -8.0 | -8.6 |
| Machinery and equipment, finance lease | -0.1 | -0.1 |
| Other tangible assets | -2.0 | -1.0 |
| **Depreciation, amortisation and impairment, total** | **-16.5** | **-12.1** |

## 7. EMPLOYEE BENEFIT EXPENSES

| EUR million | 2016 | 2015 |
|---|---|---|
| Wages and salaries | -203.8 | -197.8 |
| Pension costs, defined contribution plan | -7.4 | -9.5 |
| Pension costs, defined benefit plan | -0.1 | 0.0 |
| Share-based compensations | -3.2 | -2.1 |
| Other indirect employee costs | -35.9 | -34.6 |
| **Total** | **-250.3** | **-244.0** |

### PERSONNEL BY BUSINESS SEGMENT

| Average number of personnel | 2016 | 2015 |
|---|---|---|
| Housing Finland and CEE | 1,748 | 1,780 |
| Housing Russia | 1,471 | 1,766 |
| Business Premises and Infrastructure | 1,947 | 1,871 |
| Group Services | 194 | 195 |
| **Total** | **5,361** | **5,613** |

The key management compensation in total is disclosed in Note 32 Related party transactions.

## 8. RESEARCH AND DEVELOPMENT EXPENSES

YIT Group's research and development expenses amounted in 2016 to EUR 15.8 million (2015: EUR 15.8 million). The research and development expenses have been mainly recognised as a part of the costs of long-term projects and have been recorded as a project costs.

## 9. FINANCIAL INCOME AND EXPENSES

| EUR million | 2016 | 2015 |
|---|---|---|
| Financial income | | |
| Dividend income on available for sale investments | 0.0 | 0.0 |
| Interest income on loans and other receivables | 1.5 | 1.4 |
| Changes in fair values on financial instruments at fair value through profit and loss account[1] | | 0.0 |
| Other financial income from loans and other receivables | 0.2 | 0.2 |
| **Financial income, total** | **1.7** | **1.5** |
| | | |
| Financial expenses | | |
| Interest expenses on liabilities at amortised cost[2] | -19.2 | -20.9 |
| Interest expenses on receivables sold to financing companies | -3.9 | -3.4 |
| Other financial expenses on liabilities at amortised cost | -5.0 | -4.8 |
| Interest expenses on hedging derivatives | -0.5 | -0.5 |
| Interest expenses on non-hedging derivatives | -2.6 | -1.8 |
| Changes in fair values on financial instruments at fair value through profit and loss account[1] | -0.4 | -1.3 |
| Interest expenses on finance leases | 0.0 | 0.0 |
| Financial expenses | -31.6 | -32.7 |
| Interest expenses capitalised on qualifying assets[3] | 19.0 | 18.4 |
| **Financial expenses, total** | **-12.6** | **-14.3** |

| EUR million | 2016 | 2015 |
|---|---|---|
| Exchange rate differences | | |
| Exchange rate gains | 0.7 | 23.4 |
| Exchange rate losses | -9.9 | -30.9 |
| **Exchange rate differences, net[4]** | **-9.2** | **-7.5** |
| | | |
| **Financial expenses, net** | **-20.1** | **-20.3** |

[1] Measurement of interest rate derivatives at fair value.
[2] Interest expenses on liabilities at amortised cost include EUR 0.5 million (in 2015: EUR 0.5 million) of interest expenses on derivatives with hedge accounting applied.
[3] Capitalisation of interest expenses is based on the effective weighted average interest of the Group loan portfolio. Currency-specific factors include the impact of hedging.
[4] Exchange rate differences, net, were mainly caused by realised losses from hedging the rouble against the euro.

## 10. INCOME TAXES

### INCOME TAXES IN THE INCOME STATEMENT

| EUR million | 2016 | 2015 |
|---|---|---|
| Current taxes | 13.2 | 10.4 |
| Taxes for prior years | 4.1 | -0.5 |
| Deferred taxes[1] | -12.6 | 4.1 |
| **Total income taxes** | **4.7** | **14.0** |

The reconciliation between income taxes in the consolidated income statement and income taxes at the statutory tax rate in Finland 20.0% is as follows:

| EUR million | 2016 | 2015 |
|---|---|---|
| **Profit before taxes** | **-2.5** | **61.3** |
| Income taxes at the tax rate in Finland 20.0% | -0.5 | 12.3 |
| Effect of different tax rates outside Finland | -0.1 | -0.4 |
| Tax exempt income and non-deductible expenses | 2.1 | 3.9 |
| Net results of associated companies and joint ventures | 0.1 | 0.0 |
| Impact of losses for which deferred tax asset is recognised | -0.1 | -0.9 |
| Impact of losses for which deferred taxes is not recognised | 0.0 | 0.4 |
| Reassessment of deferred taxes | 3.1 | -0.8 |
| Taxes for prior years | 0.1 | -0.5 |
| **Income taxes in the income statement** | **4.7** | **14.0** |

[1] Deferred taxes includes taxes from prior years EUR 4.0 million that was presented as change in deferred taxes in 2015.

## 11. EARNINGS PER SHARE

| | Undiluted | | Diluted | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Profit attributable to the equity holders of the Company, EUR mill. | -7.1 | 47.2 | -7.1 | 47.2 |
| Weighted average number of shares, million | 125.6 | 125.6 | 127.4 | 126.8 |
| Earnings per share, EUR | -0.06 | 0.38 | -0.06 | 0.37 |

Diluted earnings per share is calculated by adjusting number of shares to assume conversion of all diluting potential shares.

## 12. TANGIBLE ASSETS

| 2016<br>EUR million | Land and water areas | Buildings and structures | Machinery and equipment | Other tangible assets | Advance payments | Total |
|---|---|---|---|---|---|---|
| Historical cost at January 1 | 2.8 | 19.1 | 162.3 | 16.1 | 0.1 | 200.3 |
| Translation differences | | 1.1 | 0.9 | 0.3 | 0.0 | 2.3 |
| Increases | | 0.3 | 13.5 | 0.2 | 0.1 | 13.9 |
| Decreases | -0.4 | -2.0 | -1.8 | -0.0 | -0.1 | -4.2 |
| Reclassifications | | 0.2 | 0.0 | 4.7 | -0.1 | 4.8 |
| **Historical cost at December 31** | **2.4** | **18.6** | **174.9** | **21.1** | **0.0** | **217.1** |
| | | | | | | |
| Accumulated depreciation at January 1 | | -11.3 | -128.8 | -12.8 | | -152.9 |
| Translation differences | | -0.3 | -0.8 | -0.1 | | -1.2 |
| Depreciation | | -0.5 | -8.1 | -2.0 | | -10.6 |
| Accumulated depreciation of reclassifications | | 1.0 | 0.9 | -1.0 | | 0.8 |
| **Accumulated depreciation at December 31** | | **-11.1** | **-136.8** | **-15.9** | | **-163.9** |
| | | | | | | |
| Carrying value January 1 | 2.8 | 7.8 | 33.5 | 3.3 | 0.1 | 47.4 |
| **Carrying value December 31** | **2.4** | **7.5** | **38.1** | **5.2** | **0.0** | **53.2** |

| 2015<br>EUR million | Land and water areas | Buildings and structures | Machinery and equipment | Other tangible assets | Advance payments | Total |
|---|---|---|---|---|---|---|
| Historical cost at January 1 | 2.9 | 21.4 | 160.5 | 15.6 | 0.1 | 200.4 |
| Translation differences | | -0.5 | -0.3 | -0.1 | -0.0 | -1.0 |
| Increases | | 0.8 | 4.9 | 1.0 | 0.0 | 6.7 |
| Decreases | -0.1 | -2.8 | -1.8 | -0.4 | -0.0 | -5.2 |
| Reclassifications | | 0.3 | -0.9 | 0.0 | | -0.6 |
| **Historical cost at December 31** | **2.8** | **19.1** | **162.3** | **16.1** | **0.1** | **200.3** |
| | | | | | | |
| Accumulated depreciation at January 1 | | -11.7 | -121.3 | -12.0 | | -145.0 |
| Translation differences | | 0.1 | 0.3 | 0.1 | | 0.5 |
| Depreciation | | -0.5 | -8.7 | -1.0 | | -10.3 |
| Accumulated depreciation of reclassifications | | 0.8 | 0.9 | 0.2 | | 1.9 |
| **Accumulated depreciation at December 31** | | **-11.3** | **-128.8** | **-12.8** | | **-152.9** |
| | | | | | | |
| Carrying value January 1 | 2.9 | 9.7 | 39.2 | 3.5 | 0.1 | 55.4 |
| **Carrying value December 31** | **2.8** | **7.8** | **33.5** | **3.3** | **0.1** | **47.4** |

The government grants received are not material and have been deducted from the carrying value.

## FINANCE LEASE ASSETS

Tangible assets include assets leased by finance lease agreements as follows:

| EUR million | Buildings and structures 2016 | Machinery and equipment 2016 | Total 2016 | Buildings and structures 2015 | Machinery and equipment 2015 | Total 2015 |
|---|---|---|---|---|---|---|
| Historical cost at January 1 | 0.3 | 6.1 | 6.4 | 0.4 | 6.2 | 6.6 |
| Translation differences | 0.1 | 0.2 | 0.3 | -0.0 | -0.1 | -0.1 |
| Increases | | | | | | |
| Decreases | | | | | | |
| Reclassifications | | | | | | |
| **Historical cost at December 31** | **0.4** | **6.3** | **6.7** | **0.3** | **6.1** | **6.4** |
| | | | | | | |
| Accumulated depreciation at January 1 | -0.0 | -5.9 | -6.0 | -0.0 | -5.9 | -5.9 |
| Translation differences | -0.0 | -0.2 | -0.2 | 0.0 | 0.1 | 0.1 |
| Depreciation | -0.0 | -0.1 | -0.1 | -0.0 | -0.1 | -0.1 |
| Accumulated depreciation of reclassifications | | | | | | |
| **Accumulated depreciation at December 31** | **-0.1** | **-6.2** | **-6.2** | **0.0** | **-5.9** | **-6.0** |
| | | | | | | |
| Carrying value January 1 | 0.3 | 0.2 | 0.5 | 0.3 | 0.3 | 0.6 |
| **Carrying value December 31** | **0.4** | **0.1** | **0.5** | **0.3** | **0.2** | **0.5** |

## 13. INTANGIBLE ASSETS

| 2016<br>EUR million | Goodwill | Allocations from business combinations | Other intangible assets | Advance payments | Total other intangible assets |
|---|---|---|---|---|---|
| Historical cost at January 1 | 10.9 | | 21.4 | 8.2 | 29.7 |
| Increases | | | 1.0 | 4.2 | 5.2 |
| Decreases | | | -0.5 | -0.1 | -0.6 |
| Reclassifications | | | 1.0 | -5.8 | -4.8 |
| Translation differences | | | 0.0 | | 0.0 |
| **Historical cost at December 31** | **10.9** | | **22.9** | **6.6** | **29.5** |
| | | | | | |
| Accumulated depreciation at January 1 | | | -15.3 | | -15.3 |
| Amortisation | | | -3.5 | | -3.5 |
| Impairment | -2.8 | | | | |
| Translation differences | | | -0.2 | | -0.2 |
| Accumulated depreciation of reclassifications | | | 1.5 | | 1.5 |
| **Accumulated depreciation at December 31** | **-2.8** | | **-17.6** | | **-17.6** |
| | | | | | |
| Carrying value January 1 | 10.9 | | 6.1 | 8.2 | 14.3 |
| **Carrying value December 31** | **8.1** | | **5.4** | **6.6** | **11.9** |

| 2015<br>EUR million | Goodwill | Allocations from business combinations | Other intangible assets | Advance payments | Total other intangible assets |
|---|---|---|---|---|---|
| Historical cost at January 1 | 10.9 | 3.3 | 16.6 | 8.5 | 28.2 |
| Increases | | | 2.1 | 2.8 | 4.9 |
| Decreases | | -3.3 | -0.3 | 0.0 | -3.6 |
| Reclassifications | | | 3.0 | -3.0 | 0.0 |
| Translation differences | | | 0.0 | | 0.0 |
| **Historical cost at December 31** | **10.9** | | **21.4** | **8.2** | **29.5** |
| | | | | | |
| Accumulated depreciation at January 1 | | -3.3 | -13.7 | | -16.9 |
| Amortisation | | | -1.9 | | -1.9 |
| Translation differences | | | 0.0 | | 0.0 |
| Accumulated depreciation of reclassifications | | 3.3 | 0.3 | | 3.6 |
| **Accumulated depreciation at December 31** | | | **-15.3** | | **-15.3** |
| | | | | | |
| Carrying value January 1 | 10.9 | | 2.9 | 8.5 | 11.3 |
| **Carrying value December 31** | **10.9** | | **6.1** | **8.2** | **14.3** |

YIT Group's goodwill is allocated to the business segments and to the cash generating units (CGU) as follows:

| EUR million | 2016 | 2015 |
|---|---|---|
| Baltic countries and Central Eastern Europe | 8.1 | 8.1 |
| YIT Moskovia | | 2.8 |
| **Total goodwill** | **8.1** | **10.9** |

The recoverable amount of all cash generating units (CGU) is based on value in use calculations. The calculations are made on a discounted cash flow method basis, derived from the set out budget for 2017 and the set out strategy of 2018–2019. The most significant assumptions concerning these are related to the development of housing demand and project margins, as well as changes in working capital. Cash flows beyond the strategy period are calculated using the terminal value method. The growth rates for terminal values used were 2% in the Baltic countries and Central Eastern Europe, and 6% for YIT Moskovia, which operates in Russia. The estimates rest on the former experience and trends in these markets. Forecast of several research institutes related to growth, demand and price trends have also been utilised when preparing the estimates.

The applied discount rate the latest confirmed pre-tax WACC (Weighted Average Cost of Capital) defined by YIT. A WACC of 7.6% (7.6%) was used in the Baltic countries and Central Eastern Europe, and 17.6% (18.9%) in Russia.

The goodwill test results are evaluated by comparing the recoverable amount (E) with the carrying amount of the CGU (T), as follows:

| Ratio | | | | Estimate |
|---|---|---|---|---|
| E | | < | T | Impairment |
| E | 0–20% | > | T | Slightly above |
| E | 20–50% | > | T | Clearly above |
| E | 50%– | > | T | Substantially above |

The recoverable amount exceeded the carrying amount substantially in the Baltic countries and Central Eastern Europe. Based on the impairment testing the goodwill relating to YIT Moskovia was impaired in connection with the re-evaluation of Russian business balance sheet amounts.

## SENSITIVITY ANALYSIS

Sensitivity analysis has been carried out for the valuation of the recovarable amounts for the Baltic countries and Central Eastern Europe CGU by changing the assumptions used in the calculations. A change in an assumption that would cause the recoverable amount to equal the carrying amount is:

- Pre-tax discount rate: increase more than 4 percentage points
- Terminal growth rate: decrease more than 5 percentage points
- Profitability: decrease more than 50%

In management's opinion, the changes in the basic assumptions shall not be seen as an indication that these factors are likely to materialise. The sensitivity analysis is hypothetical and should therefore be treated with caution.

# 14. INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| EUR million | Associated companies | Joint ventures | Total | Associated companies | Joint ventures | Total |
| Historical costs on January 1 | 0.6 | 0.1 | 0.6 | 0.7 | 0.1 | 0.8 |
| Share of results | 0.1 | -0.7 | -0.6 | 0.1 | 0.0 | 0.1 |
| Increases | 0.0 | 63.6 | 63.6 | | 0.1 | 0.1 |
| Decreases | | 0.0 | 0.0 | | | |
| Dividend received during the financial year | | | | -0.2 | -0.1 | -0.3 |
| **Historical costs on December 31** | **0.6** | **62.9** | **63.6** | **0.6** | **0.1** | **0.7** |

Associated companies and joint ventures are consolidated in accordance with the equity method.

## YIT GROUP'S ASSOCIATED COMPANIES AND JOINT VENTURES AND THEIR COMBINED ASSETS, LIABILITIES, REVENUE AND PROFIT/LOSS

| 2016<br>EUR million | Domicile | Assets | Liabilities | Revenue | Profit/Loss | Ownership | Carrying amount |
|---|---|---|---|---|---|---|---|
| Associated companies | | | | | | | |
| YIT Kuntatekniikka Oy | Mikkeli | 2.1 | 0.7 | 7.1 | 0.2 | 40.00% | 0.6 |
| Joint ventures | | | | | | | |
| Kasarmikatu Holding Oy | Helsinki | 71.1 | 61.4 | 0.4 | -0.3 | 40.00% | 3.9 |
| Tripla Mall GP Oy | Helsinki | 0.0 | 0.0 | | 0.0 | 38.75% | 0.0 |
| Tripla Mall Ky | Helsinki | 152.4 | 0.1 | | -0.9 | 38.75% | 58.9 |
| Regenero Oy | Helsinki | 0.2 | 0.0 | | -0.2 | 50.00% | 0.1 |
| Konopna Residence s.r.o | Bratislava | 2.4 | 2.4 | 0.4 | 0.0 | 40.00% | 0.0 |
| Tieyhtiö Vaalimaa Oy | Helsinki | 148.5 | 151.8 | 0.2 | -3.0 | 20.00% | 0.1 |
| **Total** | | **376.7** | **216.4** | **8.1** | **-4.3** | | **63.6** |

| 2015<br>EUR million | Domicile | Assets | Liabilities | Revenue | Profit/Loss | Ownership | Carrying amount |
|---|---|---|---|---|---|---|---|
| Associated companies | | | | | | | |
| YIT Kuntatekniikka Oy | Mikkeli | 2.9 | 1.6 | 13.6 | 0.1 | 40.00% | 0.6 |
| Joint ventures | | | | | | | |
| Ruoholahti 23 Oy | Helsinki | 0.0 | 0.0 | | 0.0 | 50.00% | |
| Valtatie 7 Group | Helsinki | 371.5 | 391.6 | 46.5 | 0.0 | 10.05% | 0.0 |
| Tieyhtiö Vaalimaa Oy | Helsinki | 40.8 | 41.1 | | 0.0 | 20.00% | 0.1 |
| **Total** | | **415.2** | **434.3** | **60.1** | **0.1** | | **0.7** |

## DESCRIPTIONS OF LINES OF BUSINESS

YIT Kuntatekniikka Oy's line of business is to build, maintain and develop good living environments and provide services related to technical infrastructure and properties primarily in the Mikkeli area, and with regard to infrastructure services, also elsewhere in Eastern Finland.

Kasarmikatu Holding Oy invests in the office building in Kasarmikatu in Helsinki.

Tripla Mall GP Oy and Tripla Mall Ky's line of business is investment property operations, owning shopping malls and real-estate companies. The associated companies invest in building project Tripla in Pasila.

Regenero Oy's line of business emphasises on developing large residential, commercial- and office projects in the capital area.

Konopna Residence S.r.o invests in property development projects.

Ruoholahti 23 Oy's line of business is to acquire, sell, own, manage and lease properties comprising residential, medical, office and industrial premises, as well as shares in real estate companies related to such premises. The company's line of business also includes construction and property development activities as well as related use and maintenance operations. The company's line of business further includes the provision of management services for properties and premises. The company was liquidated during 2016.

Valtatie 7 Group's line of business is to plan, build, develop, finance and maintain the E18 motorway between Koskenkylä and Kotka. The company was sold to a third party in 2016.

Tieyhtiö Vaalimaa Oy's line of business is to plan, build, develop, finance and maintain the E18 motorway between Hamina and Vaalimaa.

## 15. AVAILABLE FOR SALE INVESTMENTS

| EUR million | 2016 | 2015 |
|---|---|---|
| Carrying value January 1 | 0.4 | 0.8 |
| Decreases | -0.0 | -0.4 |
| Changes in fair values | | 0.0 |
| **Carrying value December 31** | **0.4** | **0.4** |
| | | |
| Available for sale investments consist of as follows: | | |
| Quoted | 0.1 | 0.1 |
| Unquoted | 0.3 | 0.3 |
| **Total** | **0.4** | **0.4** |

## 16. NON-CURRENT RECEIVABLES

| EUR million | 2016 Carrying value | 2016 Fair value | 2015 Carrying value | 2015 Fair value |
|---|---|---|---|---|
| Trade receivables | 1.2 | 1.2 | 0.3 | 0.3 |
| Interest-bearing receivables | 33.5 | 33.5 | | |
| Other receivables | 3.0 | 3.0 | 3.4 | 3.4 |
| **Total** | **37.7** | **37.7** | **3.7** | **3.7** |

### RECONCILIATION TO THE NOTE 27 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

| EUR million | 2016 | 2015 |
|---|---|---|
| Trade receivables | 1.2 | 0.3 |
| Interest-bearing receivables | 33.5 | |
| Other receivables | 3.0 | 3.4 |
| **Total** | **37.7** | **3.7** |

Non-current receivables do not include receivables from related parties.

## 17. DEFERRED TAX ASSETS AND LIABILITIES

| EUR million | 2016 | 2015 |
|---|---|---|
| Deferred tax assets | 54.2 | 40.5 |
| Deferred tax liabilities | -17.6 | -18.5 |
| **Deferred tax assets, net** | **36.6** | **22.1** |

### CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES

| EUR million | 2016 | 2015 |
|---|---|---|
| Deferred tax assets, net January 1 | 22.1 | 26.0 |
| Translation difference | 1.9 | 0.2 |
| Changes recognised in income statement | 12.5 | -4.1 |
| Changes recognised in comprehensive income | 0.1 | 0.0 |
| **Deferred tax assets, net December 31** | **36.6** | **22.1** |

## CHANGES IN DEFERRED TAX ASSETS AND LIABILITIES BEFORE THE OFFSET

**2016**

| EUR million | January 1 | Translation difference | Recognised in the income statement | Recognised in comprehensive income/equity | December 31 |
|---|---|---|---|---|---|
| Deferred tax assets | | | | | |
| Provisions | 13.1 | 0.7 | 2.7 | | 16.5 |
| Tax losses carried forward | 8.0 | 1.7 | 4.7 | | 14.4 |
| Pension obligations | 0.2 | | 0.0 | 0.2 | 0.4 |
| Percentage of completion method | 6.7 | 0.3 | 1.2 | | 8.2 |
| Inventories | 12.1 | 1.6 | -1.0 | -2.3 | 10.4 |
| Other items | 5.2 | 0.3 | 0.6 | -0.1 | 6.0 |
| **Total deferred tax assets** | **45.3** | **4.5** | **8.2** | **-2.2** | **55.8** |
| | | | | | |
| Deferred tax liabilities | | | | | |
| Allocation of intangible assets | 2.7 | | -0.3 | | 2.4 |
| Accumulated depreciation differences | 3.2 | | 0.2 | | 3.4 |
| Pension obligations | 0.0 | | | | 0.0 |
| Percentage of completion method | 6.8 | 1.2 | -5.0 | | 3.0 |
| Inventories | 6.5 | 1.5 | 1.2 | -2.3 | 6.9 |
| Available-for-sale investments | 0.1 | | | | 0.1 |
| Other items | 3.9 | -0.0 | -0.4 | | 3.4 |
| **Total deferred tax liabilities** | **23.2** | **2.6** | **-4.3** | **-2.3** | **19.2** |

**2015**

| EUR million | January 1 | Translation difference | Recognised in the income statement | Recognised in comprehensive income/equity | December 31 |
|---|---|---|---|---|---|
| Deferred tax assets | | | | | |
| Provisions | 11.3 | -0.2 | 2.0 | | 13.1 |
| Tax losses carried forward | 4.3 | -0.7 | 4.3 | | 8.0 |
| Pension obligations | 0.1 | | 0.1 | 0.0 | 0.2 |
| Percentage of completion method | 10.1 | -0.1 | -3.3 | | 6.7 |
| Inventories | 13.4 | -0.5 | -0.8 | | 12.1 |
| Other items | 9.4 | -0.1 | -4.0 | | 5.2 |
| **Total deferred tax assets** | **48.6** | **-1.7** | **-1.7** | **0.0** | **45.3** |
| | | | | | |
| Deferred tax liabilities | | | | | |
| Allocation of intangible assets | 0.8 | | 1.9 | | 2.7 |
| Accumulated depreciation differences | 4.5 | | -1.3 | | 3.2 |
| Pension obligations | 0.0 | | | | 0.0 |
| Percentage of completion method | 5.6 | -1.2 | 2.5 | | 6.8 |
| Inventories | 7.8 | -0.7 | -0.6 | | 6.5 |
| Available-for-sale investments | 0.1 | | | | 0.1 |
| Other items | 3.9 | 0.1 | -0.1 | | 3.9 |
| **Total deferred tax liabilities** | **22.7** | **-1.8** | **2.4** | | **23.2** |

The deferred tax receivables on the taxable losses will be booked to the extent it is expected that the benefit can be deducted from taxable profit in the future. No deferred tax asset of EUR 2.6 million (2015: EUR 1.4 million) has been recognised on accumulated losses, of which some part is not approved by the tax authorities. Deferred tax liability on undistributed earnings of subsidiaries, where the tax will be paid on the distribution of earnings, has not been recognised on the consolidated balance sheet, because distribution of the earnings is in the control of the Group and it is not probable in the near future. In 2016 the amount of unrecognised deferred tax liability was EUR 2.6 million (2015: EUR 2.4 million).

## 18. INVENTORIES

| EUR million | 2016 | 2015 |
|---|---|---|
| Raw materials and consumables | 6.3 | 8.5 |
| Work in progress | 899.9 | 749.9 |
| Land areas and plot-owing companies | 620.7 | 499.6 |
| Shares in completed housing and real estate companies | 171.9 | 203.8 |
| Advance payments | 45.4 | 66.0 |
| Other inventories | 2.4 | 0.6 |
| **Total inventories** | **1,746.6** | **1,528.4** |

The write-downs of inventories were EUR 20.2 million (2015: EUR 8.7 million). Work in progress include capitalised interests EUR 32.5 million (2015: EUR 24.2 million).

YIT Group has acquired land areas in Finland and abroad for the construction activities. The acquisition of a land area may be done by buying the ownership of property or of shares of a plot-owing company. The goodwill arisen from the acquisitions of plot-owing companies have been included in the total amount of Land areas or Work in progress in inventories.

## 19. TRADE AND OTHER RECEIVABLES

### CARRYING VALUES

| EUR million | 2016 | 2015 |
|---|---|---|
| Trade receivables | 113.0 | 104.6 |
| Loan receivables | 1.8 | 1.1 |
| Accrued income from long-term projects | 55.1 | 22.5 |
| Accrued income | 8.6 | 15.4 |
| Receivables from derivative agreements | 1.2 | 6.1 |
| Other receivables | 55.6 | 37.9 |
| **Total** | **235.4** | **187.6** |

The trade receivables were on average EUR 108.8 million during 2016 (2015: EUR 111.4 million).

### RECONCILIATION TO THE NOTE 27 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

| EUR million | 2016 | 2015 |
|---|---|---|
| Loan receivables | 1.8 | 1.1 |
| | | |
| Trade receivables | 113.0 | 104.6 |
| Accrued income from long-term projects | 55.1 | 22.5 |
| Other receivables | 55.6 | 37.9 |
| **Total** | **223.8** | **165.0** |

## 20. CASH AND CASH EQUIVALENTS

| EUR million | 2016 Carrying value | 2016 Fair value | 2015 Carrying value | 2015 Fair value |
|---|---|---|---|---|
| Cash and cash equivalents | 66.4 | 66.4 | 117.2 | 117.2 |
| Money market investments | 0.0 | 0.0 | 5.0 | 5.0 |
| **Total** | **66.4** | **66.4** | **122.2** | **122.2** |

### CASH AND CASH EQUIVALENTS PRESENTED IN GROUP CASH FLOW STATEMENT

| EUR million | 2016 | 2015 |
|---|---|---|
| Cash and cash equivalents | 66.4 | 117.2 |
| Money market investments | 0.0 | 5.0 |
| Accounts with overdraft facility | 0.0 | 0.0 |
| **Total** | **66.4** | **122.2** |

## 21. EQUITY

| Share capital and treasury shares | Number of outstanding shares | Share capital EUR mill. | Treasury shares EUR mill. |
|---|---|---|---|
| January 1, 2015 | 125,583,992 | 149.2 | -8.3 |
| Return of treasury shares | -5,151 | | -0.0 |
| **December 31, 2015** | **125,578,841** | **149.2** | **-8.3** |
| | | | |
| January 1, 2016 | 125,578,841 | 149.2 | -8.3 |
| Return of treasury shares | -2,186 | | -0.0 |
| **December 31, 2016** | **125,576,655** | **149.2** | **-8.3** |

At December 31, 2016 the total number of YIT Corporation's shares was 127,223,422 and the share capital amounted to EUR 149.217 thousand euros. All the issued and subscribed shares have been fully paid to the company. Shares do not have a nominal value.

### TREASURY SHARES

Changes in own shares of YIT corporation during the financial period:

| Time | Amount, pcs. |
|---|---|
| January 1, 2016 | 1 ,644,581 |
| Return of treasury shares | 2,186 |
| **December 31, 2016** | **1,646,767** |

The consideration paid for the treasury shares amounted to EUR 8.3 million and is disclosed as a separate fund in equity. The consideration paid on treasury shares decreases the distributable equity of YIT Corporation. YIT Corporation holds the own shares as treasury shares and has the right to return them to the market in the future.

### LEGAL AND OTHER RESERVES

Legal reserves include the distributable earnings that have been booked to legal reserve based on the rule of Articles of Associations or by decision of Annual General Meeting. Other reserves include reserve of unrestricted equity in parent company and other reserves based on the regulation of local companies.

### TRANSLATION DIFFERENCES

Translation differences include the exchange rate differences recognised in Group consolidation. In addition, on the net investment in foreign subsidiaries, which are hedged with currency forwards, the portion of the gains and losses of effective hedges is recognised in translation differences. There were no hedges of a net investment in a foreign operation in 2016 and 2015.

### FAIR VALUE RESERVES

Fair value reserves include movements in the fair value of the available-for-sale financial assets and the derivative instruments used for cash flow hedging.

### DIVIDENDS

After the balance sheet date the Board has proposed to Annual General meeting a dividend of 0.22 euros per share.

### SHARE-BASED INCENTIVE PLAN

From 2010, the Group has had a long-term share-based incentive plan for it's key personnel.

### INCENTIVE PLAN 2010–2012

The scheme consisted of three earnings periods, i.e. the calendar years 2010, 2011 and 2012. Shares were handed over in 2011, 2012 and 2013 based on the performance in the previous year. A total of approximately 700,000 shares could be rewarded annually, of which a maximum of 20,000 to the President and CEO.

The taxes and tax-like payments arising from the share rewards are covered by a monetary bonus under the terms of the scheme. Employees included in the incentive scheme are obligated not to transfer their shares within two years of having obtained them for the shares based on performance in 2010 and three years for the shares based on performance in 2011 and 2012, i.e. throughout the duration of the commitment period. If the employment of an employee is terminated during the commitment period, the employee must return any shares obtained as rewards to the company free of charge. In the case of shares granted for 2010 and 2011, the commitment period has ended.

During 2015, a total of 2,186 shares were returned to the company in accordance with the terms and conditions.

## INCENTIVE PLAN 2014–2016

The earnings periods of the incentive scheme are the years 2014, 2015 and 2016. Any bonus will be determined on the basis of the indicators decided annually by YIT's Board of Directors for each earnings period and their target levels. Return on investment is the key indicator in the scheme. An additional target related to the Group's cash flow was set for 2014. In 2015, the return on investment target was complemented by a target related to net debt and in 2016 a target related to Earnings per share (EPS). YIT's Board of Directors also decides on the approximately 200 key persons from different YIT countries to be included in the incentive scheme for each earnings period. The same employees are not automatically covered by the scheme during all earnings periods.

A total of approximately 650,000 (2014 and 2015) or approximately 700,000 (2016) shares can be rewarded annually, of which a maximum of 25,000 to the President and CEO. The shares to be granted are already held by YIT as a rule. There is a two-year commitment period associated with each earnings period, after which the shares are transferred to key persons still employed by YIT Group. Shares will be handed over in 2017, 2018 and 2019. The employer will cover the taxes and tax-like fees charged to the key employees covered by the scheme in connection with the handing over of the shares. Under all circumstances, the Board has the right to amend the bonuses in a reasonable manner.

## GRANTED SHARES IN THE INCENTIVE PLANS

| Year | Grant date | Maximum amount of shares | Market value at grant date |
|---|---|---|---|
| 2010 | April 6, 2010 | 700,000 | 17.52 |
| 2011 | March 18, 2011 | 700,000 | 20.67 |
| 2012 | February 29, 2012 | 700,000 | 15.80 |
| 2014 | April 1, 2014 | 650,000 | 7.81 |
| 2015 | March 6, 2015 | 650,000 | 5.59 |
| 2016 | March 9, 2016 | 700,000 | 5.13 |

## COSTS RECOGNISED FOR THE SHARE-BASED INCENTIVE PLAN

| | | Cost of the financial year, EUR million | |
|---|---|---|---|
| Earning period | Persons | 2016 | 2015 |
| 2012 | 250 | | 0.5 |
| 2014 | 154 | 1.1 | 0.9 |
| 2015 | 174 | 1.2 | 0.7 |
| 2016 | 250 | 0.5 | |
| **Total** | | **2.8** | **2.1** |

The accrued liabilities related to the cash-settled part of the compensation amount to EUR 2.0 million (in 2015: EUR 0.8 million). EUR 0.6 million (in 2015: EUR 0.4 million), is related to YIT Group's Management Board.

## 22. EMPLOYEE BENEFIT OBLIGATIONS

| EUR million | 2016 | 2015 |
|---|---|---|
| Pension benefits | | |
| Obligations in the statement of financial position | 2.1 | 0.9 |
| Income statement charge | 0.1 | 0.0 |

In 2016 and 2015, the Group had defined benefit pension plans resulting from supplementary pension insurance in Finland. In all plans the pension liability has been calculated based on the number of years employed and the salary level. The pension plans are managed in insurance companies, which follow the local pension legislation in their management.

### THE AMOUNTS ARE DETERMINED AS FOLLOWS

| EUR million | 2016 | 2015 |
|---|---|---|
| Present value of funded obligations | 16.0 | 4.2 |
| Fair value of plan assets | -13.9 | -3.3 |
| **Deficit/surplus** | **2.1** | **0.9** |
| **Pension liability, net** | **2.1** | **0.9** |

### DISCLOSED IN THE STATEMENT OF FINANCIAL POSITION AS FOLLOWS

| EUR million | 2016 | 2015 |
|---|---|---|
| Defined benefit pension obligations | 2.1 | 0.9 |

### THE MOVEMENT IN THE DEFINED BENEFIT OBLIGATION OF THE YEAR

| EUR million | 2016 | 2015 |
|---|---|---|
| January 1 | 4.2 | 4.3 |
| Adjustment to obligation[1] | 12.8 | |
| Current service cost | 0.0 | 0.0 |
| Interest cost | 0.1 | 0.1 |
| Remeasurments | -0.0 | |
| Benefits paid | -1.1 | -0.3 |
| **December 31** | **16.0** | **4.2** |

### THE MOVEMENT OF PLAN ASSETS OF THE YEAR

| EUR million | 2016 | 2015 |
|---|---|---|
| January 1 | 3.3 | 3.4 |
| Adjustment to plan assets[1] | 11.5 | |
| Expected return of plan assets | 0.1 | 0.1 |
| Remeasurments | 0.1 | |
| Employer contribution | 0.0 | 0.1 |
| Benefits paid | -1.1 | -0.3 |
| **December 31** | **13.9** | **3.3** |

### ACTUARIAL ASSUMPTIONS ARE AS FOLLOWS

| | 2016 | 2015 |
|---|---|---|
| Discount rate | 1.2% | 2.0% |
| Rate of salary increase | 1.3% | 2.0% |
| Rate of pension increases | 1.5% | 0% / 2.1% |

### FUTURE PAYMENTS

The following table presents the future payments used as the basis of the pension obligation calculations.

| EUR million | 2016 |
|---|---|
| Due within one year | 2.1 |
| Due in 1–5 years | 7.9 |
| Due in 5–10 years | 8.3 |
| Due in 10–15 years | 6.2 |
| Due in 15–20 years | 4.4 |
| Due in 20–25 years | 2.7 |
| Due in 25–30 years | 1.4 |
| Due after more than 30 years | 1.0 |
| **Total** | **34.0** |

[1] Adjustments to plan assets and obligation relates to reclassification of certain pension schemes to defined benefit obligation.

## 23. PROVISIONS

| EUR million | Guarantee reserve | 10-year commitments in construction | Provisions for loss making projects | Restructuring provisions | Legal provisions | Rental guarantee provisions | Other provisions | Total |
|---|---|---|---|---|---|---|---|---|
| January 1, 2016 | 5.7 | 46.3 | 1.5 | 3.9 | 0.4 | 1.3 | 2.0 | 61.0 |
| Translation difference | 0.9 | 0.0 | 0.2 | 1.9 | 0.1 | 0.0 | 0.2 | 3.2 |
| Additions | 1.9 | 1.9 | 1.6 | 10.8 | 0.5 | 3.4 | 0.9 | 21.0 |
| Released during the period | -2.5 | -1.2 | -0.8 | -1.2 | -0.3 | -0.7 | -2.2 | -8.9 |
| Reversals of unused provisions | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.1 |
| **December 31, 2016** | **5.9** | **47.0** | **2.5** | **15.5** | **0.6** | **3.9** | **0.9** | **76.4** |
| | | | | | | | | |
| Current | 0.4 | 39.1 | 1.1 | 0.0 | 0.0 | 2.7 | 1.4 | 44.8 |
| Non-current | 5.5 | 8.0 | 1.3 | 15.5 | 0.6 | 1.2 | -0.5 | 31.7 |
| **Total** | **5.9** | **47.0** | **2.5** | **15.5** | **0.6** | **3.9** | **0.9** | **76.4** |

Provisions for contractual guarantees and for Finnish 10-year commitments in construction is determined on the basis of experience in the realisation of commitments.

Provisions for guarantees cover repair costs under the guarantee obligation that follows the completion of a construction project. Provisions for guarantees are determined on the basis of experience in the realisation of commitments.

The 10-year commitment that applies to the construction of housing and business premises in Finland is determined as a whole for all projects subject to the commitment. The amount of the provision is based on index-adjusted historical experience on the basis of experience in the realisation of commitments.

Provisions are booked for loss-making orders when the direct expenditure required to meet obligations exceeds the benefit yielded by the agreement.

Restructuring provisions are related to four plots located in Moscow region so that their value relates to the current dialog with the authorities.

A leasing liability is generally created when the company is under a contractual obligation to be liable for unleased premises in a project. A provision for leasing liabilities is booked when the remaining unrecognised margin of the construction project is lower than the leasing liability related to the project.

For non-current provisions, anticipated cash flows are discounted to the present time. In 2016 the effect of discounting on the total amount of the provisions was EUR -1.7 million (in 2015: EUR -1.9 million).

# 24. BORROWINGS

## NON-CURRENT LIABILITIES

| EUR million | 2016 Carrying value | 2016 Fair value | 2015 Carrying value | 2015 Fair value |
|---|---|---|---|---|
| Bonds | 149.5 | 152.4 | 99.5 | 100.5 |
| Loans from financial institutions | 5.4 | 4.7 | 84.9 | 85.4 |
| Pension loans | 60.7 | 56.4 | 81.6 | 76.6 |
| Other loans | 33.5 | 33.5 | | |
| Finance lease liabilities | | | 0.1 | |
| **Non-current liabilities, total** | **249.1** | **247.0** | **266.1** | **262.5** |

## CURRENT LIABILITIES

| EUR million | 2016 Carrying value | 2016 Fair value | 2015 Carrying value | 2015 Fair value |
|---|---|---|---|---|
| Bonds | | | 105.4 | 107.5 |
| Loans from financial institutions | 84.4 | 84.4 | 4.8 | 4.8 |
| Overdraft facility used | 0.0 | 0.0 | 1.2 | 1.2 |
| Pension loans | 21.0 | 21.0 | 21.0 | 21.0 |
| Commercial papers | 68.9 | 68.9 | 38.8 | 38.8 |
| Developer contracting liabilities | | | | |
| Receivables sold to financing companies[1] | 226.0 | 226.0 | 140.0 | 140.0 |
| Liability in housing corporation loans[2] | 50.0 | 50.0 | 73.7 | 73.7 |
| Other loans | | | 0.0 | |
| Finance lease liabilities | 0.1 | | 0.1 | |
| **Current liabilities, total** | **450.4** | **450.3** | **385.1** | **387.0** |

In the table are included all other liabilities than presented in Note 25. The fair values of bonds are based on the market price at the closing date.

The fair values of other non-current loans are based on discounted cash flows. The discount rate is defined to be the rate YIT Group was to pay for equivalent external loans at the year-end. It consists of risk free market rate and company and maturity related risk premium of 3.07–3.97% (in 2015: 2.45–3.97%) p.a., and they are classified as Level 2 in the fair value hierarchy.

[1] The construction-stage contract receivables sold to banks and other financing companies totalled EUR 258.5 million (in 2015: EUR 259.7 million) at year-end. Of this amount, EUR 226.0 million (in 2015: 140.0 million) is included in interest-bearing liabilities on the balance sheet and the remainder comprises receivables which qualify for derecognition according to IAS 39.15–37 and AG 36–52.Possible re-purchase liabilities in off- balance sheet items are related to violations in contract agreements. The interest paid on receivables sold to financing companies, EUR 3.9 million (in 2015: EUR 3.4 million), is included in net financial expenses.

[2] The interest on shares in the housing corporation loans of unsold completed residences is recognised in project expenses, because it is included in housing corporation maintenance charges.

## BONDS

| | Interest rate, % | Currency | Nominal value, EUR mill. |
|---|---|---|---|
| Fixed-rate bonds | | | |
| 3/2015–2020[1] | 6.250 | EUR | 100.0 |
| 3/2016–2021[2] | 5.500 | EUR | 50.0 |
| **Total** | | **EUR** | **150.0** |

Terms of the bonds in brief:

[1] Loan period March 25, 2015–March 25, 2020, interest payments bi annually at March 25 and September 25 in arrears. The loan is not secured.

[2] Loan period March 24, 2016–March 24, 2021, interest payments annually at March 24 in arrears. The loan is not secured.

## FINANCE LEASE LIABILITIES

| EUR million | 2016 | 2015 |
|---|---|---|
| Finance lease liabilities fall due in as follows: | | |
| Minimum lease payments | | |
| No later than 1 year | 0.1 | 0.1 |
| 1–5 years | | 0.1 |
| **Total minimum lease payments** | **0.1** | **0.1** |
| | | |
| Present value of minimum lease payments | | |
| No later than 1 year | 0.1 | 0.1 |
| 1–5 years | | 0.1 |
| **Total present value of minimum lease payments** | **0.1** | **0.2** |
| | | |
| Future finance charges | | 0.0 |
| Finance expenses charged to income statement | 0.0 | 0.0 |

YIT Group's main finance lease agreements are the agreements of buildings, cars, machinery and equipment both in production and offices.

## 25. TRADE AND OTHER PAYABLES

### NON-CURRENT LIABILITIES

| EUR million | 2016 Carrying value | 2015 Carrying value |
|---|---|---|
| Trade payables | 43.5 | 2.9 |
| Liabilities of derivative instruments | 7.1 | 7.1 |
| Other liabilities | 0.5 | 0.4 |
| **Total non-current payables** | **51.0** | **10.4** |

### CURRENT LIABILITIES

| EUR million | 2016 Carrying value | 2015 Carrying value |
|---|---|---|
| Trade payables | 164.4 | 123.1 |
| Accrued expenses | 61.8 | 63.7 |
| Liabilities of derivative instruments | 3.9 | |
| Accrued expenses in work in progress | 104.3 | 90.3 |
| Advances received | 473.9 | 376.9 |
| Other payables | 60.8 | 46.2 |
| **Total current payables** | **869.1** | **700.3** |

### ACCRUED EXPENSES

| EUR million | 2016 | 2015 |
|---|---|---|
| Accrued employee-related liabilities | 37.4 | 33.2 |
| Interest expenses | 5.4 | 6.9 |
| Other accrued expenses | 19.0 | 23.7 |

The carrying value of the non-interest bearing liabilities reflects nearly the fair value of them.

### RECONCILIATION TO THE NOTE 27 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

| EUR million | 2016 | 2015 |
|---|---|---|
| Non-current liabilities | 51.0 | 10.4 |
| Derivatives | -7.1 | -7.1 |
| **Total** | **43.9** | **3.3** |
| | | |
| Current trade and other payables | 869.1 | 700.3 |
| Accrued expenses | -61.8 | -63.7 |
| Derivatives | -3.9 | |
| Accrued expenses in work in progress | -104.3 | -90.3 |
| **Total** | **699.0** | **546.2** |

## 26. NOMINAL VALUES AND FAIR VALUES OF DERIVATIVE INSTRUMENTS

### NOMINAL VALUES

| EUR million | 2016 | 2015 |
|---|---|---|
| Foreign exchange forward contracts | 52.1 | 86.4 |
| | | |
| Hedge accounting applied | | |
| Interest rate swaps | 40.0 | 70.0 |
| Hedge accounting not applied | | |
| Interest rate swaps | 295.0 | 270.0 |
| **Interest rate forward contracts, total** | **335.0** | **340.0** |

### FAIR VALUES

| EUR million | 2016 Positive fair value (carrying value) | 2016 Negative fair value (carrying value) | 2016 Net value | 2015 Positive fair value (carrying value) | 2015 Negative fair value (carrying value) | 2015 Net value |
|---|---|---|---|---|---|---|
| Foreign exchange forward contracts | | | | | | |
| Hedge accounting applied | | | | | | |
| Hedge accounting not applied | 1.2 | -3.9 | -2.7 | 6.2 | -0.1 | 6.1 |
| **Total** | **1.2** | **-3.9** | **-2.7** | **6.2** | **-0.1** | **6.1** |
| Interest rate derivatives | | | | | | |
| Hedge accounting applied | | -0.4 | -0.4 | | -0.9 | -0.9 |
| Hedge accounting not applied | | -6.7 | -6.7 | | -6.2 | -6.2 |
| **Total** | | **-7.1** | **-7.1** | | **-7.1** | **-7.1** |

All derivatives are hedges according to the Group’s financial risk management policy, but hedge accounting, as defined in IAS 39, is only applied to certain derivative contracts. Foreign exchange forward contracts are mainly designated as hedges of financial items and have been charged to P/L in financial income/expenses. The duration of the Group’s interest bearing loans has been increased by interest rate derivatives. Changes in the fair value of derivatives with hedge accounting applied are recognised in the fair value reserve in equity and changes in the fair value of derivatives with hedge accounting not applied are recognised through profit or loss (Notes 25 and 27). All the interest rate derivatives to which hedge accounting is applied are long-term agreements corresponding to the maturity of the hedged liability.

The interest rate risk of sold receivables linked to the floating Euribor and commercial paper portfolio has been hedged with interest rate derivatives. Changes in the fair value of these interest rate derivatives are recognised in profit and loss.

## 27. FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

### 2016

| EUR million | Available for sale investments | Loans and other receivables | Held for trading | Derivatives/ hedge accounting | Finance liabilities | Carrying value | Fair value | Note |
|---|---|---|---|---|---|---|---|---|
| **Valuation** | **Fair value** | **Measured at amortised cost** | **Fair value** | **Fair value** | **Measured at amortised cost** | | | |
| **Non-current financial assets** | | | | | | | | |
| Available for sale investments, listed shares | 0.1 | | | | | 0.1 | 0.1 | 15 |
| Available for sale investments, unlisted shares | 0.3 | | | | | 0.3 | | 15 |
| Receivables | | | | | | | | |
| Trade receivables, interest-bearing and other receivables | | 37.7 | | | | 37.7 | | 16 |
| **Current financial assets** | | | | | | | | |
| Receivables | | | | | | | | |
| Loan receivables | | 1.8 | | | | 1.8 | 1.8 | 19 |
| Trade receivables and other receivables | | 223.8 | | | | 223.8 | | 19 |
| Derivatives (hedge accounting not applied) | | | 1.2 | | | 1.2 | 1.2 | 19 |
| Cash and cash equivalents | | 66.4 | | | | 66.4 | 66.4 | 20 |
| **Total by valuation group** | **0.4** | **329.7** | **1.2** | | | **331.3** | **69.5** | |
| | | | | | | | | |
| **Non-current financial liabilities** | | | | | | | | |
| Borrowings | | | | | 249.1 | 249.1 | 247.0 | 24 |
| Other liabilities | | | | | | | | |
| Trade payables and other liabilities | | | | | 43.9 | 43.9 | | 25 |
| Derivatives (hedge accounting applied) | | | | 0.3 | | 0.3 | 0.3 | 25,26 |
| Derivatives (hedge accounting not applied) | | | 6.7 | | | 6.7 | 6.7 | 25,26 |
| **Current financial liabilities** | | | | | | | | |
| Borrowings | | | | | 84.4 | 84.4 | 84.4 | 24 |
| Trade payables and other liabilities | | | | | 699.0 | 699.0 | | 25 |
| Derivatives (hedge accounting applied) | | | | 0.1 | | 0.1 | 0.1 | 25,26 |
| Derivatives (non hedge accouting) | | | 3.9 | | | 3.9 | 3.9 | 25,26 |
| **Total by valuation group** | | | **10.6** | **0.4** | **1,076.5** | **1,087.5** | **342.4** | |

## 2015

| EUR million | Available for sale investments | Loans and other receivables | Held for trading | Derivatives/ hedge accounting | Finance liabilities | Carrying value | Fair value | Note |
|---|---|---|---|---|---|---|---|---|
| **Valuation** | **Fair value** | **Measured at amortised cost** | **Fair value** | **Fair value** | **Measured at amortised cost** | | | |
| **Non-current financial assets** | | | | | | | | |
| Available for sale investments, listed shares | 0.1 | | | | | 0.1 | 0.1 | 15 |
| Available for sale investments, unlisted shares | 0.3 | | | | | 0.3 | | 15 |
| Receivables | | | | | | | | |
| Trade receivables, interest-bearing and other receivables | | 3.7 | | | | 3.7 | | 16 |
| **Current financial assets** | | | | | | | | |
| Receivables | | | | | | | | |
| Loan receivables | | 1.1 | | | | 1.1 | 1.1 | 19 |
| Trade receivables and other receivables | | 165.0 | | | | 165.0 | | 19 |
| Derivatives (hedge accounting not applied) | | | 6.1 | | | 6.1 | 6.1 | 19 |
| Cash and cash equivalents | | 122.2 | | | | 122.2 | 122.2 | 20 |
| **Total by valuation group** | **0.4** | **292.0** | **6.1** | | | **298.5** | **129.5** | |
| | | | | | | | | |
| **Non-current financial liabilities** | | | | | | | | |
| Borrowings | | | | | 266.1 | 266.1 | 262.5 | 24 |
| Other liabilities | | | | | | | | |
| Trade payables and other liabilities | | | | | 3.3 | 3.3 | | 25 |
| Derivatives (hedge accounting applied) | | | | 0.9 | | 0.9 | 0.9 | 25,26 |
| Derivatives (hedge accounting not applied) | | | 6.2 | | | 6.2 | 6.2 | 25,26 |
| **Current financial liabilities** | | | | | | | | |
| Borrowings | | | | | 385.1 | 385.1 | 387.0 | 24 |
| Trade payables and other liabilities | | | | | 546.2 | 546.2 | | 25 |
| Derivatives (hedge accounting applied) | | | | | | | | 25,26 |
| **Total by valuation group** | | | **6.2** | **0.9** | **1,200.7** | **1,207.8** | **656.6** | |

## 28. FINANCIAL RISK MANAGEMENT

YIT Group is exposed to a variety of financial risks in its business operations. The main risks are liquidity risk, credit risk and market risks including foreign exchange and interest rate risk. The objective of the Group's financial risk management is to minimise the uncertainty which the changes in financial markets cause to the Group's financial performance.

The Board of Directors has approved a treasury policy for the Group. The Group Treasury is responsible for the practical implementation of the policy in association with the business units. In the operating units and subsidiaries the financing is carried out by financial personnel and management. Responsibilities between the Group Treasury and operating units are defined in the Group's treasury policy. Operating units are responsible for providing the Group Treasury with timely and accurate information on financial position, cash flows and foreign exchange position in order to ensure the Group's efficient risk management. In addition to the above, the Group's treasury policy defines the principles and methods for financial risk management, cash management and specific financing-related areas e.g. commercial guarantees, relationships with financiers and customer financing.

### INTEREST RATE RISK

The Group has interest-bearing receivables related to cash and cash equivalents. Otherwise its revenues and operating cash flows are mostly independent of changes in market interest rates.

Interest rate risk arises mainly from the Group's current and non-current loans, receivables sold to banks and financial institutions and the related interest rate derivatives. In addition, the Group has interest-bearing cash and cash equivalents. Loans issued at floating interest rates expose the Group to cash flow interest rate risk, which is hedged by interest rate derivatives. To manage the interest rate risk, the Board of Directors has defined a duration target of two years for loans and for the related interest rate derivative hedges. The duration may be deviated from by +/- 1.5 years upon the decision of Vice President, Group Treasurer. In order to meet the duration target, part of the loans at floating rates are converted to fixed rate using interest rate caps and swaps. At the end of 2016, the duration of loans including the hedging derivatives was 2.46 years (2015: 2.36 years).

The cash flow risk related to two floating-rate loans is hedged by using interest rate swaps. At the end of 2016, the nominal amounts of the loans hedged were EUR 10 million (2015: EUR 15 million) and EUR 30 million. The loans' reference interest rates were 1-month Stibor and 1-month Euribor, respectively. The hedged cash flows will be realised within two years. The hedges are effective and, according to accounting policies, changes in the fair value of interest rate swaps are recognised in the fair value reserve in equity. In addition, the interest rate risk concerning one floating rate loan has been hedged with an interest rate swap to which hedge accounting under IAS 39 principles is not applied. The nominal amount of the loan hedged is EUR 25 million and the reference interest rate is 3 month Euribor. The change in the fair value of this interest rate swap has been booked to financial items according to the accounting policy of the financial statement. (Note 9)

In addition to non-current loans, the duration target guides the management of the cash flow interest rate risk related to receivables sold to banks and financial institutions, and the pricing of the commercial paper portfolio. Hedging decisions for this exposure are made by the Group Treasurer. At the end of 2016, the Group used interest rate derivatives to hedge the cash flow risk related to sold receivables. The nominal value of the hedged items was EUR 220 million and their reference interest rates were 1-month Euribor and 3-month Euribor. In addition, the cash flow risk related to the pricing of the commercial paper portfolio, with a nominal value of EUR 50 million, linked to the 3-month Euribor on average, was hedged at the end of 2016. Hedge accounting as set out in IAS 39 is not applied and the fair value changes are recognised as financial income and expenses in the income statement in accordance with accounting policies. (Note 9)

Loans issued at fixed interest rates comprised approximately 89% (2015: approximately 86%) of the loan portfolio at the balance sheet date. The weighted average effective interest rate of the loans at fixed rate was 3.08% (2015: 3.7%). The weighted average effective interest rate of the loans at floating rates was 6.83% (2015: 4.8%). The weighted average effective interest rate of the portfolio as a whole was 3.48% (2015: 3.9%). These figures include the effect of derivative instruments. Interest rate derivatives increase the weighted average effective interest rate of the loan portfolio as a whole by 0.41 (2015: 0.40) percentage points.

In addition to the duration target, the management monitors the effect of the possible change in interest rate level on the Group's financial result on a quarterly basis (effect of one percentage point change in interest rate level on yearly net interest expenses). The effect on yearly net interest expenses would have been at the year-end EUR 0.5 million net of tax (2015: EUR 0.9 million). One percentage point change in interest rates has been used in the calculation for the loan portfolio, and the effect of the change has varied from EUR 0.0 million to EUR 0.5 million (2015: EUR 0.4–1.2 million). In addition, the effect of fair valuation of interest rate derivatives for which hedge accounting is not applied would have been EUR 7.7 million (2015: EUR 6.5 million) net of tax on the profit for the period when interest rates rise by one percentage point. If interest rates would have decreased by one percentage point, the effect would have been EUR -8.1 million net of tax on the profit for the period.

The calculation is based on the maturities of the Group's interest-bearing net debt depending on the reference interest rate:

### REPRISING SCHEDULE OF THE INTEREST BEARING NET DEBT

| EUR million | 2016 | 2015 |
|---|---|---|
| < 1 month | -24.4 | 172.5 |
| 1–3 months | 61.1 | 24.5 |
| 3–12 months | -149.8 | -183.7 |
| 1–5 years | -490.0 | -492.3 |
| > 5 years | -30.0 | -50.0 |
| **Total** | **-633.1** | **-529.0** |

The figures in the table are nominal values. Off-balance sheet receivables sold to financial institutions amounting to EUR 32.6 million (2015: EUR 119.7 million) are not included in these IFRS figures.

A change of one percentage point in interest rates at the balance sheet date would have affected the consolidated balance sheet by EUR 0.2 million (2015: EUR 0.7 million) net of tax. The effect would have changed the fair values of the interest rate derivatives in hedge accounting, in the fair value reserve in equity.

In addition to interest-bearing net debt, the foreign exchange forward contracts associated with the intra group loans and the hedging of the foreign exchange risk of certain commercial contracts expose the Group's result to interest rate risk. The Group's external loans are mainly denominated in euros, but the subsidiaries are financed in their functional currency. The most significant currencies of the intra group loans in 2016 were the Russian rouble and the Czech koruna. As the parent company hedges the receivables denominated in foreign currency, the parent company has to pay the interest rate difference between the foreign currency and the euro. During the financial year a relatively large difference in interest rates between the euro and the Russian rouble has had a significant effect on hedging costs.

At the balance sheet date, a change of three percentage points in the interest rate differential between the euro and foreign currencies would have had an impact of EUR 0.8 million (2015: EUR 1.6 million) on the profit for the period net of tax. The sensitivity analysis is based on the foreign exchange forward contracts outstanding at the balance sheet date.

### CREDIT AND COUNTERPARTY RISK

The Group's credit risk is related to clients with open balances or with long term agreements and to the counterparties to cash and cash equivalents and derivative agreements. The Group Treasury is responsible for the counterparty risk of the derivative instruments and cash and cash equivalents. Operating units are responsible for the credit risk related to operating items, such as trade receivables. Customers and the nature of the agreements differ between the Group's segments. Customer-specific credit risk management is carried out in the segments' finance departments in cooperation with the operating units.

The counterparties of financial instruments are chosen based on the management's estimate of their reliability. The Board of Directors accepts the main banks used by the Group and counterparties to the current investments and derivative instruments and their limits. According to the treasury policy, it is possible to make short-term investments related to liquidity management. No impairment has been recognised on the derivative instruments or the cash and cash equivalents in the period. The management does not expect any credit losses from counterparties to financing assets or derivative instruments.

The Group manages credit risk related to operating items by holding the ownership of construction projects until payment is received; taking advance payments; accelerated payment programmes of projects; payment guarantees; site-specific mortgages; credit risk insurance policies; and careful examination of clients' background information. In addition, selling of receivables to financial institutions is used in the management of the credit risk of operations. The background of the new customers is examined thoroughly by, for example, acquiring credit information. The Group does not have any significant concentrations of credit risk as the clientele is widespread and geographically divided into the countries in which the Group operates. Trade receivables related to sales of office buildings which are paid only when the ownership is transferred, and the related risk of insolvency of the counterparty, are typically transferred to banks and financial institutions. These transfers meet the conditions set out in IAS 39 for derecognition of financial assets.

During the financial period no material credit losses were recognised. The operating units are not expecting any unusual credit risk arising from trade receivables or construction contracts.

As a result of the partial demerger registered on 30 June 2013, YIT Corporation bears secondary liability amounted EUR 37.4 million for certain Group and bank guarantees transferred to Caverion Corporation if Caverion cannot cope with these obligations.

## ANALYSIS OF TRADE RECEIVABLES

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| EUR million | Carrying value | Impaired | Gross | Carrying value | Impaired | Gross |
| Not past due[1] | 98.1 | | 98.1 | 92.7 | | 92.7 |
| 1–90 days | 11.2 | -0.1 | 11.3 | 6.4 | -0.1 | 6.5 |
| 91–180 days | 0.8 | -0.0 | 0.8 | 2.4 | -0.1 | 2.5 |
| 181–360 days | 0.7 | -0.1 | 0.8 | 1.2 | -0.2 | 1.4 |
| Over 360 days | 3.4 | -0.3 | 3.7 | 2.2 | -0.4 | 2.6 |
| **Total** | **114.3** | **-0.5** | **114.7** | **104.9** | **-0.8** | **105.7** |

[1] There are no material trade receivables that would be otherwise past due but whose terms have been renegotiated. For additional information on trade receivables, please see notes 16 and 19.

## SET-OFF ARRANGEMENTS FOR FINANCIAL INSTRUMENTS

### A) ASSETS

| | | | | Amounts related to assets that have not been set off on the balance sheet | | |
|---|---|---|---|---|---|---|
| EUR million | Gross amount of the asset item | Amount set-off on the balance sheet | Amount shown on the balance sheet | Financial instruments | Cash collateral | Netto |
| **December 31, 2016** | | | | | | |
| Exchange rate derivatives | 1.2 | 0.0 | 1.2 | -1.2 | | 0.0 |
| Interest rate derivatives | 0.0 | 0.0 | 0.0 | | | 0.0 |
| Trade receivables | 114.3 | | 114.3 | | | 114.3 |
| **December 31, 2015** | | | | | | |
| Exchange rate derivatives | 6.2 | -0.1 | 6.1 | | | 6.1 |
| Interest rate derivatives | 0.0 | 0.0 | 0.0 | | | 0.0 |
| Trade receivables | 104.9 | | 104.9 | | | 104.9 |

### B) LIABILITIES

| | | | | Amounts related to assets that haven't been set off on the balance sheet | | |
|---|---|---|---|---|---|---|
| EUR million | Gross amount of the asset item | Amount set-off on the balance shee | Amount shown on the balance sheet | Financial instruments | Cash collateral | Netto |
| **December 31, 2016** | | | | | | |
| Exchange rate derivatives | 3.9 | 0.0 | 3.9 | -1.2 | | 2.7 |
| Interest rate derivatives | 7.1 | 0.0 | 7.1 | | | 7.1 |
| Trade receivables | 207.9 | | 207.9 | | | 207.9 |
| **December 31, 2015** | | | | | | |
| Exchange rate derivatives | 0.1 | -0.1 | 0.0 | | | 0.0 |
| Interest rate derivatives | 7.1 | 0.0 | 7.1 | | | 7.1 |
| Trade receivables | 125.9 | | 125.9 | | | 125.9 |

A set-off arrangement that can be implemented is related to derivative assets and liabilities. If such a choice is not made, financial assets and liabilities are settled in gross amounts, but both parties of a general set-off arrangement are entitled to the net settlement of all such monetary amounts if the other party neglects to fulfil its obligations.

## LIQUIDITY RISK

The management continuously evaluates and monitors the amount of funding required by the Group's business activities to ensure adequate liquid funds to finance its operations, repay its loans at maturity and to finance dividend. The funding requirements are evaluated based on a financial budget prepared every six months, a monthly financial forecast and short-term, timely cash planning. The Group Treasury is responsible for the adequacy of funding, the availability of different sources of funding and the controlled maturity profile of external loans. When making decision about a new loan it should be made sure, according to treasury policy, that only 1/4 of the loan portfolio can mature over one calendar year, in order to minimise refinancing risk. When the amount of maturing loans is calculated, commercial papers, receivables sold to banks or housing company loans are not taken into account.

The Group uses cash and cash equivalents, committed credit facilities and bank accounts with overdraft facilities to manage the liquidity risk. On the balance sheet date, YIT had the entire undrawn EUR 200 million credit facility and EUR 74.6 million of overdraft facilities available. The credit facility is valid until January 2020. YIT's cash reserves amounted to EUR 66.4 million (2015: EUR 122.2 million) at the end of 2016. The liquidity buffer, combined with financing arrangements currently being prepared, is estimated to cover refinancing needs in 2017. The management and acquisition of the Group's funding is centralised to the Group Treasury. As the cash management is centralised to the Group Treasury, the use of liquid funds can be optimised between the different units of the Group.

The following table describes the contractual maturities of the financial liabilities. The amounts are undiscounted. The interest flows of floating-rate loans and derivative instruments are based on interest rates prevailing on December 31st, 2016 (December 31st, 2015) Cash flows of foreign currency denominated loans are translated into euros at the foreign currency rates prevailing at the balance sheet date. Cash flows of foreign currency forward contracts are translated into euros at forward rates.

## CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL LIABILITIES AND INTEREST PAYMENTS AT DECEMBER 31, 2016

| EUR million | 2017 | 2018 | 2019 | 2020 | 2021 | 2022– | Total | Note |
|---|---|---|---|---|---|---|---|---|
| Bonds | 8.9 | 8.9 | 8.9 | 105.8 | 52.7 | | 185.2 | 24, 27 |
| Loans from financial institutions | 86.8 | 4.6 | | | | | 91.4 | 24, 27 |
| Pension loans | 22.2 | 9.8 | 52.3 | | | | 84.3 | 24, 27 |
| Receivables sold to banks/financial institutions[1] | 212.6 | 14.8 | | | | | 227.4 | 24, 27 |
| Finance lease liabilities | 0.1 | | | | | | 0.1 | 24, 27 |
| Other financial liabilities[2] | 50.0 | | | | | | 50.0 | 24, 27 |
| Commercial papers | 69.0 | | | | | | 69.0 | 24, 27 |
| Trade and other payables | 699.0 | | | | | | 699.0 | 25, 27 |
| Interest rate derivatives | | | | | | | | |
| Hedge accounting applied | 0.8 | 0.5 | | | | | 1.3 | 25, 26, 27 |
| Hedge accounting not applied | 2.3 | 2.1 | 1.7 | 1.2 | 0.5 | 0.2 | 8.0 | 25, 26, 27 |
| Foreign currency derivatives | | | | | | | | |
| Cash outflow | -52.1 | | | | | | -52.1 | 25, 26, 27 |
| Cash inflow | 49.4 | | | | | | 49.4 | 25, 26, 27 |

## CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL LIABILITIES AND INTEREST PAYMENTS AT DECEMBER 31, 2015

| EUR million | 2016 | 2017 | 2018 | 2019 | 2020 | 2021– | Total | Note |
|---|---|---|---|---|---|---|---|---|
| Bonds | 115.8 | 6.2 | 6.2 | 6.2 | 103.0 | | 237.4 | 24, 27 |
| Loans from financial institutions | 8.7 | 80.6 | 4.7 | | | | 94.0 | 24, 27 |
| Pension loans | 22.7 | 22.2 | 9.8 | 52.3 | | | 107.0 | 24, 27 |
| Receivables sold to banks/financial institutions[1] | 109.0 | 32.4 | | | | | 141.4 | 24, 27 |
| Finance lease liabilities | 0.1 | 0.1 | | | | | 0.1 | 24, 27 |
| Other financial liabilities[2] | 73.7 | | | | | | 73.7 | 24, 27 |
| Commercial papers | 39.0 | | | | | | 39.0 | 24, 27 |
| Trade and other payables | 546.2 | | | | | | 546.2 | 25, 27 |
| Interest rate derivatives | | | | | | | | |
| Hedge accounting applied | 0.6 | 0.4 | 0.1 | | | | 1.0 | 25, 26, 27 |
| Hedge accounting not applied | 2.3 | 2.2 | 1.7 | 1.1 | 0.6 | 0.1 | 8.0 | 25, 26, 27 |
| Foreign currency derivatives | | | | | | | | |
| Cash outflow | -81.5 | -5.0 | | | | | -86.5 | 25, 26, 27 |
| Cash inflow | 87.4 | 5.2 | | | | | 92.6 | 25, 26, 27 |

[1] Receivables sold to banks and financial institutions are related to residential development projects and they are set off by housing corporation loans withdrawn upon the completion of construction and by payments made by the buyers of the residential units.
[2] Includes the shares in the housing corporation loans of unsold completed residential projects which are transferred to the buyers of residential units in conjunction with the sale.

## FOREIGN EXCHANGE RISK

The Group operates internationally and is exposed to foreign exchange risks arising from the currencies of the countries in which it operates. The risk arises mainly from the assets and liabilities on the balance sheet and net investments in foreign operations. In addition, commercial contracts of the subsidiaries cause foreign exchange risk. However, the contracts are mainly made in the units' own functional currencies.

The objective of managing foreign exchange risk at YIT is to reduce the uncertainty caused by foreign exchange rate movements on profit through cash flows and the valuation of commercial receivables and liabilities.

By decision of the Board of Directors, the net investments in foreign operations are not hedged from the changes in foreign exchange rates.

The change in foreign exchange rates increased the value of the Group's net investments in equity by EUR 75.2 million compared to the end of the previous year. An increase or decrease of 20 percentage points in the euro exchange rate against other currencies would have had an impact of EUR 37.0 million on translation differences under consolidated shareholders' equity at the balance sheet date.

## INVESTMENTS DENOMINATED IN FOREIGN CURRENCY

| EUR million | 2016 | 2015 |
|---|---|---|
| RUB | 441.7 | 339.0 |
| CZK | 25.2 | 23.1 |
| PLN | 9.3 | 4.7 |

According to the Group's treasury policy, the business units and the subsidiaries are responsible for identifying the foreign exchange risk related to their foreign currency denominated cash flows and reporting it to the Group Treasury. All firm commitments must be hedged unless the Group CFO decides otherwise. Hedging by business units is performed by intra-group transactions with the parent company as the counterparty. The Group Treasury hedges the Group net position and takes care of all external hedging transactions. The Group does not apply hedge accounting as set out in IAS 39 to hedge its foreign exchange risk. Accordingly, the fair value changes in derivative instruments are recognised in the consolidated income statement according to the accounting policies. In 2016, the most significant currency related to commercial agreements and their hedges was the Russian rouble. If the euro had strengthened by 20 percentage points against the rouble at the balance sheet date, the fair valuation of the foreign exchange forward contracts related to commercial agreements would have caused a foreign exchange loss of EUR 1.4 million net of tax.

Loans taken by the parent company are mainly denominated in euro, but the intra-group loans are given in the functional currency of each subsidiary. The parent company hedges this foreign exchange risk by using foreign exchange forward contracts and currency options, if necessary.

In addition to the foreign exchange differences from intra-group loans and related hedges, the strengthening or weakening of the euro would not have had a material impact on the result of the Group if the translation difference in consolidation is not considered. The sensitivity analysis takes into consideration the foreign exchange derivative contracts made for hedging both the internal and external loans and receivables which offset the effect of changes in foreign exchange rates.

## THE GROUP'S EXTERNAL LOANS BY CURRENCY

| | External loans | | Adjusted by derivative contracts | |
|---|---|---|---|---|
| EUR million | 2016 | 2015 | 2016 | 2015 |
| EUR | 665.6 | 615.7 | 682.9 | 554.8 |
| RUB | 24.9 | 21.1 | -0.4 | 81.5 |
| SEK | 9.0 | 14.4 | 0.0 | |
| CZK | | | 12.6 | 14.8 |
| PLN | | 0.1 | 4.4 | 0.1 |
| **Total** | **699.5** | **651.2** | **699.5** | **651.2** |

The division of trade receivables and payables by currencies corresponds to the functional currencies of the charging and the charged companies. Accordingly, no open foreign exchange risk is included.

## CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to maintain the optimal strategic capital structure. The Group's capital risk management aims to safeguard its long-term ability to continue as a going concern, to increase shareholder value and secure the company's ability to pay dividends.

In YIT's business operations capital is particularly tied up in plot reserves, their development and ongoing construction production. In business where investments are small, such as infrastructure construction, the objective is effective turnover of net working capital. In the more capital-intensive business operations, such as residential development projects and real estate development projects, capital investments must be adjusted according to the market conditions by decreasing or increasing the number of plot investments and project start-ups. The amount and structure of capital is also controlled by adjusting the amount of dividend, acquiring the company's own shares, issuing new shares or selling assets in order to reduce debt.

YIT monitors its capital structure on the basis of the equity ratio. The strategic goal for YIT's equity ratio set by the Board of Directors is 40% (POC).

The Group's equity ratio has been the following:

| EUR million (POC) | 2016 | 2015 |
|---|---|---|
| Equity | 605.0 | 548.5 |
| | | |
| Balance sheet total | 1,971.9 | 1,741.4 |
| ./. Advances received | -249.4 | -195.6 |
| **Capital** | **1,722.6** | **1,545.8** |
| | | |
| Equity ratio % | 35.1% | 35.5% |

YIT Corporation's credit facility agreement, issued bonds and some of the bank loan agreements include a financial covenant linked to YIT's equity ratio. In addition, the credit facility agreement and one bank loan agreement include a covenant linked to YIT's gearing. The financial covenants require an IFRS equity ratio of at least 25 per cent and a gearing ratio under 150 per cent. The covenants were not breached during the financial period. The Group's IFRS equity ratio was 31.2 per cent and gearing 112.3 per cent on the balance sheet date.

## FAIR VALUE ESTIMATION

The Group measures the fair value measurement hierarchy as follows:

**Level 1:** The fair values of financial instruments are based on quoted prices in active markets. A market can be considered active if quoted prices are regularly available and the prices represent the actual value of the instrument in liquid trading.

**Level 2:** Financial instruments are not traded in active and liquid markets. The value of a financial instrument can be determined based on market value and potentially partially derived value measurement. If, however, the factors affecting the fair value of the instrument are available and observable, the instrument belongs to level 2.

**Level 3:** The valuation of a financial instrument is not based on observable market data, and other factors affecting the fair value of the instrument are not available and observable.

The following table presents the Group's assets and liabilities that are measured at fair value and their levels.

## ASSETS

| | 2016 | | 2015 | |
|---|---|---|---|---|
| EUR million | Level 1 | Level 2 | Level 1 | Level 2 |
| Available-for-sale investments | | | 0.1 | |
| Derivatives (hedge accounting not applied) | | 1.2 | | 6.2 |
| **Total assets** | | **1.2** | **0.1** | **6.2** |

## LIABILITIES

| | 2016 | | 2015 | |
|---|---|---|---|---|
| EUR million | Level 1 | Level 2 | Level 1 | 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** |

In the past financial year, there were no transfers between level 1 and level 2. At the balance sheet date, the Group had no assets categorised at level 3.

Specific valuation techniques used to value financial instruments include: the use of quoted market prices or dealer quotes for similar instruments; the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date; the fair value of the remaining financial instruments is determined using discounted cash flow analysis. All the resulting fair value estimates are included in level 2 except for unlisted equity securities and holdings.

## 29. OTHER LEASE AGREEMENTS

### YIT GROUP AS LESSEE

The future minimum lease payments under non-cancellable operating leases:

| EUR million | 2016 | 2015 |
|---|---|---|
| No later than 1 year | 27.6 | 20.9 |
| 1–5 years | 73.2 | 76.4 |
| Later than 5 years | 17.5 | 29.6 |
| **Total** | **118.3** | **126.9** |

The lease payments of non-cancellable operating leases charged to the income statement in 2015 amounted to EUR 22.5 million (in 2015: EUR 23.5 million).

The YIT group has leased the office facilities in use. The operating lease agreements of office facilities have a period of validity of up to 7 years. Most of the agreements include the possibility of continuing after the initial expiry date. The index, renewal and other terms of the lease agreements of office facilities are dissimilar to each other. Operating leases also include the liabilities of operating lease agreements of employee cars, which have the average duration of four years. The Group has also sold plots and transferred preliminary agreements for the sale of plots to funds. YIT will continue its project development and construction on the plots and pay rent to the funds for the plots. The minimum lease payments for these plot leases have been calculated until the probable start time. They are included in the figures in the above table, and they total EUR 13.7 million (2015: EUR 14.8 million).

### YIT GROUP AS LESSOR

The future minimum lease receivables under non-cancellable operating leases:

| EUR million | 2016 | 2015 |
|---|---|---|
| No later than 1 year | 6.7 | 6.4 |
| 1–5 years | 17.5 | 18.4 |
| Later than 5 years | 8.4 | 12.5 |
| **Total** | **32.5** | **37.3** |

The Group has primarily subleased business premises it leases from others. The operating lease agreements of office facilities have a period of validity of up to eight years.The index, renewal and other terms of the lease agreements of office facilities vary. Most of the agreements include the possibility of continuing after the initial expiry date. The minimum lease amount is calculated until the earliest possible date of termination.

## 30. COMMITMENTS AND CONTINGENT LIABILITIES

| EUR million | 2016 | 2015 |
|---|---|---|
| Guarantees on behalf of associated companies and joint ventures | 5.0 | 5.0 |
| | | |
| Other commitments | | |
| Rental guarantees for clients | 3.9 | 7.1 |
| | | |
| Investment commitments | | |
| Investment commitments | 57.4 | |
| Purchase commitments | 285.2 | 396.5 |

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

YIT Corporation has guaranteed obligations of its subsidiaries. At December 31, 2016, the total amount of these guarantees was EUR 1,429.2 million (2015: EUR 1,058.5 million).

The Group is involved in legal proceedings in preparation and pending that are connected to ordinary operations and whose outcomes are difficult to predict. Prudence has been applied in the evaluations. It is the understanding of the Group that the legal proceedings do not have a significant effect on the Group's result.

Repurchase commitments are primarily preliminary agreements for plot acquisition, which are realised when conditions specified in the preliminary agreement are met, such as the confirmation of the area plan.

Investment commitments are primarily related to investment in Tripla Mall according the terms in the shareholders agreement.

## 31. SUBSIDIARIES

Excluding the real estate companies presented in inventories

| Name | Domicile | Nature of business | Ownership of the parent company (%) | Ownership of the Group (%) | Ownership of non-controlling interest (%) |
|---|---|---|---|---|---|
| **Shares in subsidiaries, owned by the parent company** | | | | | |
| YIT Construction Ltd | Helsinki | Construction | 100.00% | 100.00% | |
| YIT Equipment Ltd | Urjala | Construction machinery and equipment rental | 100.00% | 100.00% | |
| YIT Information Services Oy | Helsinki | IT services | 100.00% | 100.00% | |
| YIT IT East Oy | Helsinki | Holding company | | 100.00% | |
| OOO YIT Information Systems | St. Petersburg | IT services | | 100.00% | |
| **Shares in subsidiaries, owned by YIT Construction Ltd** | | | | | |
| AS YIT Ehitus | Tallinn | Construction | | 100.00% | |
| AS Koidu Kinnisvara | Tallinn | Construction | | 100.00% | |
| SIA YIT Celtniecība | Riga | Construction | | 100.00% | |
| YIT Invest Export Oy | Helsinki | Holding company | | 100.00% | |
| JSC YIT Moskovia | Moscow | Construction | | 100.00% | |
| LLC YIT-Service | Moscow | Property maintenance | | 100.00% | |
| JSC YIT Stroi | Moscow | Construction | | 100.00% | |
| LLC YIT Service | St. Petersburg | Property maintenance | | 100.00% | |
| Urepol Oy | Helsinki | Holding company | | 100.00% | |
| JSC YIT Don | Rostov | Construction | | 100.00% | |
| LLC SP YIT Don | Rostov | Construction | | 100.00% | |
| LLC YIT Don Service | Rostov | Property maintenance | | 100.00% | |
| AB YIT Kausta | Kaunas | Construction | | 100.00% | |
| UAB YIT Kausta Bustas | Vilnius | Construction | | 100.00% | |
| YIT Salym Development Oy | Helsinki | Holding company | | 100.00% | |
| JSC YIT Saint-Petersburg | St. Petersburg | Construction | | 100.00% | |

| Name | Domicile | Nature of business | Ownership of the parent company (%) | Ownership of the Group (%) | Ownership of non-controlling interest (%) |
|---|---|---|---|---|---|
| Tortum Ltd | Helsinki | Holding company | | 100.00% | |
| JSC YIT Uralstroi | Yekaterinburg | Construction | | 99.96% | 0.04% |
| LLC YIT Comfort | Yekaterinburg | Construction | | 99.96% | 0.04% |
| LLC Ural YIT Service | Yekaterinburg | Property maintenance | | 100.00% | |
| LLC YIT Tumen | Tumen | Construction | | 99.96% | 0.04% |
| LLC YIT Service Tumen | Tumen | Property maintenance | | 100.00% | |
| Finn-Stroi Oy | Helsinki | Holding company | | 100.00% | |
| JSC YIT CityStroi | Moscow | Construction | | 99.83% | 0.17% |
| LLC Hatber | Moscow | Construction | | 99.83% | 0.17% |
| LLC Emerkom-Spetstroi | Moscow | Construction | | 99.83% | 0.17% |
| LLC YIT CityService | Moscow | Property maintenance | | 100.00% | |
| CJSC TPK Strojmaterialy | Moscow | Construction | | 100.00% | |
| YIT Jupiter Oy | Helsinki | Holding company | | 100.00% | |
| YIT Mars Oy | Helsinki | Holding company | | 100.00% | |
| YIT Saturnus Oy | Helsinki | Holding company | | 100.00% | |
| YIT Sirius Oy | Helsinki | Holding company | | 100.00% | |
| JSC YIT VDSK | Voskresensk | Construction | | 99.98% | 0.02% |
| YIT Uranus Oy | Helsinki | Holding company | | 100.00% | |
| YIT Neptunus Oy | Helsinki | Holding company | | 100.00% | |
| LLC YIT Kazan | Kazan | Construction | | 100.00% | |
| LLC YIT Service Kazan | Kazan | Property maintenance | | 100.00% | |
| YIT Stavo s.r.o [1] | Prague | Construction | | 92.00% | 8.00% |
| YIT Slovakia a.s. | Bratislava | Construction | | 100.00% | |
| YIT Development SP.Z.O.O | Warsaw | Construction | | 100.00% | |

[1] YIT Group's share in YIT Stavo s.r.o is 100% in IFRS accounting, because the minority share of 8% YIT is assessed to be a share based payment to the management.

## 32. RELATED PARTY TRANSACTIONS

The Group's related parties include key executives, associated companies, joint ventures, and companies outside of the Group that a person in an executive position in the YIT Group can be expected to exercise influence over. Key executives include the members of the Board of Directors and the Management Board.

| EUR million | 2016 | 2015 |
|---|---|---|
| Sales of goods and services | | |
| Associates and joint ventures | 211.1 | 32.3 |
| | | |
| Purchases of goods and services | | |
| Other related parties | 11.8 | 8.7 |
| | | |
| Trade and other receivables | | |
| Associates and joint ventures | 13.2 | 0.1 |
| Other related parties | 0.3 | 0.8 |
| | | |
| Trade and other payables | | |
| Associates and joint ventures | | 2.3 |
| Other related parties | 1.7 | 1.4 |

Goods and services to related parties are sold on the basis of price lists in force with non-related parties.

### KEY MANAGEMENT COMPENSATION

| EUR million | 2016 | 2015 |
|---|---|---|
| Salaries and other short-term employee benefits | 2.7 | 2.6 |
| Termination benefits | 1.9 | 1.9 |

Includes the salaries and benefits of the President and CEO, the Deputy to the President and CEO and the members of the Group Management Board.

### SALARIES AND FEES

| EUR | 2016 | 2015 |
|---|---|---|
| President and CEO | 600,862 | 655,566 |
| Other Management Board members | 2,071,060 | 1,900,150 |
| | | |
| Board of Directors | | |
| Reino Hanhinen[1] | 20,100 | 87,450 |
| Kim Gran[1] | 12,050 | 68,250 |
| Satu Huber | 57,800 | 53,950 |
| Erkki Järvinen | 55,050 | 55,050 |
| Inka Mero[2] | 42,800 | |
| Juhani Pitkäkoski | 63,850 | 55,050 |
| Teuvo Salminen[1] | 12,800 | 55,050 |
| Matti Vuoria[2] | 67,100 | |
| **Board of Directors, total** | **331,550** | **374,800** |

[1] Member of the Board of Directors until March 15, 2016.
[2] Member of the Board of Directors since March 15, 2016.

### PENSION, RETIREMENT AGE AND RIGHT TO DISMISS

The contractual retirement age of the President and CEO and the Executive Vice President and deputy to the CEO has been set at 62. In other respects, the statutory retirement ages apply to the members of the Management Board. The contractual pension of the CEO and his deputy amounts to 60% of salary accounted according to Finnish employment pension law. The pension scheme is benefit-based.

The contractual period of notice is from six to nine months. If the company terminates the contract, the CEO and his deputy shall also be paid separate compensation amounting to 12 months' salary.

### ACCRUAL-BASED PENSION EXPENDITURE IN 2015

| EUR million | 2016 Statutory pensions | 2016 Supplementary pension security | 2015 Statutory pensions | 2015 Supplementary pension security |
|---|---|---|---|---|
| President and CEO | 0.1 | 0.0 | 0.1 | 0.0 |
| Other Management Board members | 0.3 | 0.0 | 0.3 | 0.0 |
| **Total** | **0.4** | **0.0** | **0.4** | **0.0** |

The members of the Board of Directors are not insured in terms of TyEL (Employees' Pensions Act) or supplementary pension for their meeting fees.

### LOANS TO RELATED PARTIES

There are no loans to related parties in the end of financial year.

# Parent company, financial statements, FAS

## Income statement, Parent company

| EUR million | Note | 2016 | 2015 |
|---|---|---|---|
| Other operating income | 2 | 28.4 | 27.3 |
| | | | |
| Personnel expenses | 3 | -13.1 | -11.9 |
| Depreciation and value adjustments | 4 | -1.1 | -1.1 |
| Other operating expenses | 5 | -30.7 | -40.0 |
| **Operating loss** | | **-16.5** | **-25.7** |
| | | | |
| Financial income and expenses | 6 | 21.5 | 20.4 |
| **Profit before appropriations** | | **5.1** | **-5.3** |
| | | | |
| Appropriations | 7 | 26.4 | 9.8 |
| Income taxes | 8 | -6.8 | 0.0 |
| **Net profit for the financial period** | | **24.7** | **4.5** |

# Balance sheet, Parent company

| EUR million | Note | 31.12.2016 | 31.12.2015 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 9 | | |
| Intangible rights | | 0.5 | 0.3 |
| Other capitalize expenditure | | 1.5 | 2.1 |
| Advance payments | | 0.8 | 0.3 |
| Total intangible assets | | 2.7 | 2.8 |
| Tangible assets | 9 | | |
| Land and water areas | | 0.9 | 1.2 |
| Buildings and structures | | 1.5 | 2.3 |
| Machinery and equipment | | 0.4 | 0.5 |
| Other tangible assets | | 0.1 | 0.1 |
| Total tangible assets | | 2.9 | 4.0 |
| Investments | 10 | | |
| Shares in Group companies | | 718.3 | 328.3 |
| Other shares and holdings | | 0.1 | 0.1 |
| Total investments | | 718.4 | 328.4 |
| **Total non-current assets** | | **724.0** | **335.2** |
| | | | |
| **Current assets** | | | |
| Long-term receivables | 11 | | |
| Receivables from group companies | | 211.4 | 380.6 |
| Receivables | 11 | | |
| Trade receivables | | 0.9 | 0.1 |
| Receivables from group companies | | 123.7 | 341.2 |
| Other receivables | | 0.5 | 0.5 |
| Accrued income | | 3.0 | 12.8 |
| Total receivables | | 339.5 | 735.2 |
| Current investments | 12 | 0.0 | 0.0 |
| Cash and cash equivalents | | 39.7 | 104.3 |
| **Total current assets** | | **379.2** | **839.5** |
| **Total assets** | | **1,103.2** | **1,174.7** |

| EUR million | Note | 31.12.2016 | 31.12.2015 |
|---|---|---|---|
| **Equity and liabilities** | | | |
| **Equity** | 13 | | |
| Share capital | | 149.2 | 149.2 |
| Other reserves | | | |
| Non restricted equity reserve | | 8.2 | 8.3 |
| Fair value reserve | | -0.4 | |
| Retained earnings | | 267.8 | 291.0 |
| Net profit for the financial year | | 24.7 | 4.5 |
| **Total equity** | | **449.6** | **453.0** |
| **Appropriations** | 13 | | |
| Accumulated depreciation difference | | 0.5 | 0.4 |
| **Provisions** | 14 | **2.2** | **1.4** |
| **Liabilities** | | | |
| Non-current liabilities | 16 | | |
| Bonds | | 150.0 | 100.0 |
| Loans from credit institutions | | 5.4 | 85.0 |
| Pension loans | | 60.8 | 81.8 |
| Non-current liabilities to group companies | | 7.1 | |
| Total non-current liabilities | | 223.2 | 266.8 |
| Current liabilities | 17 | | |
| Bonds | | | 105.4 |
| Loans from credit institutions | | 84.5 | 4.8 |
| Pension loans | | 21.0 | 21.0 |
| Advances received | | 0.0 | 0.0 |
| Trade payables | | 1.4 | 1.1 |
| Current liabilities to group companies | | 234.1 | 271.8 |
| Other current liabilities | | 74.1 | 40.0 |
| Accrued expenses | | 12.6 | 9.0 |
| Total current liabilities | | 427.7 | 453.2 |
| **Total liabilities** | | **651.0** | **720.0** |
| **Total equity and liabilities** | | **1,103.2** | **1,174.7** |

# Cash flow statement, Parent company

| EUR million | 2016 | 2015 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit / loss before appropriations | 5.1 | -5.3 |
| Adjustments for: | | |
| Depreciations | 1.1 | 1.1 |
| Reversal of accrual-based items | 0.8 | 10.5 |
| Gains on the sale of tangible and intangible assets | 0.4 | -0.3 |
| Financial income and expenses | -21.5 | -20.4 |
| Cash flow before change in working capital | -14.2 | -14.4 |
| | | |
| Change in working capital | | |
| Change in trade and other receivables | 6.0 | -4.6 |
| Change in trade and other payables | 2.4 | 0.0 |
| Net cash flow from operating activities before financial items and taxes | -5.8 | -19.0 |
| | | |
| Purchase of treasury shares | 0.0 | -0.1 |
| Interest paid | -116.0 | -66.7 |
| Dividends received | 0.0 | 0.0 |
| Interest received and financial income | 79.3 | 93.1 |
| Taxes paid | 1.0 | 2.5 |
| **Net cash generated from operating activities** | **-41.5** | **9.8** |
| | | |
| **Cash flow from investing activities** | | |
| Purchases of tangible and intangible assets | -0.9 | -1.2 |
| Proceeds from sale of tangible and intangible assets | 0.6 | 0.4 |
| Increase in investments | -390.0 | -70.0 |
| Proceeds from sale of other investments | 0.0 | 0.0 |
| **Net cash used in investing activities** | **-390.3** | **-70.8** |

| EUR million | 2016 | 2015 |
|---|---|---|
| **Cash flow from financing activities** | | |
| Change in loan receivables | 479.3 | 18.0 |
| Change in current loans | -13.0 | 39.1 |
| Proceeds from borrowings | 50.0 | 125.0 |
| Repayment of borrowings | -131.4 | -203.9 |
| Dividends paid and other distribution of assets | -27.6 | -22.6 |
| Group contributions received | 9.9 | 42.0 |
| **Net cash used in financing activities** | **367.1** | **-2.4** |
| | | |
| **Net change in cash and cash equivalents** | **-64.6** | **-63.4** |
| Cash and cash equivalents at the beginning of the financial year | 104.3 | 167.4 |
| Cash and cash equivalents transferred in merger | 0.0 | -0.3 |
| Cash and cash equivalents at the end of the financial year | 39.7 | 104.3 |

# Notes to the Parent company financial statements

## 1. PARENT COMPANY ACCOUNTING PRINCIPLES

YIT Corporation's financial statements are prepared in accordance with the principles of Finnish accounting legislation. The financial statements are prepared for 12 months in the financial period January 1– December 31, 2016.

### ITEMS DENOMINATED IN FOREIGN CURRENCIES

Foreign currency business transactions are recognised at the exchange rate of the transaction date. Receivables and liabilities denominated in foreign currencies open on the closing date are valued at the exchange rate of the closing date. Changes in the value of foreign currency denominated loans, deposits and other balance sheet items are recognised under financial income and expenses in the income statement.

### DERIVATIVE INSTRUMENTS

Foreign currency forward contracts are valued at the exchange rate of the closing date on the balance sheet, and changes in their value are booked under financial income and expenses in the income statement. The changes in the fair value of the interest rate swaps in hedge accounting have been recognised in the fair value reserve in equity whereas the changes in the fair value of the interest swaps to which hedge accounting is not applied have been booked as financial income and expenses. Interest related to interest rate swaps are recognised under interest income and expenses in the income statement, and interest accrued is entered under accrued income and accrued expenses on the balance sheet.

### NON-CURRENT ASSETS AND DEPRECIATION

Tangible and intangible assets are recognised on the balance sheet at historical cost less depreciation according to plan. Depreciation according to plan is calculated as straight-line depreciation on the basis of the estimated economic service life of tangible and intangible assets.

Depreciation periods are as follows:

| | |
|---|---|
| Intangible assets | |
| Goodwill | 5 years |
| IT programs | 5 years |
| Other capitalised expenditure | 5–10 years |
| Tangible assets | |
| Buildings | 40 years |
| Structures | 5–10 years |
| Machinery and equipment | 3–10 years |

Subsidiary shares and other shares and holdings included in investments under non-current assets are measured at historical cost or fair value, whichever is lower.

### PROVISIONS

Provisions represent future expenses to the payment of which the parent company is committed and which are not likely to generate corresponding income, or future losses the realisation of which must be considered evident.

### MANAGEMENT OF FINANCIAL RISKS AND INSTRUMENTS

The management of YIT's financial risks is focused on the Group Treasury in the parent company. The financial risk management principles are presented in the notes to the consolidated financial statements in the section Financial risk management.

### CASH AND CASH EQUIVALENTS

The cash and cash equivalents in the cash flow statement consist of cash, bank deposits that can be withdrawn on demand and other short-term liquid investments.

Changes in the fair value of hedging instruments used to hedge foreign currency denominated loans, deposits or other balance sheet items are recognised under financial items in the income statement.

### RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are entered as an annual expense in the year they arise

### PENSIONS

The statutory pension security in the parent company is provided by an external pension insurance company. Pension expenditure is expensed in the year it accrues.

### LEASING

Lease payments are entered under other operating expenses. The remaining lease payments under lease agreements are recognised under liabilities in the notes. The terms and conditions of lease agreements are not different from the ordinary terms and conditions.

### TAXES

The income tax row in the income statement includes the taxes for previous periods. Deferred taxes have not been booked.

## 2. OTHER OPERATING INCOME

| EUR million | 2016 | 2015 |
|---|---|---|
| Capital gains on disposals of fixed assets | 0.0 | 0.3 |
| Rent income | 15.9 | 16.2 |
| Service income | 12.2 | 10.3 |
| Other | 0.3 | 0.5 |
| **Total** | **28.4** | **27.3** |

## 3. INFORMATION CONCERNING PERSONNEL AND KEY MANAGEMENT

| EUR million | 2016 | 2015 |
|---|---|---|
| Personnel expenses | | |
| Wages, salaries and fees | 10.1 | 9.4 |
| Pension expenses | 1.4 | 1.6 |
| Other indirect personnel costs | 1.6 | 0.9 |
| **Total** | **13.1** | **11.9** |
| | | |
| Salaries and fees to the management | | |
| President and executive Vice President | 1.1 | 1.1 |
| Members of the Board of Directors | 0.3 | 0.4 |
| **Total** | **1.4** | **1.5** |

| | 2016 | 2015 |
|---|---|---|
| Average personnel | 129 | 127 |

### AUDITORS' FEES

| EUR million | 2016 | 2015 |
|---|---|---|
| PricewaterhouseCoopers Oy | | |
| Audit fee | 0.2 | 0.2 |
| Statements | 0.0 | 0.0 |
| Tax services | 0.0 | 0.0 |
| Other services | 0.1 | 0.1 |
| **Total** | **0.3** | **0.3** |

## 4. DEPRECIATION AND VALUE ADJUSTMENTS

| EUR million | 2016 | 2015 |
|---|---|---|
| Depreciation on other capitalised expenditures | 0.7 | 0.7 |
| Depreciation on buildings and structures | 0.2 | 0.2 |
| Depreciation on machinery and equipment | 0.2 | 0.2 |
| **Total** | **1.1** | **1.1** |

## 5. OTHER OPERATING EXPENSES

| EUR million | 2016 | 2015 |
|---|---|---|
| Rents | 15.2 | 14.7 |
| Cost of premises | 6.7 | 6.6 |
| Administration costs | 4.7 | 5.0 |
| Merger loss | 0.0 | 10.8 |
| Other | 4.1 | 2.9 |
| **Total** | **30.7** | **40.0** |

## 6. FINANCIAL INCOME AND EXPENSES

| EUR million | 2016 | 2015 |
|---|---|---|
| Dividend income | | |
| From others | 0.0 | 0.0 |
| **Total** | **0.0** | **0.0** |
| | | |
| Interest income from non-current investments | | |
| From Group companies | 18.4 | 13.5 |
| | | |
| Other interest and financial income | | |
| From Group companies | | |
| Interest and other financial income | 44.9 | 36.9 |
| Exchange rate gain | 83.6 | 5.4 |
| From other companies | 0.1 | 0.2 |
| **Total** | **128.5** | **42.5** |
| | | |
| Other interest and financial expenses | | |
| Interest expenses to Group companies | | |
| Interest expenses | -2.8 | -1.9 |
| Exchange rate loss | -68.7 | -46.0 |
| Interest expenses on derivatives | -3.1 | -2.4 |
| Interest expenses to others | -17.2 | -20.4 |
| Other expenses to others | -5.1 | -5.7 |
| **Total** | **-96.9** | **-76.4** |
| | | |
| Exchange rate gains | 8.0 | 45.9 |
| Fair value change in derivatives | -8.8 | 3.7 |
| Exchange rate losses | -27.7 | -8.8 |
| **Total** | **-28.5** | **40.8** |
| | | |
| **Total financial income and expenses** | **21.5** | **20.4** |

## 7. APPROPRIATIONS

| EUR million | 2016 | 2015 |
|---|---|---|
| Appropriations | | |
| Change in depreciation difference | -0.1 | 0.0 |
| Group contributions | 26.6 | 9.8 |
| **Total** | **26.4** | **9.8** |

## 8. INCOME TAXES

| EUR million | 2016 | 2015 |
|---|---|---|
| Income taxes on extraordinary items | 0.0 | -2.0 |
| Income taxes on operating activities | 6.6 | 2.0 |
| Income taxes on previous years | 0.2 | 0.0 |
| **Total** | **6.8** | **0.0** |

## 9. CHANGES IN FIXED ASSETS

### INTANGIBLE ASSETS

| EUR million | 2016 | 2015 |
|---|---|---|
| Intangible rights | | |
| Historical cost at January 1 | 0.3 | 0.3 |
| Increases | 0.2 | |
| Historical cost at December 31 | 0.5 | 0.3 |
| **Book value at December 31** | **0.5** | **0.3** |
| | | |
| Other capitalised expenditures | | |
| Historical cost at January 1 | 16.6 | 15.9 |
| Increases | 0.0 | 0.7 |
| Decreases | 0.0 | 0.0 |
| Historical cost at December 31 | 16.6 | 16.6 |
| Accumulated depreciation and value adjustments January 1 | 14.5 | 13.8 |
| Depreciation for the period | 0.7 | 0.7 |
| Accumulated depreciation and value adjustments December 31 | 15.2 | 14.5 |
| **Book value at December 31** | **1.5** | **2.1** |
| | | |
| Advance payments | | |
| Historical cost at January 1 | 0.3 | 0.2 |
| Increases | 0.7 | |
| Decreases | -0.2 | 0.1 |
| **Book valuet at December 31** | **0.8** | **0.3** |
| | | |
| **Total intangible assets** | **2.8** | **2.7** |

### TANGIBLE ASSETS

| Book value at December 31 | 2016 | 2015 |
|---|---|---|
| Land and water areas | | |
| Historical cost at January 1 | 1.2 | 1.3 |
| Decrease | -0.4 | -0.1 |
| **Book value at December 31** | **0.9** | **1.2** |
| | | |
| Buildings and structures | | |
| Historical cost at January 1 | 6.9 | 7.0 |
| Increase | | |
| Decreases | -1.5 | -0.1 |
| Historical cost at December 31 | 5.4 | 6.9 |
| Accumulated depreciation and value adjustments January 1 | 4.6 | 4.5 |
| Accumulated depreciation of decreases | -0.9 | -0.1 |
| Depreciation for the period | 0.2 | 0.2 |
| Accumulated depreciation and value adjustments December 31 | 3.9 | 4.6 |
| **Book value at December 31** | **1.5** | **2.3** |
| | | |
| Machinery and equipment | | |
| Historical cost at January 1 | 11.0 | 10.7 |
| Increases | 0.2 | 0.3 |
| Historical cost at December 31 | 11.2 | 11.0 |
| Accumulated depreciation and value adjustments January 1 | 10.5 | 10.4 |
| Depreciation for the period | 0.2 | 0.1 |
| Accumulated depreciation and value adjustments December 31 | 10.7 | 10.5 |
| **Book value at December 31** | **0.5** | **0.5** |

| EUR million | 2016 | 2015 |
|---|---|---|
| Other tangible assets | | |
| Historical cost at January 1 | 0.9 | 0.9 |
| Historical cost at December 31 | 0.9 | 0.9 |
| Accumulated depreciation and value adjustments January 1 | 0.8 | 0.8 |
| Accumulated depreciation and value adjustments December 31 | 0.8 | 0.8 |
| **Book value at December 31** | **0.1** | **0.1** |
| | | |
| **Total tangible assets** | **2.9** | **4.1** |

## 10. INVESTMENTS

| EUR million | 2016 | 2015 |
|---|---|---|
| Shares in Group companies | | |
| Historical cost at January 1 | 328.3 | 288.3 |
| Increases | 390.0 | 70.0 |
| Decreases | 0.0 | -30.0 |
| **Historical cost at December 31** | **718.3** | **328.3** |
| | | |
| Other shares and holdings | | |
| Historical cost at January 1 | 0.1 | 0.1 |
| **Historical cost at December 31** | **0.1** | **0.1** |
| | | |
| **Total investments** | **718.4** | **328.4** |

## 11. RECEIVABLES

### NON-CURRENT RECEIVABLES

| EUR million | 2016 | 2015 |
|---|---|---|
| Receivables from Group companies | | |
| Loan receivables | 211.4 | 380.6 |

### CURRENT RECEIVABLES

| EUR million | 2016 | 2015 |
|---|---|---|
| Receivables from Group companies | | |
| Trade receivables | 1.7 | 8.7 |
| Loan receivables | 85.4 | 314.0 |
| Other receivables | 29.0 | 10.6 |
| Accrued income | 7.5 | 7.7 |
| **Total** | **123.7** | **341.0** |
| | | |
| Accrued receivables, intra group | | |
| Accrued interest receivables | 1.4 | 4.7 |
| Exchange rate derivatives | 2.2 | 0.2 |
| Other receivables | 3.9 | 2.9 |
| **Total** | **7.5** | **7.8** |
| | | |
| Accrued receivables | | |
| Exchange rate derivatives | 1.2 | 6.1 |
| Accrued tax receivables | 0.0 | 4.3 |
| Other receivables | 1.8 | 2.4 |
| **Total** | **3.0** | **12.8** |
| | | |
| Other receivables | 0.5 | 0.5 |

## 12. CASH AND CASH EQUIVALENTS

### CURRENT INVESTMENTS

| EUR million | 2016 | 2015 |
|---|---|---|
| Market value | 0.0 | 0.0 |
| Carrying value | 0.0 | 0.0 |
| **Difference** | **0.0** | **0.0** |

## 13. EQUITY

| EUR million | 2016 | 2015 |
|---|---|---|
| Share capital | | |
| Share capital January 1 | 149.2 | 149.2 |
| **Share capital December 31** | **149.2** | **149.2** |
| | | |
| Fair value reserve January 1 | 0.0 | 0.0 |
| Decreases | -0.4 | 0.0 |
| **Fair value reserve December 31** | **-0.4** | **0.0** |
| | | |
| Non restricted equity reserve | | |
| Non restricted equity reserve January 1 | 8.3 | 8.4 |
| Return of treasury shares | 0.0 | -0.1 |
| **Non restricted equity reserve December 31** | **8.2** | **8.3** |
| | | |
| Retained earnings | | |
| Retained earnings January 1 | 295.5 | 313.6 |
| Dividends paid and other distribution of assets | -27.6 | -22.6 |
| **Retained earnings December 31** | **267.8** | **291.0** |
| | | |
| Net profit for the financial period | 24.7 | 4.5 |
| **Total retained earnings** | **292.5** | **295.5** |
| | | |
| **Total equity** | **449.5** | **453.0** |

### DISTRIBUTABLE FUNDS AT DECEMBER 31

| EUR million | 2016 | 2015 |
|---|---|---|
| Non restricted equity reserve | 8.2 | 8.3 |
| Retained earnings | 267.8 | 291.0 |
| Net profit for the financial period | 24.7 | 4.5 |
| **Distributable fund from shareholders' equity** | **300.7** | **303.8** |

### TREASURY SHARES OF YIT CORPORATION

| | 2016 | 2015 |
|---|---|---|
| Amount | 1,646 ,767 | 1,644,581 |
| % of total share capital | 1.29% | 1.29% |
| % of voting rights | 1.29% | 1.29% |

### APPROPRIATIONS

| EUR million | 2016 | 2015 |
|---|---|---|
| Accumulated depreciation difference January 1 | 0.3 | 0.3 |
| Increase | 0.1 | |
| **Accumulated depreciation difference December 31** | **0.5** | **0.3** |

## 14. PROVISIONS

| EUR million | 2016 | 2015 |
|---|---|---|
| Other provisions | 2.2 | 1.4 |

## 15. DEFERRED TAX RECEIVABLES AND LIABILITIES

### DEFERRED TAX RECEIVABLES

| EUR million | 2016 | 2015 |
|---|---|---|
| Postponed depreciation | 0.1 | 0.1 |
| Other temporary differences | 0.4 | 0.3 |
| **Total** | **0.5** | **0.4** |

### DEFERRED TAX LIABILITIES

| EUR million | 2016 | 2015 |
|---|---|---|
| Accumulated depreciation difference | 0.1 | 0.1 |

Deferred taxes is not booked in the parent company's financial statements.

## 16. NON-CURRENT LIABILITIES

### BONDS

| EUR million | 2016 | 2015 |
|---|---|---|
| Fixed-rate bond 1/2015, 2015–2020, interest 6.250% | 100.0 | 100.0 |
| Fixed-rate bond 3/2016, 2016–2021, interest 5.500% | 50.0 | 0.0 |
| **Total** | **150.0** | **100.0** |

## 17. CURRENT LIABILITIES

### LIABILITIES TO GROUP COMPANIES

| EUR million | 2016 | 2015 |
|---|---|---|
| Trade payables | 1.1 | 0.4 |
| Other liabilities | 232.3 | 270.3 |
| Accrued expenses | 0.7 | 1.1 |
| **Total** | **234.1** | **271.8** |

### ACCRUED EXPENSES, INTRA-GROUP

| EUR million | 2016 | 2015 |
|---|---|---|
| Interest expenses | 0.4 | 0.4 |
| Exchange rate derivatives | 0.3 | 0.7 |
| Other expenses | 0.0 | 0.0 |
| **Total** | **0.7** | **1.1** |

### ACCRUED EXPENSES

| EUR million | 2016 | 2015 |
|---|---|---|
| Personnel expenses | 4.1 | 2.8 |
| Interest expenses | 5.1 | 6.1 |
| Other expenses | 3.5 | 0.0 |
| **Total** | **12.6** | **8.9** |

## 18. COMMITMENTS AND CONTINGENT LIABILITIES

### MORTGAGES GIVEN AS SECURITY FOR LOANS

| EUR million | 2016 | 2015 |
|---|---|---|
| Leasing commitments for premises | | |
| Payable during the current financial year | 12.6 | 12.6 |
| Payable in subsequent years | 64.7 | 77.6 |
| **Total** | **77.3** | **90.2** |
| | | |
| Operating leasing commitments | | |
| Payable during the current financial year | 0.0 | 0.0 |
| Payable in subsequent years | 0.1 | 0.1 |
| **Total** | **0.1** | **0.1** |
| | | |
| Other commitments | | |
| Other commitments | 1.7 | 0.4 |
| | | |
| Guarantees | | |
| On behalf of Group companies | 1,429.2 | 1,058.5 |

### DERIVATIVE CONTRACTS

| EUR million | 2016 | 2015 |
|---|---|---|
| External foreign currency forward contracts | | |
| Fair value | -2.7 | 6.1 |
| Value of underlying instruments | 52.1 | 86.4 |
| Internal foreign currency forward contracts | | |
| Fair value | 1.9 | -0.7 |
| Value of underlying instruments | 12.4 | 8.0 |
| Interest rate swaps and future contracts | | |
| Fair value | -7.1 | -7.1 |
| Value of underlying instruments | 335.0 | 340.0 |

## CONTRACTUAL MATURITY ANALYSIS OF DERIVATIVE CONTRACTS AT DECEMBER 31, 2016

| EUR million | 2017 | 2018 | 2019 | 2020 | 2021 | 2022– | Total |
|---|---|---|---|---|---|---|---|
| Interest rate swaps, cash outflows | | | | | | | |
| Hedge accounting applied | -0.8 | -0.5 | | | | | -1.3 |
| Hedge accounting not applied | -2.3 | -2.1 | -2.0 | -1.0 | -0.5 | -0.2 | -8.0 |
| External foreign currency forward contracts | | | | | | | |
| Cash outflow | -52.1 | | | | | | -52.1 |
| Cash inflow | 49.4 | | | | | | 49.4 |
| Internal foreign currency forward contracts | | | | | | | |
| Cash outflow | -12.4 | | | | | | -12.4 |
| Cash inflow | 14.3 | | | | | | 14.3 |

## CONTRACTUAL MATURITY ANALYSIS OF DERIVATIVE CONTRACTS AT DECEMBER 31, 2015

| EUR million | 2016 | 2017 | 2018 | 2019 | 2020 | 2021– | Total |
|---|---|---|---|---|---|---|---|
| Interest rate swaps, cash outflows | | | | | | | |
| Hedge accounting applied | -0.6 | -0.4 | -0.1 | | | | -1.1 |
| Hedge accounting not applied | -2.3 | -2.2 | -1.7 | -1.1 | -0.6 | -0.1 | -8.0 |
| External foreign currency forward contracts | | | | | | | |
| Cash outflow | -81.5 | -5.0 | | | | | -86.5 |
| Cash inflow | 87.4 | 5.2 | | | | | 92.6 |
| Internal foreign currency forward contracts | | | | | | | |
| Cash outflow | -8.0 | | | | | | -8.0 |
| Cash inflow | 7.3 | | | | | | 7.3 |

**Level 1:** The fair values of financial instruments are based on quoted prices in active markets. A market can be considered active if quoted prices are regularly available and the prices represent the actual value of the instrument in liquid trading.

**Level 2:** Financial instruments are not traded in active and liquid markets. The value of a financial instrument can be determined based on market value and potentially partially derived value measurement. If, however, the factors affecting the fair value of the instrument are available and observable, the instrument belongs to level 2.

**Level 3:** The valuation of a financial instrument is not based on observable market data, and other factors affecting the fair value of the instrument are not available and observable. The following table presents the Group's assets and liabilities that are measured at fair value and their levels.

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

## ASSETS

| | 2016 | | 2015 | |
|---|---|---|---|---|
| EUR million | Level 1 | Level 2 | Level 1 | Level 2 |
| Available-for-sale investments | | | 0.1 | |
| Derivatives (hedge accounting not applied) | | 1.2 | | 6.2 |
| **Total assets** | | **1.2** | **0.1** | **6.2** |

## LIABILITIES

| | 2016 | | 2015 | |
|---|---|---|---|---|
| EUR million | Level 1 | Level 2 | Level 1 | 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** |

## 19. SALARIES AND FEES TO THE MANAGEMENT

The aim of YIT's remuneration systems is to reward good performance, increase the personnel's motivation and commit the company's management and its employees to the company's objectives in the long term.

### DECISION-MAKING REGARDING REMUNERATION

YIT Corporation's Annual General Meeting decides on the fees for the Board of Directors. The Board of Directors decides on the salary and fees and other terms of employment of the CEO and other key Group employees, such as the CEO's deputy and members of the Group's Management Board.

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

The Shareholders' Nomination Board of YIT Corporation is a body comprised of the company's shareholders or their representatives, the duty of which is to prepare proposals on the election and remuneration of the members of the Board of Directors for the Annual General Meeting

### REMUNERATION OF BOARD MEMBERS

The Annual General Meeting 2016 decided that the Board of Directors be paid remuneration as follows in 2016:

- Chairman: EUR 6,600 per month (EUR 79,200 per year)
- Vice Chairman: EUR 5,000 per month (EUR 60,000 per year)
- Members: EUR 3,900 per month (EUR 46,800 per year)

In addition, a meeting fee of EUR 550 is paid for each Board and committee meeting. Per diems for trips in Finland and abroad are paid in accordance with the State's travel compensation regulations. The fees of the Board of Directors remained the same as in the previous year. No other fees or benefits were paid to Board members.

### PROPOSAL FOR FEES FOR 2017

The Nomination Board proposes to the Annual General Meeting on the 16th of March, 2017, that the annual fixed remuneration payable to the members of the Board of Directors to be elected at the Annual General Meeting for the term until the close of the next Annual General Meeting be as follows:

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

The Nomination Board proposes to the General Meeting that as a condition for the annual remuneration the members of the Board of Directors are obliged, directly based on the Annual General Meeting's decision, to use 40 percent of the fixed annual remuneration for purchasing YIT's shares from the market at a price formed in trading at Nasdaq Helsinki's stock exchange list. The purchase will be carried out within two weeks from the publication of the Interim Review for the period January 1, 2017 to March 31, 2017.

The Nomination Board recommends that the board member would not dispose shares received as the annual remuneration before his/her term as a member of the board has ended.

According to the view of the Nomination Board, the long-term and increasing share ownership of the board members serves the interest of all the shareholders.

In addition, the Nomination Board proposes that a meeting fee in the amount of EUR 550 shall be paid. It is proposed that similarly EUR 550 be paid to the members of the committees of the Board

| EUR | Board remuneration | Board meetings | Audit committee | Personnel committee | Total 2016 | Total 2015 |
|---|---|---|---|---|---|---|
| Reino Hanhinen | 19,000 | 550 | | 550 | 20,100 | 87,450 |
| Kim Gran | 10,950 | 550 | | 550 | 12,050 | 68,250 |
| Satu Huber | 46,800 | 5,500 | 2,750 | 2,750 | 57,800 | 53,950 |
| Erkki Järvinen | 46,800 | 5,500 | 2,200 | 550 | 55,050 | 55,050 |
| Inka Mero | 35,100 | 4,950 | | 2,750 | 42,800 | |
| Juhani Pitkäkoski | 56,700 | 4,950 | 2,200 | | 63,850 | 55,050 |
| Teuvo Salminen | 11,700 | 550 | 550 | | 12,800 | 55,050 |
| Matti Vuoria | 59,400 | 4,950 | | 2,750 | 67,100 | |
| **Board total** | **286,450** | **27,500** | **7,700** | **9,900** | **331,550** | **374,800** |

of Directors for each committee meeting. Per diems are proposed to be paid for trips in Finland and abroad in accordance with the State's travelling compensation regulations.

## MANAGEMENT REMUNERATION

The remuneration paid to the Group's Management Board is comprised of:

- Fixed salary
- Fringe benefits, such as company car and meal benefit
- Annual performance-based bonus, and
- Long-term incentive schemes, such as share-based incentive scheme and pension benefits.

## PERFORMANCE-BASED BONUSES

The basis of remuneration is a fixed salary, in addition to which most of the Group's salaried employees are included in a short-term performance-based bonus scheme. The Board of Directors confirms the criteria for the payment of performance-based bonuses every six months.

The bonuses paid are determined on the basis of the realisation of personal profit objectives, the Group's financial result, and the attainment of profitability, growth and development objectives.

Performance and development discussions are an essential part of the management by key results system. In these discussions, employees and their superiors agree on the key objectives and their relative weighting and review the fulfilment of the previously agreed objectives. The key principles and objectives for the result period influencing the personal performance-based bonuses are specified at the business division and unit level.

The maximum annual performance-based bonus paid to the CEO and the Management Board may equal 50–60 per cent of their annual taxable pay excluding the performance-based bonus.

Other monetary rewards in use at YIT include years-of-service bonuses.

## SHARE-BASED INCENTIVE SCHEMES

YIT has implemented a long-term share-based incentive scheme to support the company's strategy of profitable growth and supplement the already available incentive schemes. The scheme aims at encouraging employees to engage in goal-oriented work, rewarding good performance and committing employees to long-term persistent work. Members of YIT's Board of Directors are not included in the share-based incentive scheme.

The first scheme consisted of three earnings periods, i.e. the calendar years 2010, 2011 and 2012. Shares were handed over in 2011, 2012 and 2013 based on the performance in the previous year. A total of approximately 700,000 shares could be rewarded annually, of which a maximum of 20,000 to the President and CEO.

The taxes and tax-like payments arising from the share rewards were covered by a monetary bonus under the terms of the scheme. Employees included in the incentive scheme were obligated to not transfer their shares within two years of having obtained them for the shares based on performance in 2010 and three years for the shares based on performance in 2011 and 2012, i.e. throughout the duration of the commitment period. If the employment of an employee was terminated during the commitment period, the employee had to return any shares obtained as rewards to the company free of charge. In the case of shares granted for 2010 and 2011, the commitment period has ended.

During 2016, a total of 2,186 shares were returned to the company in accordance with the terms and conditions.

The earnings periods of the second incentive scheme are the years 2014, 2015 and 2016. Any bonus will be determined on the basis of the indicators decided annually by YIT's Board of Directors for each earnings period and their target levels. Return on investment is the key indicator in the scheme. An additional target related to the Group's cash flow was set for 2014. The targets for 2015 were Return on investment and Net debt and for 2016 were return on investment and Earnings per share. YIT's Board of Directors also decides on the approximately 200 key persons from different YIT countries to be included in the incentive scheme for each earnings period. The same employees are not automatically covered by the scheme during all earnings periods.

### ACCRUAL-BASED PENSION EXPENDITURE

| | 2016 | | 2015 | |
|---|---|---|---|---|
| EUR | Statutory pensions | Supplementary pension security | Statutory pensions | Supplementary pension security |
| President and CEO | 122,696 | 3,795 | 124,555 | 3,795 |
| Deputy to the President and CEO | 91,395 | 15,204 | 82,356 | 15,204 |
| **Total** | **214,091** | **19,000** | **206,914** | **19,000** |

The members of the Board of Directors are not insured in terms of TyEL (Employees' Pensions Act) or supplementary pension for their meeting fees.

A total of approximately 650,000 (2014 and 2015) and 700,000 (2016) shares can be rewarded annually, of which a maximum of 25,000 to the President and CEO and 78,000 to the Group Management Board (excluding CEO, earning period 2016). The shares to be granted are already held by YIT as a rule. There is a two-year commitment period associated with each earnings period, after which the shares are transferred to key persons still employed by YIT Group. Shares will be handed over in 2017, 2018 and 2019. The employer will cover the taxes and tax-like fees charged to the key employees covered by the scheme in connection with the handing over of the shares. Under all circumstances, the Board has the right to amend the bonuses in a reasonable manner.

## PENSION, RETIREMENT AGE AND TERMINATION COMPENSATION

The contractual retirement age of the CEO and his deputy is 62. In other respects, the statutory retirement ages apply to the members of the Management Board. The contractual pension of the CEO and his deputy amounts to 60% of salary accounted according to Finnish employment pension law. The pension scheme is benefit-based.

The contractual period of notice is for from six months to nine months. If the company terminates the contract, the CEO and his deputy shall also be paid separate compensation amounting to 12 months' salary.

## REMUNERATION PAID TO THE CEO AND MANAGEMENT BOARD IN 2016

Kari Kauniskangas served as the President and CEO of YIT Corporation. He was paid a performance-based bonus of EUR 71,680 in March 2016 based on the results of July–December 2015. Based on the results of January–June 2016, the President and CEO was paid a performance-based bonus 58,490 in September.

In 2016 according to share based incentive scheme Kari Kauniskangas received 15,500 shares and The Group Management Board (excluding CEO) 54,560 shares on the basis of company's result in 2015. The members of The Group Management Board who are still at The Group Management Board the end of the year 2016 were granted 47,120 shares. These shares and thereto related monetary bonus (monetary bonus cover the taxes and tax-like fees) will be handed over and paid in 2018 by the rules of share based incentive scheme. By the rules of share-based incentive scheme, instead of shares, can also be handed over the amount of money which is equivalent to the market price of hand-over time.

| EUR | Fixed salary | Fringe benefits | Bonuses | Total 2016 | Total 2015 |
|---|---|---|---|---|---|
| President and CEO | 456,805 | 13,887 | 130,170 | 600,862 | 655,566 |
| Total Management Board, excl. CEO | 1,649,493 | 77,279 | 344,288 | 2,071,060 | 1,900,150 |

## REMUNERATION PAID TO THE CEO

Kari Kauniskangas, Chairman, President and CEO

## OTHER MANAGEMENT BOARD:

- Tero Kiviniemi, Executive Vice President, deputy to the President and CEO, Head of the Business Premises and Infrastructure segment
- Teemu Helppolainen, Head of The Housing Russia segment
- Antti Inkilä, Head of The Housing Finland and CEE segment
- Juha Kostiainen, Senior Vice President, Sustainable Urban Development, since 1.10.2016
- Timo Lehtinen, Chief Financial Officer, CFO, 1.1.–5.9.2016
- Ari Ladvelin, acting CFO, 5.9.–7.11.2016
- Esa Neuvonen, Chief Financial Officer, CFO, since 7.11.2016 (nominated for The Group management Board 5.9.2016, began in his duties 7.11.2016)
- Juhani Nummi, Senior Vice President, Business Development
- Pii Raulo, Senior Vice President, Human Resources

# Board of Directors' proposal for the distribution of distributable equity

The distributable equity of YIT Corporation on December 31, 2016 is:

| | |
|---|---|
| Retained earnings | 267,844,115.37 |
| Profit for the period | 24,683,263.27 |
| Retained earnings, total | 292,527,378.64 |
| | |
| Non-restricted equity reserve | 8,238,587.35 |
| Distributable equity, total | 300,765,965.99 |

The Board of Directors proposes to the Annual General Meeting that the distributable equity be disposed of as follows:

| | |
|---|---|
| Payment of a dividend from retained earnings EUR 0,22 per share to shareholders | 27,626,864.10 |
| Remains in distributable equity | 273,139,101.89 |

No significant changes have taken place in the company's financial position after the end of the financial year. The company's liquidity is good and, in the view of the Board of Directors, the proposed dividend payout does not jeopardize the company's solvency.

## SIGNATURE OF THE REPORT OF THE BOARD OF DIRECTORS AND FINANCIAL STATEMENTS

Helsinki, February 2, 2017

**Matti Vuoria**
Chairman

**Juhani Pitkäkoski**
Vice chairman

**Satu Huber**

**Erkki Järvinen**

**Inka Mero**

**Kari Kauniskangas**
President and CEO

# Auditor's Report

TO THE ANNUAL GENERAL MEETING OF YIT CORPORATION

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial performance and financial position in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

#### WHAT WE HAVE AUDITED

We have audited the financial statements of YIT Corporation (Business ID: 0112650-2) for the year ended 31 December, 2016. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

### BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### INDEPENDENCE

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### OUR AUDIT APPROACH

#### OVERVIEW

- **Materiality:** Overall group materiality was € 5,8 million, which is determined based on a combination of net sales and profit before taxes.
- **Group scoping:** We performed audits of significant companies in Finland (4), Russia (4), Lithuania (1), Czech Republic (1) and Slovakia (1).
- **Key audit matters:**
  - Accounting for long-term contracts: revenue recognition, work in progress and provisioning
  - Inventory: valuation of slow moving land plots and completed housing units.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

#### MATERIALITY

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

- **Overall group materiality:**
  € 5,8 million
- **How we determined it:**
  Combination of net sales and profit before taxes
- **Rationale for the materiality benchmark applied:**
  We chose a combination of net sales and profit before taxes as benchmark because, in our view, in the absence of steady profits and in the specific circumstances of the group, it represents a stable and relevant way to measure the performance of the group. The benchmark used is within the range of acceptable quantitative materiality thresholds in auditing standards.

### HOW WE TAILORED OUR GROUP AUDIT SCOPE

We tailored the scope of our audit, taking into account the structure of the YIT Group, the accounting processes and controls, and the industry in which the group operates.

We determined the type of work that needed to be performed at reporting units by us, as the group engagement team, or component auditors from other PwC network firms operating under our instruction.  Where the work was performed by component auditors, we issued specific instructions to reporting component auditors which included our risk analysis, materiality and audit approach to centralized systems.  We visited 3 components abroad and communicated regularly with all reporting component auditors throughout our audit.

We performed audits of the component financial information at companies in Finland (4), Russia (4), Lithuania (1), Czech Republic (1) and Slovakia (1) which are considered significant either because of their individual financial significance or because they are likely to include significant risks of material misstatement due to their specific nature or circumstances. We also performed specified audit procedures at an additional 3 reporting components in Russia.

In addition to the work we performed on the consolidation process, we performed analytical procedures for the remaining components to corroborate our assessment that there were no significant risks of material misstatement within those components.

By performing the procedures above at reporting components, combined with additional procedures at the Group level, we have obtained sufficient and appropriate evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

| Key audit matter in the audit of the group | How our audit addressed the key audit matter |
|---|---|
| **Accounting for long-term contracts: revenue recognition, work in progress and provisioning**<br><br>Refer to the notes 1. Accounting principles of the financial statement -“Income recognition” and “Critical accounting estimates and judgements” and 2. Segment information - “Accounting principles in segment reporting” to the consolidated financial statements<br><br>According to the Group’s IFRS accounting principles, revenue from residential projects for consumers is recognised upon completion.<br><br>In segment reporting long-term construction contracts including residential projects for consumers are recorded as revenue on the basis of the degree of completion (POC-method) when the end result of the project can be estimated reliably. The degree of completion is calculated on the basis of the share of costs incurred or completion of a physical proportion of the work. The revenue from self-developed projects is recorded on the basis of the percentage of completion and the degree of sale. Revenue from construction projects including rental liabilities is recorded on the basis of the percentage of completion, degree of sale and degree of rental rate.<br><br>Profit on contracts is a key area for our audit because of the judgement involved in preparing suitable estimates of the forecast costs and revenue on contracts. An error in the contract forecast could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period.<br><br>These judgements include the expected recovery of costs arising from the variations to the contract requested by the customer, claims made against the contractor and rental liabilities. An error in the inclusion of these amounts in the contract forecast could result in a material error in the level of recognised profit or loss. | Our audit procedures included understanding and testing of the company’s controls as well as substantive testing of accounting for long-term contracts.<br>Our testing of the company’s controls focused on the IT systems used by the company.<br><br>Our substantive testing of accounting for long-term contracts focused on 1) evaluating the appropriateness of the used accounting methods, 2) accuracy and reliability of the estimates, 3) accuracy and completeness of the recognized revenue and profit, as follows:<br><br>• We performed analytical substantive procedures at project level for revenue and gross margin<br>• We read the contracts of selected new projects and evaluated the appropriateness of used accounting method<br>• We tested revenue and cost estimates for selected projects by comparing the estimates to supporting documents and by discussing with project management<br>• We tested the degree of completion for selected projects by recalculating the degree of completion based on actual costs at the time of assessment. When completion of a physical proportion of the contract work method was used, we obtained appropriate evidence based on the circumstances to support the stage of completion<br>• We compared estimated margins in previous year-end with actual outcomes for projects completed during the current year to ensure the accuracy and reliability of the project estimates<br>• We tested the accuracy of revenue and profit recognized using the POC-method for selected projects by recalculating<br>• We tested calculations supporting the trans-formation from POC reporting to IFRS reporting to ensure the accuracy and completeness of the transactions.<br><br>Our substantive testing focused particular on the mega projects: Mall of Tripla and E18 Hamina-Vaalimaa motorway in Business Premises and Infrastructure segment. |

| Key audit matter in the audit of the group | How our audit addressed the key audit matter |
|---|---|
| **Inventory: valuation of slow moving land plots and unsold completed housing units**<br><br>Refer to the notes 1. Accounting principles of the financial statement – “Accounting principles-Inventories” and “Critical accounting estimates and judgements-Inventories” to the financial statements<br><br>On 31 December 2016 land plot reserve amounted to € 621 million and completed units amounted to € 172 million.<br><br>Inventories are measured either at the lower of acquisition cost or net realisable value (i.e. the estimated selling price less the estimated expenditure on product completion and sale). In estimating the net realisable value of completed housing, the available market information is taken into account. In assessing the net realisable value of plots of land, their intended use is taken into account.<br><br>We considered slow moving land plots and completed housing units to constitute a focus area of the audit as there is a risk that they are valued above their recoverable amount. A change in the company’s forecast es-timate of sales price and/or build cost could have a material impact on the carrying value of inventories in the financial statements. | We reviewed management’s monitoring system supporting the carrying values and challenged the key assumptions underlying these values as follows:<br><br>• We discussed with management on their intention to develop slow moving land plots<br>• We inspected the documentation supporting the estimated net realisable values and assessed the reasonability of the estimates by comparing them to other similar projects in the area<br>• We analysed management’s forecasted sales prices of completed housing units by comparing them on a sample basis to sales prices achieved and the current list prices.<br><br>We focused our work on those land plots with the greatest estimation uncertainty over the net realisable value and therefore profit outcome. These in particular included land plots in Housing Russia segment. |

We have no key audit matters to report with respect to our audit of the parent company financial statements.

## RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are repared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## OTHER REPORTING REQUIREMENTS

### OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of Board of Directors has been prepared in accordance with the applicable legal requirements.

In our opinion,

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the information included in the report of the Board of Directors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 6 February 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

**Juha Wahlroos**
Authorised Public Accountant

# Key financial figures

## INCOME STATEMENT

| EUR million | 2016 IFRS[1] | 2015 IFRS[1] | 2014 IFRS[1] | 2013 IFRS[1] | 2012 IFRS[1] | 2011 IFRS[1] | 2010 IFRS[1] | 2009 IFRS[1] | 2008 IFRS | 2007 IFRS |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 1,678.3 | 1,732.2 | 1,778.6 | 1,743.0 | 1,988.9 | 4,382.1 | 3,787.6 | 3,485.6 | 3,939.7 | 3,706.5 |
| change from previous year, % | -3.1 | -2.6 | 2.0 | -12.4 | | 15.7 | 8.7 | -11.5 | 6.3 | 12.9 |
| of which activities outside Finland | 445.0 | 492.1 | 616.1 | 488.4 | 586.4 | 2,607.7 | 2,343.6 | 1,885.7 | 2,072.9 | 1,798.5 |
| Operating income and expenses | -1,644.1 | -1,638.5 | -1,671.2 | -1,621.5 | -1,770.3 | -4,142.9 | -3,531.6 | -3,283.9 | -3,647.4 | -3,341.5 |
| Depreciation, amortisation and impairment | -16.5 | -12.1 | -12.6 | -17.4 | -20.6 | -39.6 | -35.9 | -33.6 | -31.8 | -27.2 |
| Operating profit | 17.7 | 81.6 | 94.8 | 104.0 | 198.0 | 200.0 | 220.1 | 168.1 | 260.6 | 337.8 |
| % of revenue | 1.1 | 4.7 | 5.3 | 6.0 | 10.0 | 4.6 | 5.8 | 4.8 | 6.6 | 9.1 |
| Financial income and expences, net | -20.1 | -20.3 | -20.5 | -9.0 | -14.2 | -24.7 | -25.3 | -58.6 | -67.5 | -32.2 |
| Profit before taxes | -2.5 | 61.3 | 74.3 | 95.0 | 183.8 | 175.2 | 194.8 | 109.5 | 193.1 | 305.6 |
| % of revenue | -0.1 | 3.5 | 4.2 | 5.5 | 9.2 | 4.0 | 5.1 | 3.1 | 4.9 | 8.2 |
| Profit for the period | -7.1 | 47.2 | 55.8 | 70.2 | 142.3 | 125.1 | 140.6 | 68.1 | 134.3 | 228.0 |
| % of revenue | -0.4 | 2.7 | 3.1 | 4.0 | 7.2 | 2.9 | 3.7 | 2.0 | 3.4 | 6.2 |
| | | | | | | | | | | |
| Attributable to | | | | | | | | | | |
| Equity holders of the parent company | -7.1 | 47.2 | 55.9 | 70.3 | 141.2 | 124.5 | 140.3 | 68.3 | 132.9 | 224.9 |
| Non-controlling interest | | 0.0 | -0.1 | -0.1 | 1.1 | 0.6 | 0.3 | -0.2 | 1.4 | 3.1 |

[1] YIT has applied the IFRIC 15 Agreements for the Construction of Real Estate IFRS interpretation from the start of the financial period beginning on January 1, 2010 (the figures are comparable from the beginning of 2009).

Income statements for the years 2007–2011 include the items related to YIT's Building Services business, which were transferred to Caverion Group in the partial demerger on June 30, 2013.

## BALANCE SHEET

| EUR million | 2016 IFRS[1] | 2015 IFRS[1] | 2014 IFRS[1] | 2013 IFRS[1] | 2012 IFRS[1] | 2011 IFRS[1] | 2010 IFRS[1] | 2009 IFRS[1] | 2008 IFRS | 2007 IFRS |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Intangible assets | 53.2 | 47.3 | 55.4 | 65.2 | 110.6 | 110.8 | 106.7 | 99.8 | 104.6 | 92.5 |
| Goodwill | 8.1 | 10.9 | 10.9 | 10.9 | 346.6 | 347.5 | 350.9 | 291.0 | 291.0 | 240.6 |
| Tangible assets | 11.9 | 14.1 | 11.3 | 7.1 | 61.8 | 54.1 | 50.5 | 32.8 | 35.1 | 27.1 |
| Investments | 64.0 | 1.1 | 1.6 | 1.3 | 3.9 | 6.9 | 6.1 | 5.3 | 6.3 | 6.2 |
| Inventories | 1,746.6 | 1,528.4 | 1,682.6 | 2,045.8 | 1,894.4 | 1,672.6 | 1,484.9 | 1,477.6 | 1,509.9 | 1,265.0 |
| Receivables | 333.8 | 242.5 | 272.2 | 332.9 | 1,073.0 | 1,106.4 | 969.7 | 697.7 | 825.3 | 769.7 |
| Current investments | 0.0 | 5.0 | 0.6 | 0.0 | 0.0 | 0.0 | 0.3 | 0.0 | 36.4 | 0.0 |
| Cash and cash equivalents | 66.4 | 117.2 | 198.8 | 76.3 | 175.7 | 206.1 | 148.0 | 173.1 | 165.3 | 60.2 |
| **Total assets** | **2,284.0** | **1,966.6** | **2,233.4** | **2,539.5** | **3,666.0** | **3,504.5** | **3,117.1** | **2,777.1** | **2,973.9** | **2,461.3** |
| | | | | | | | | | | |
| **Equity and liabilities** | | | | | | | | | | |
| Share capital | 149.2 | 149.2 | 149.2 | 149.2 | 149.2 | 149.2 | 149.2 | 149.2 | 149.2 | 149.1 |
| Other equity | 414.6 | 373.8 | 381.0 | 535.4 | 851.0 | 769.5 | 730.8 | 611.9 | 653.9 | 665.4 |
| Non-controlling interest | | 0.1 | 0.3 | 0.4 | 3.3 | 2.5 | 2.9 | 3.0 | 4.6 | 3.8 |
| Provisions | 76.4 | 61.0 | 60.9 | 61.5 | 103.4 | 106.4 | 94.7 | 89.5 | 86.9 | 59.0 |
| Non-current liabilities | | | | | | | | | | |
| Interest-bearing | 249.1 | 266.1 | 275.2 | 305.1 | 517.1 | 522.9 | 504.6 | 502.0 | 516.2 | 356.9 |
| Non interest-bearing | 70.7 | 29.8 | 39.4 | 50.1 | 174.3 | 162.7 | 114.4 | 87.7 | 92.1 | 80.7 |
| Current liabilities | | | | | | | | | | |
| Interest-bearing | 450.4 | 385.1 | 620.2 | 552.9 | 404.9 | 423.6 | 284.6 | 200.2 | 330.1 | 218.1 |
| Advances received | 473.9 | 376.9 | 402.8 | 514.3 | 566.6 | 458.3 | 349.3 | 418.7 | 346.8 | 230.4 |
| Other non interest-bearing | 399.6 | 324.7 | 304.4 | 370.5 | 896.1 | 909.3 | 886.6 | 714.8 | 794.2 | 697.9 |
| **Total shareholders' equity and liabilities** | **2,284.0** | **1,966.6** | **2,233.4** | **2,539.5** | **3,666.0** | **3,504.5** | **3,117.1** | **2,777.1** | **2,973.9** | **2,461.3** |

[1] YIT has applied the IFRIC 15 Agreements for the Construction of Real Estate IFRS interpretation from the start of the financial period beginning on January 1, 2010 (the figures are comparable from 2009).

The balance sheet for the comparison years 2007–2012 includes the assets and liabilities related to YIT's Building Services business, which were transferred to Caverion Group in the partial demerger on June 30, 2013.

## OTHER KEY FIGURES

| | | 2016 IFRS[1] | 2015 IFRS[1] | 2014 IFRS[1] | 2013 IFRS[1] | 2012 IFRS[1] | 2011 IFRS[1] | 2010 IFRS[1] | 2009 IFRS[1] | 2008 IFRS | 2007 IFRS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Operating cash flow after investments | EUR million | -43.1 | 183.7 | 151.9 | -87.9 | 49.9 | -17.3 | -61.7 | 229.8 | -19.4 | |
| Cash flow from operating activities | EUR million | 36.1 | 195.7 | 159.5 | -92.5 | 72.1 | 17.4 | 6.8 | 260.9 | 47.8 | 84.1 |
| Return on equity | % | -1.3 | 9.0 | 9.1 | 8.2 | 15.0 | 13.9 | 17.1 | 8.9 | 16.5 | 30.5 |
| Return on investment | % | 1.6 | 6.4 | 6.4 | 6.1 | 10.9 | 12.0 | 14.4 | 11.0 | 17.5 | 26.2 |
| Equity ratio | % | 31.2 | 32.9 | 29.2 | 34.3 | 32.5 | 30.2 | 31.9 | 32.4 | 30.7 | 36.7 |
| Net interest-bearing debt | EUR million | 633.1 | 529.0 | 696.0 | 781.7 | 746.2 | 740.4 | 640.9 | 529.1 | 644.5 | 514.8 |
| Gearing ratio | % | 112.3 | 101.1 | 129.9 | 112.0 | 73.9 | 80.4 | 72.6 | 69.2 | 79.8 | 62.9 |
| Gross capital expenditures on non-current assets | EUR million | 83.5 | 12.0 | 13.9 | 20.2 | 44.6 | 48.7 | 129.7 | 27.9 | 85.2 | 51.6 |
| % of revenue | % | 5.0 | 0.7 | 0.8 | 1.2 | 0.9 | 1.1 | 3.4 | 0.8 | 2.2 | 1.4 |
| Research and development expenditure | EUR million | 15.8 | 15.8 | 14.5 | 15.0 | 7.5 | 20.1 | 17.5 | 15.2 | 19.0 | 22.0 |
| % of revenue | % | 0.9 | 0.9 | 0.8 | 0.9 | 0.4 | 0.5 | 0.5 | 0.4 | 0.5 | 0.6 |
| Order backlog as at December 31 | EUR million | 3,048.2 | 2,467.3 | 2,507.1 | 3,184.6 | 3,108.6 | 4,148.6 | 3,535.7 | 2,983.3 | 3,233.7 | 3,509.3 |
| of which orders from abroad | EUR million | 972.8 | 898.3 | 1,061.4 | 1,617.8 | 1,484.0 | 2,066.9 | 1,857.7 | 1,885.7 | 2,072.9 | 1,999.2 |
| Number of employees at December 31 | | 5,261 | 5,340 | 5,881 | 6,172 | 6,691 | 25,996 | 25,832 | 23,480 | 25,784 | 24,073 |
| Average number of employees | | 5,361 | 5,613 | 6,116 | 6,575 | 6,730 | 26,254 | 24,317 | 24,497 | 25,057 | 23,394 |

[1] YIT has applied the IFRIC 15 Agreements for the Construction of Real Estate IFRS interpretation from the start of the financial period beginning on January 1, 2010 (the figures are comparable from 2009).

The balance sheet for the comparison years 2007–2012 and other items for the comparison years 2007–2011 include items related to YIT's Building Services business, which were transferred to Caverion Group in the partial demerger on June 30, 2013.

## SHARE-RELATED KEY FIGURES

| | | 2016 IFRS[1] | 2015 IFRS[1] | 2014 IFRS[1] | 2013 IFRS[1] | 2012 IFRS[1] | 2011 IFRS[1] | 2010 IFRS[1] | 2009 IFRS[1] | 2008 IFRS | 2007 IFRS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Earnings per share | EUR | -0.06 | 0.38 | 0.44 | 0.56 | 1.13 | 0.99 | 1.12 | 0.55 | 1.05 | 1.77 |
| Earnings per share, diluted | EUR | -0.06 | 0.37 | 0.44 | 0.56 | 1.13 | 0.99 | 1.12 | 0.55 | 1.05 | 1.77 |
| Equity per share | EUR | 4.49 | 4.16 | 4.26 | 5.56 | 8.02 | 7.33 | 7.04 | 6.09 | 6.38 | 6.40 |
| Dividend per share | EUR | 0.22[2] | 0.22 | 0.18 | 0.38 | 0.75 | 0.70 | 0.65 | 0.40 | 0.50 | 0.80 |
| Dividend per earnings | % | -388.8[2] | 58.5 | 40.9 | 67.9 | 66.6 | 70.5 | 57.9 | 73.2 | 47.6 | 45.2 |
| Effective dividend yield | % | 2.9[2] | 4.2 | 4.2 | 3.7 | 5.1 | 5.7 | 3.5 | 2.8 | 10.9 | 5.3 |
| Price per earnings ratio (P/E-ratio) | % | -134.1 | 13.9 | 9.7 | 18.1 | 13.1 | 12.5 | 16.7 | 26.3 | 4.4 | 8.5 |
| Share price trend | | | | | | | | | | | |
| Average price | EUR | 6.14 | 5.65 | 7.35 | 13.01 | 14.90 | 15.28 | 16.35 | 8.52 | 10.89 | 22.15 |
| Low | EUR | 4.32 | 4.26 | 4.17 | 8.67 | 11.87 | 10.04 | 12.98 | 4.31 | 3.70 | 14.79 |
| High | EUR | 8.07 | 7.21 | 10.70 | 17.88 | 17.25 | 21.92 | 19.00 | 14.49 | 19.99 | 27.90 |
| Price at December 31 | EUR | 7.59 | 5.24 | 4.27 | 10.16 | 14.78 | 12.38 | 18.65 | 14.45 | 4.58 | 14.99 |
| Market capitalisation at December 31 | EUR million | 953.1 | 658.0 | 536.2 | 1,276.0 | 1,853.2 | 1,550.9 | 2,332.7 | 1,807.4 | 576.2 | 1,907.0 |
| | | | | | | | | | | | |
| Share turnover trend | | | | | | | | | | | |
| Share turnover, pcs | 1,000 | 127,791 | 157,857 | 144,276 | 111,193 | 96,887 | 151,023 | 127,537 | 190,057 | 295,156 | 245,672 |
| Share turnover of shares outstanding | % | 101.8 | 125.7 | 114.9 | 88.6 | 77.3 | 120.6 | 102.0 | 151.8 | 232.2 | 193.6 |
| Weighted average number of shares outstanding | 1,000 | 125,577 | 125,582 | 125,587 | 125,529 | 125,352 | 125,210 | 125,078 | 125,167 | 127,104 | 126,872 |
| Weighted average number of shares outstanding, diluted | 1,000 | 127,366 | 126,773 | 126,237 | 125,529 | 125,352 | 125,210 | 125,078 | 125,167 | 127,104 | 127,028 |
| Number of shares outstanding at December 31 | 1,000 | 125,577 | 125,579 | 125,584 | 125,590 | 125,384 | 125,271 | 125,078 | 125,078 | 125,798 | 127,218 |

[1] YIT has applied the IFRIC 15 Agreements for the Construction of Real Estate IFRS interpretation from the start of the financial period beginning on January 1, 2010 (the figures are comparable from 2009).
[2] Board of Directors' proposal to Annual General Meeting

The balance sheet for the comparison years 2007–2012 and other items for the comparison years 2007–2011 include the items related to YIT's Building Services business, which were transferred to Caverion Group in the partial demerger on June 30, 2013.

## FINANCIAL DEVELOPMENT BY QUARTER

| | | Q4/2016 | Q3/2016 | Q2/2016 | Q1/2016 | Q4/2015 | Q3/2015 | Q2/2015 | Q1/2015 |
|---|---|---|---|---|---|---|---|---|---|
| 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 and expenses | 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 |
| Total balance sheet assets | EUR million | 2,284.0 | 2,219.2 | 2,108.4 | 2,035.4 | 1,966.6 | 2,062.1 | 2,210.3 | 2,212.7 |
| | | | | | | | | | |
| Earnings/share | EUR | 0.12 | -0.18 | 0.01 | -0.01 | 0.13 | -0.03 | 0.14 | 0.14 |
| Equity/share | EUR | 4.49 | 4.09 | 4.23 | 4.07 | 4.16 | 4.31 | 4.73 | 4.60 |
| Share price at the end of period | EUR | 7.59 | 7.17 | 6.45 | 4.97 | 5.24 | 4.89 | 6.41 | 5.12 |
| Market capitalisation at the end of period | EUR million | 953.1 | 900.4 | 810.0 | 624.1 | 658.0 | 614.1 | 805.0 | 643.0 |
| | | | | | | | | | |
| Return on investment, rolling 12 months | % | 1.6 | 1.8 | 3.6 | 4.9 | 6.4 | 6.6 | 8.1 | 6.8 |
| Return on equity | % | -1.3 | | | | 9.0 | | | |
| Equity ratio | % | 31.2 | 30.1 | 32.9 | 31.5 | 32.9 | 33.1 | 33.8 | 32.1 |
| Net interest-bearing debt at the end of period | 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 | 117.3 |
| | | | | | | | | | |
| Gross capital expenditures | EUR million | 19.5 | 12.9 | 48.1 | 2.9 | 3.4 | 2.1 | 4.0 | 2.5 |
| | | | | | | | | | |
| Order backlog at the end of 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 |
| | | | | | | | | | |
| Personnel at the end of period | | 5,261 | 5,282 | 5,632 | 5,276 | 5,340 | 5,574 | 5,847 | 5,534 |

## REVENUE BY BUSINESS SEGMENT

| EUR million | Q4/2016 | Q3/2016 | Q2/2016 | Q1/2016 | Q4/2015 | Q3/2015 | Q2/2015 | Q1/2015 |
|---|---|---|---|---|---|---|---|---|
| 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 |
| **Group total, segment reporting** | **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 |
| **Group total, IFRS** | **525.0** | **419.3** | **396.4** | **337.6** | **511.6** | **363.8** | **462.9** | **394.0** |

## OPERATING PROFIT BY BUSINESS SEGMENT

| EUR million | Q4/2016 | Q3/2016 | Q2/2016 | Q1/2016 | Q4/2015 | Q3/2015 | Q2/2015 | Q1/2015 |
|---|---|---|---|---|---|---|---|---|
| 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 |
| **Group total, segment reporting** | **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 |
| **Group total, IFRS** | **25.3** | **-20.9** | **6.6** | **6.7** | **28.4** | **1.5** | **24.6** | **27.1** |

## ORDER BACKLOG BY BUSINESS SEGMENT

| EUR million | Q4/2016 | Q3/2016 | Q2/2016 | Q1/2016 | Q4/2015 | Q3/2015 | Q2/2015 | Q1/2015 |
|---|---|---|---|---|---|---|---|---|
| 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 |
| **Group total, segment reporting** | **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 |
| **Group 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** |

## KEY FIGURES ACCORDING TO SEGMENT REPORTING (POC)

| EUR million | Q4/2016 | Q3/2016 | Q2/2016 | Q1/2016 | Q4/2015 | Q3/2015 | Q2/2015 | Q1/2015 |
|---|---|---|---|---|---|---|---|---|
| Profit before taxes | 21.3 | -17.0 | 10.2 | -0.8 | 6.1 | -0.7 | 11.2 | 10.3 |
| Profit for the review period[1] | 16.1 | -15.9 | 7.9 | -0.6 | 4.6 | -0.8 | 8.4 | 7.8 |
| Earnings per share, EUR | 0.13 | -0.13 | 0.06 | 0.00 | 0.04 | -0.01 | 0.07 | 0.06 |

[1] Attributable to equity holders of the parent company

# INVESTORS



## BRATISLAVA, SLOVAKIA

The growth of the economy is reflected in the housing market and there is strong demand for new and modern apartments. Finnish construction has a solid reputation in Bratislava. It is associated with good design, education and equal society.

# YIT aims to create added value for its shareholders

## TASKS AND OBJECTIVES

The aim of our investor relations is to support the appropriate valuation of the YIT share by continuously and consistently communicating all essential information concerning the company to all market parties. We want to serve private investors as well as institutional investors and analysts, both in Finland and abroad. Our aim is to increase interest in the company among equity and debt investors as well as analysts, improve the loyalty of current shareholders and reach new investors and analysts interested in the company.

Our Investor Relations function is responsible for planning and implementing investor communications as well as daily contacts with shareholders and analysts and arranging investor meetings. Producing interim reports, financial statements bulletins, stock exchange releases, investor news and investor presentations are among our most important tasks. In addition to reporting, investor relations activities cover the Capital Markets Day, events for analysts and the media, conference calls, road show events, participation in investor conferences and events, as well as meetings with investors and analysts. All inquiries by investors are centrally managed by Investor Relations. Our investor relations work also involves collecting and analysing investor feedback and information on the ownership structure, as well as information related to shares and bonds issued by the company for the needs of the management and Board of Directors.

YIT's disclosure policy complies with Finnish legislation and the guidelines of the stock exchange and the Finnish Financial Supervisory Authority concerning disclosure obligations and the handling of undisclosed information (inside information). Read our disclosure policy in full on our website.

## OPERATIONS IN 2016

We met approximately 1,200 investors and analysts during the year (excluding visitors at fairs). YIT arranged 21 road show days with the company's management, meeting investors in Europe and North America.

YIT was also active among domestic private investors and participated in investment events aimed at private individuals in several Finnish cities. We began to publish an Investor Report in Finnish and English with the aim of informing private investors of current themes that interest institutional investors in Finland and abroad. The goal of the Investor Report is to give private investors access to the discussions held at road shows. In the future, we aim to publish Investor Reports approximately 8–10 times per year on our website.

YIT's investor relations team met domestic private investors over two days at the Sijoitus Invest fair organised at the Messukeskus fair centre in Helsinki. At the fair, the President and CEO introduced the company to a large audience, and the Senior Vice President for Sustainable Urban Development talked about visions of the cities of the future.

YIT's annual Capital Markets Day is one of the highlights of the company's investor communications. The purpose of Capital Markets Day is to present an in-depth look at the company's strategy and business areas and to increase active dialogue between the company's management and investors and analysts. The event is recorded on video and it can be streamed live or watched later online. YIT's Capital Markets Day 2016 was held in Bratislava, Slovakia, in the autumn. Some twenty analysts and investors attended the event. The special theme of the day was the company's renewed strategy and its business operations in the CEE countries. The Capital Markets Day programme consisted of management presentations as well as visits to four YIT's construction sites, future construction sites or completed projects in Bratislava. During a break, the visitors had the chance to get a preview of an apartment using a virtual reality goggles, which allowed them to experience the future of housing sales.

In the spring, we invited the analysts who follow the company to the Helsinki Music Centre, Finland for a breakfast event to learn more about the newly launched Smartti housing concept and visit a Smartti model apartment. We also organised an analyst lunch in December at the Tripla construction site in Helsinki to provide information on the project's commercial concept and the progress of leasing. We also visited the construction site itself.

## ANALYSTS FOLLOWING YIT

According to YIT's information, at least the following brokerage firms publish investment analyses on YIT. These parties follow YIT on their own initiative, and we cannot be held responsible for their statements.

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**DNB Markets**
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**Handelsbanken Capital Markets**
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**Kepler Cheuvreux**
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hahlberg@keplercheuvreux.com

**OP Corporate Bank plc**
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**Danske Markets Equities**
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ari.jarvinen@danskebank.com

**Evli Bank Plc**
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jaakko.tyrvainen@evli.com

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**Nordea Markets**
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**SEB Enskilda**
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anssi.kiviniemi@seb.fi

Up-to-date analyst contact information is available on our website.

## YIT SHARE (YTY1V)

YIT Corporation's shares are listed on Nasdaq Helsinki. The company has one series of shares. The shares are included in the book-entry system maintained by Euroclear Finland Ltd.

- Listing: Nasdaq Helsinki
- Listing date: September 4, 1995
- Trading currency: EUR
- Segment and sector: Mid Cap
- Trading code: YTY1V
- ISIN code: FI0009800643
- Reuters ID: YTY1V HE
- Bloomberg ID: YTY1V FH

In 2016, the YIT share was included in the following indices, among others:

- OMX GES Ethical Finland Index
- OMX GES Sustainability Finland GI Index
- OMX Helsinki
- OMX Helsinki 25
- OMX Helsinki Construction & Materials GI
- OMX Helsinki Industrials GI
- OMX Helsinki Benchmark_GI
- OMX Nordic

## YIT'S RESULT PUBLICATIONS IN 2017

YIT's Financial Statements Bulletin for 2016 was published on Friday, February 3, 2017.

YIT will also publish three interim reports in 2017:

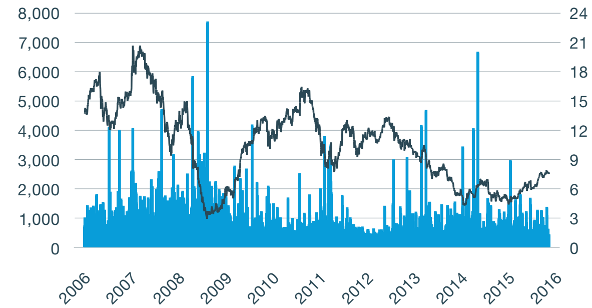
Interim Report for January–March on April 27, 2017
Half Year Report for January–June on July 27, 2017
Interim Report for January–September on October 27, 2017

The Financial Statements Bulletin and the interim reports will be published at approximately 8:00 a.m. Finnish time. Prior to the Financial Statements Bulletin and each interim report, YIT observes silent periods which begin on January 1, April 1, July 1 and October 1, and last until the publication of the respective financial report. During silent periods, YIT's representatives will not comment on the company's financial position or meet capital market representatives.

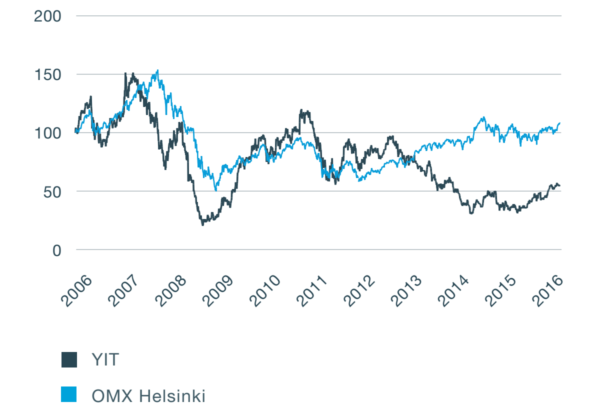
## RESULT PUBLICATION AND WEBCASTS

YIT holds a news conference for investors and the media in connection with the publication of interim reports and financial statements at its head office in Helsinki. It is also possible to participate in the event online. Webcasts of the publication events can be viewed on the YIT website, both live and subsequently as recordings.

**SHARE PRICE DEVELOPMENT AND TURNOVER ON NASDAQ HELSINKI**




**SHARE PRICE DEVELOPMENT IN COMPARISON TO OMX HELSINKI INDEX**



## ORDERING PUBLICATIONS AND RELEASES

YIT's annual reports, interim reports and other publications can be ordered from YIT's investor communications on tel. +358 40 357 0905 or by e-mail at investorrelations@yit.fi. Releases can be ordered directly to your e-mail on our website.

## INVESTOR INFORMATION ON THE INTERNET

The Investors section of YIT's redesigned website includes content such as:

- Financial reports, stock exchange releases, investor presentations and webcast recordings
- Monthly updated data on our major shareholders
- Share trading data
- Tools for analysing the share, such as share price search and a total return calculator for calculating the value of your investment in YIT
- Consensus estimates of our earnings
- IR calendar displaying information such as investor events and road show dates
- Investor Reports in English and Finnish, discussing topical matters of interest to investors

In addition, YIT's Investor Relations distributes topical information on YIT, key macroeconomic indicators and investor events on social media using the Twitter account @YITInvestors.

## CONTACT INFORMATION

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Follow us on Twitter @YITInvestors

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# Information for shareholders

## ANNUAL GENERAL MEETING 2017

YIT Corporation's Annual General Meeting will be held in Helsinki on March 16, 2017, starting at 10:00 a.m. Finnish time (GMT +2). at Finlandia Hall (address: Mannerheimintie 13, FI-00100 Helsinki, Finland). Check-in for those who have registered for the meeting, distribution of ballots and serving of coffee will start at 9:00 a.m.

### PARTICIPATION RIGHTS

In order to have the right to participate in the Annual General Meeting, a shareholder must be registered in the company's shareholder register, which is maintained by Euroclear Finland Ltd, no later than on the record date of the Annual General Meeting on March 6, 2017. Shareholders whose shares are registered in their personal Finnish book-entry accounts are registered in the company's shareholder register.

A shareholder whose shares are nominee-registered and who wishes to participate in the Annual General Meeting and exercise his right to vote must be entered in the company's shareholder register by March 13, 2017, by 10:00 a.m. in order to participate in the meeting.

### NOTICE OF MEETING

The notice of meeting is published no later than three weeks before the meeting on the company's website. The notice contains the agenda, the names of the persons nominated for seats on the Board of Directors and the nominated auditor. Resolution proposals, documents presented to the Annual General Meeting and the presentation of the nominees for the Board of Directors will also be published on our website.

### REGISTRATION

Registration for the Annual General Meeting will begin on February 3, 2017, and end on March 13, 2017 at 10:00 a.m. Register for the meeting

- online through YIT Corporation's website: www.yitgroup.com/agm2017.
- by telephone at the number +358 20 770 6890, between 9 a.m. and 4 p.m. on weekdays

The shareholder's name and personal identification number or business ID, as well as the name of his/her eventual assistant or proxy representative and the personal identification number of the proxy representative must be given in connection with the registration.

Any proxy documents should be notified in connection with the registration and they should be delivered as originals to YIT Corporation, Viivi Kuokkanen, PO Box 36, FI-00621 Helsinki, Finland, prior to the end of the registration period. Alternatively, a copy of the proxy may be sent by e-mail to viivi.kuokkanen@yit.fi, in addition to which the original proxy must be presented at the meeting.

### PAYMENT OF DIVIDEND

The Board of Directors proposes to the Annual General Meeting that a dividend of 22 cents (EUR 0.22) per share be paid from 2016. The dividend is paid to a shareholder who, by the dividend record date (March 20, 2017), has been entered as a shareholder in the company's shareholder register maintained by Euroclear Ltd.

The Board of Directors proposes that the dividend be paid on April 4, 2017.

### SHAREHOLDER RIGHTS

Shareholders have the right to have items included on the agenda of the Annual General Meeting, provided they demand, in writing, the Board of Directors to do so early enough so that the item can be included in the notice of the meeting. In order to have their items included on the agenda of the Annual General Meeting 2017, shareholders had to present their requests to YIT's corporate services by January 6, 2017.

Shareholders have the right to raise questions at the General Meeting as set out in the Limited Liability Companies Act.

A shareholder or shareholders who own at least 10 per cent of all the company's shares may demand that an extraordinary general meeting be convened.

The minutes of the Annual General Meeting will be available at YIT Corporation's head office (Panuntie 11, Helsinki, Finland) and on our website on March 30, 2017 at the latest.

### ADDRESS CHANGES OF SHAREHOLDERS

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

If the account is handled by Euroclear Finland Ltd, notifications of a change of address should be sent to: Euroclear Finland Ltd, P.O. Box 1110, FI-00101 Helsinki, Finland
Street address: Urho Kekkosen katu 5 C, 8th floor
Telephone (switchboard): +358 (0)20 770 6000
E-mail: info.finland@euroclear.eu

## IMPORTANT DATES RELATED TO THE ANNUAL GENERAL MEETING

- Registration opens: February 3, 2017
- Record date of Annual General Meeting: March 6, 2017
- Registration closes: March 13, 2017 at 10:00 a.m.
- Annual General Meeting: March 16, 2017 at 10:00 a.m.
- Dividend record date: March 20, 2017
- Proposed dividend payment: April 4, 2017

More information on the Annual General Meeting is available on our website.

#livingcity

**YIT Corporation**
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www.yitgroup.com