Annual Report **2004**



Together we can do it.

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On the cover: Taija Koskinen.

Information for shareholders and investors

Annual General Meeting

The Annual General Meeting of YIT Corporation will be held at 3:00 p.m. (Finnish time) on Wednesday, March 16, 2005 at Finlandia Hall, Mannerheimintie 13 E, 00100 Helsinki, Finland. The right to participate in the meeting rests with a shareholder who by March 4, 2005, at the latest has been entered as a shareholder in the company's shareholder register that is kept by the Finnish Central Securities Depository Ltd.

Shareholders who wish to participate in the Annual General Meeting must notify the company thereof no later than by 4:00 p.m. on March 11, 2004, either by telephoning +358 20 433 2257 or +358 20 433 2453 or by emailing liisa.nordberg@yit.fi or pirkko.pesonen@yit.fi, or by writing to YIT Corporation, Marja Salo, P.O. Box 36, FI-00621 Helsinki, Finland. It is requested that the company be notified of any proxies at that time and that any proxies be sent to the above address before the expiry of the registration period.

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.70 per share be paid for the 2004 financial year.

Dividend

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.70 per share be paid for the 2004 financial year. The right to a dividend rests with a shareholder who by the record date March 21, 2005 has been entered as a shareholder in the company's shareholder register that is kept by the Finnish Central Securities Depository Ltd. The Board of Directors proposes that the dividend be paid on March 30, 2005.

Financial information in 2005

YIT Corporation publishes the 2004 financial statement bulletin on February 15, 2005, and the Annual Report during the week beginning on March 7, 2005. Interim Reports will be published as follows (Finnish time):

Interim Report for the January 1 - March 31 period	May 4, 2005 at 8:00
Interim Report for the January 1 - June 30 period	August 5, 2005 at 8:00
Interim Report for the January 1 - September 30 period	November 4, 2005 at 8:00

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

Financial reports can be ordered from:

YIT Corporation, Corporate Communications, P.O. Box 36, FI-00621 Helsinki, Finland
Email: tuula.niinikoski@yit.fi
Fax +358 20 433 3746
Internet www.yit.fi/english > Feedback > Order financial information and press releases

Address changes

Printed copies of the Annual Report are mailed to all shareholders included in the register kept by the Finnish Central Securities Depository Ltd. Shareholders are requested to make notification of changes in their address to the bank branch office in which their book-entry account is handled. If the account is handled at the Finnish Central Securities Depository Ltd, notifications of address changes should be sent to the Finnish Central Securities Depository Ltd, P.O. Box 110, FI-00131 Helsinki, Finland.



YIT builds a good living environment for people



YIT is the leading service company focused on building and maintaining technical structures of modern living environment in the Nordic countries. Our local employees build good living environments for people in association with our partners and customers in eight Northern European countries. We provide capital investment and maintenance services for the property and construction sector as well as industry and telecom networks.

In 2004, YIT's net sales amounted to EUR 3.0 billion and operating profit to EUR 135 million. The Group has about 22,000 employees in the Nordic countries, the Baltic countries and Russia.

Our operational concept is to help customers to invest productively and maintain the value of their investments. Our service chain encompasses the entire life cycle of projects, from design and implementation to maintenance and development. Our operating method hinges on the concept that cooperation leads to the best service.

The YIT Group's roots extend back to 1912, when Yleinen Insinööritoimisto began its operations in the Grand Duchy of Finland. Our expertise stems from our long experience, mastery of new technology and the up-to-speed professional skills of our employees.

YIT's share is quoted on the Main List of the Helsinki Stock Exchange under the Other Services business sector.

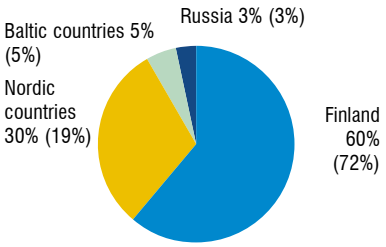
Mission

YIT's mission is to build and maintain a good living environment for people.

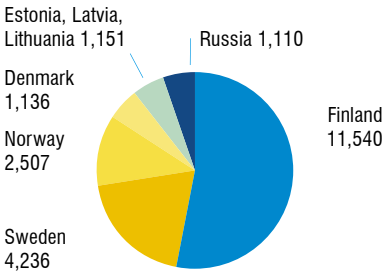
Operational concept

YIT helps customers to invest productively and maintain the value of their investments.

Net sales by country



Personnel by country



YIT achieves its best-ever result in 2004

In 2004, YIT's net sales, profit before taxes and order backlog rose to record levels. Net sales increased by 27 per cent and exceeded the milestone of EUR 3 billion. The share of total net sales accounted for by the maintenance and servicing business grew to one-third. Full-year profit before taxes was up 40 per cent from the previous year and amounted to EUR 118 million. The order backlog increased to EUR 1.6 billion.

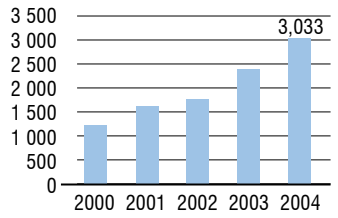
After its successful integration stage, Building Systems transitioned to normal business operations in all its territories. Its earnings trend swung to growth. Housing production in Russia, Estonia, Latvia and Lithuania was stepped up briskly. Towards the end of the year, residential production stabilized at a good level in Finland and, on the whole, Construction Services' result was good. The order backlog of Services for Industry doubled. The cost-effectiveness of Data Network Services and the buoyant growth in broadband installation generated good earnings.

Key figures	**2004**	2003
Net sales, MEUR	**3,033.4**	2,389.7
- change on the previous year, %	**26.9**	35.5
Operating profit before amortization of goodwill and goodwill on consolidation, MEUR (EBITA)	**165.7**	118.7
- % of net sales	**5.5**	5.0
Operating profit, MEUR (EBITA)	**135.1**	98.6
- % of net sales	**4.5**	4.1
Profit before extraordinary items and taxes, MEUR	**118.2**	84.4
Profit for the period, MEUR	**84.0**	48.4
Return on investment, %	**19.6**	16.8
Return on equity, %	**19.6**	12.5
Cash flow from operating activities, MEUR	**35.4**	97.6
Net interest-bearing debt, MEUR	**226.6**	204.4
Equity ratio, %	**31.1**	28.3
Gearing ratio, %	**49.2**	49.6
Earnings per share, EUR	**1.37**	0.82**)
Equity per share, EUR	**7.46**	6.69**)
Dividend per share, EUR	**0.70*)**	0.60**)
Share price on Dec. 31, EUR	**18.36**	13.45**)
Market capitalization on Dec. 31, MEUR	**1,125.3**	821.1
Gross capital expenditures, MEUR	**31.0**	232.9
Order backlog on Dec. 31, MEUR	**1,604.9**	1,490.1
Personnel 0n Dec. 31	**21,680**	21,939

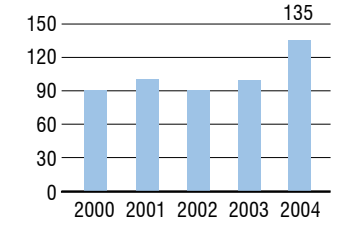
*) Proposal of Board of Directors

**) The doubling of the number of shares, which came into effect March 26, 2004, has been taken into account.

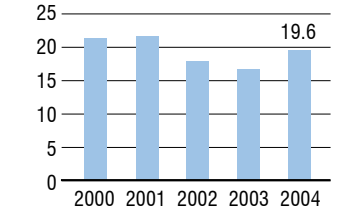
Net sales, MEUR



Operating profit, MEUR



Return on investment, %

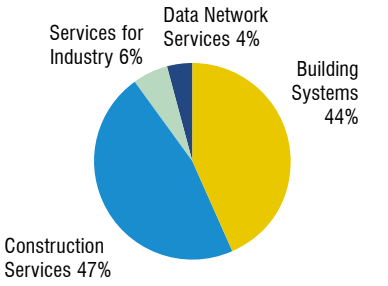


Currency exchange rates on Dec. 31

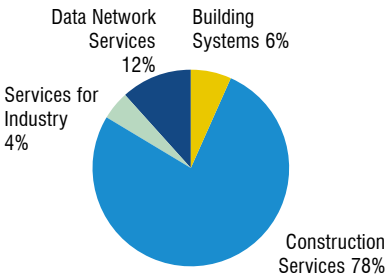
		2004	2003
1 EUR =	USD	**1.3621**	1.2630
	GBP	**0.70505**	0.7048
	SEK	**9.0206**	9.08
	NOK	**8.2365**	8.4141
	DKK	**7.4388**	7.4450
	EEK	**15.6466**	15.6466
	LVL	**0.6979**	0.6725
	LTL	**3.4528**	3.4524
	RUB	**37.757**	36.936

The four business segments cover the basic structures of today's living environments

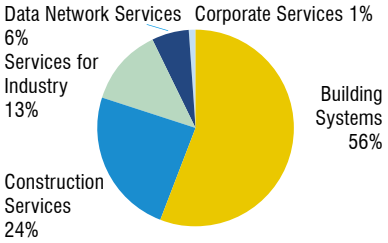
Net sales



Operating profit



Personnel



Building Systems

The Building Systems business segment offers services and systems covering the entire life cycle of properties, from design to installation and maintenance. The business segment's technological expertise encompasses electricity and illumination, HEPAC, fire extinguisher, security and access control solutions, automation and audiovisual systems. The business segment operates in the Nordic and Baltic countries and Russia. YIT is the Nordic market leader in building system services.

Net sales: EUR 1,331.5 million
Operating profit: EUR 9.0 million
Employees: 12,194

Today's building systems create comfortable and functional settings for living, working, leisure time and the needs of industry. The customers of Building Systems are property owners and users, property service companies and building managers, developers and construction companies, the public sector, trade and industry.



Services for Industry

The business segment offers maintenance and capital investment services for industry. Capital investment services cover deliveries for piping and boilers from workshop-fabricated products to end-to-end projects. Maintenance services include both individual deliveries and long-term partnership agreements in which YIT takes on total responsibility for the operation and maintenance of a production plant. In its product areas, YIT is the largest provider of maintenance and capital investment services for industry in the Nordic countries. Projects are exported worldwide.

Net sales: EUR 195.1 million
Operating profit: EUR 6.3 million
Employees: 2,760

Industry keeps society's wheels turning. YIT and its customers have a shared goal: to ensure hitch-free and productive industrial processes. Services for Industry's customers represent a wide range of industries, such as the forest, energy, food, marine and shipyard industries.



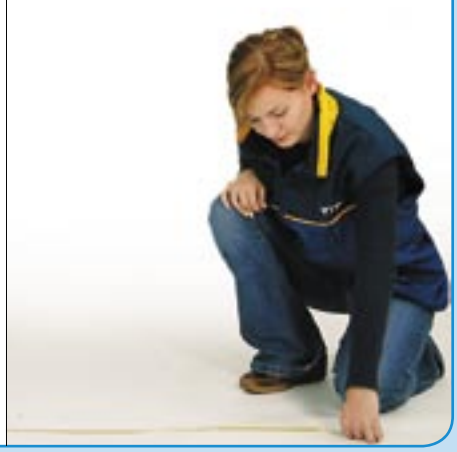
YIT's basic mission is to build and maintain good living environments for people. Together, the company's business segments provide services for all the basic technical structures of our modern living environment.

Construction Services

Construction Services' portfolio comprises premises solutions for residences, business premises and industry as well as construction and maintenance services for the infrastructure. In addition to new construction, the business segment's services include repairing and modernizing old buildings and maintenance of building technology. YIT is the largest construction company in Finland. It offers services in Finland, the Baltic countries and Russia. Water and environmental services are offered in Northern Europe and on project basis in certain countries in the Middle and Far East.

Net sales: EUR 1,427.3 million
Operating profit: EUR 109.4 million
Employees: 5,102

New construction and renovation create modern homes, business premises that facilitate success and indispensable infrastructure: roads, bridges and outdoor recreation areas. The business segment serves homebuyers, the users of business premises, property owners, investors, developers and builders, the public sector, trade and industry.



Data Network Services

Data Network Services' offerings encompass the design, construction, installation and maintenance of telecom networks as well as IT helpdesk services and deliveries of telecom connections and services. Its technical expertise includes telecom and data networks, mobile and public authority networks and data networks. YIT is Finland's largest provider of telecom network installation and construction services. The business segment handles data network installation and servicing all over Finland.

Net sales: EUR 127.0 million
Operating profit: EUR 16.4 million
Employees: 1,328

Data networks are part of today's basic infrastructure. YIT's task is to build and maintain them and thus improve the reliability and efficiency of data transfer. The business segment's customers are network and service operators, service end-users, telecom equipment manufacturers, data network service companies and event organizers.



Ten years of rising dividends

In each quarter of 2004, YIT broke its previous records for the operating profit from line operations. Full-year profit before taxes grew by 40 per cent compared with the previous year. Return on investment was 19.6 per cent. Net sales increased by 27 per cent and exceeded the milestone of EUR 3 billion. The order backlog rose to a record high, EUR 1.6 billion. The margin of the backlog is good. The share yield, accounting for both the share price increase and the dividend, was 41 per cent in 2004. The Board of Directors proposes that a dividend of EUR 0.70 be paid per share – meaning that YIT intends to raise its dividend for the tenth year running. We will seek to follow an active dividends policy in the future as well. We estimate that the pre-tax result for 2005 will be better than in the previous year.

Improvement in YIT's operational stability over the past few years

YIT has expanded its operations in one of the most economically and politically stable areas in the world – the Nordic countries – and stepped up its capacity in all these home markets, especially in the steadily growing market for technical servicing, maintenance and modernization for the property and construction sector, industry and data networks. Over 90 per cent of YIT's net sales are generated in the Nordic countries. The stability of YIT's Nordic business has enabled us to rapidly expand housing production in the growing markets of Russia and the Baltic countries. The trend in the price of oil bolsters purchasing power, and the population shift into the large cities of Russia lays a sustainable foundation for housing demand during the decades ahead. YIT has 44 years of experience in the Russian market. Our local employees are well-versed in the markets and their mechanisms.

YIT is less dependent on the ups and downs of the business cycle

The maintenance and servicing business enjoys stable development independently of cyclical variations. The share of the Group's net sales accounted for by this business has risen to 33 per cent – and is being increased systematically. As much as 56 per cent of the net sales of Building Systems and over 69 per cent of the net sales of Services for Industry and Data Network Services come from the maintenance and servicing business.

Business cycles do not have a simultaneous effect in all of YIT's territories and business segments. Our local operations in eight Northern European countries serve to balance out the impact of cyclical fluctuations on the trend in consolidated net sales and earnings.

Financial research institutions estimate that the national economies of the Nordic countries will develop at a stable rate of 2-3 per cent this year and the next, outpacing growth in the EU by about one percentage point. The rate of growth in Russia, Estonia, Latvia and Lithuania is about twice as fast as in the Nordic countries. The trend in euro interest rates will remain moderate.

Profitable growth outpacing the market continues

Annual growth in YIT's net sales in 1994-2004 has averaged 18.7 per cent. Our main strategy is to grow profitably in synergistic business segments that develop, build and maintain the technical infrastructure of our Northern European living environment. YIT's growth target, 5-10 per cent annually, exceeds the rate of market growth. The growth strategy hinges on focusing on the chosen business segment structure, controlled geographical expansion in Northern Europe and increasing the maintenance and servicing business. The growth target is achieved by developing YIT's present business operations and by means of acquisitions. Good examples from the past few years are the acquisition of Calor, Primatel and Building Systems and their successful integration processes.

Starting 2005 with our highest-ever order backlog

Last year, YIT's order backlog strengthened by 8 per cent to EUR 1.6 billion. This is the highest-ever order backlog in YIT's history, meaning that we are starting out the year well.

After its successful integration stage, YIT's Building Systems has transitioned to normal operations in all its business countries and its earnings trend has been turned to growth. In the final quarter, its operating profit before amortization of goodwill and goodwill on consolidation (EBITA) represented as much as 4.0 per cent of net sales, and thus our expectations for this year are positive. Cooperation and technology transfers from one country and business segment to another will continue to provide synergy potential.

Construction Services racked up a good result in spite of the slackening of housing sales in the summer. The population shift between municipalities reached a record peak in Finland last year. Forecasts of the trend in interest rates are restrained. Household incomes will see growth thanks to the two-and-a-half year incomes policy agreement. This establishes a solid foundation for further good demand for housing. Business premise and infrastructure construction swung to growth in Finland. Housing production in Russia, Estonia, Latvia and Lithuania grew at a rapid clip.

The capacity of Services for Industry will remain partially unused at the beginning of 2005. After that, the capacity utilization ratio will surge. The business segment's order backlog doubled last year. During the present year, large-scale industrial and energy sector investments will be initiated in the Nordic countries; these will be ongoing during the next few years.

The cost-effectiveness of Data Network Services and the buoyant growth in broadband deliveries generated good earnings. The number of broadband connections will continue to grow this year. Data network installation works will increase due to the need to step up capacity and modernize the network.

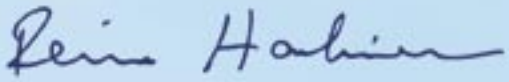
YIT's earnings trend in 2005 rests on a significantly broader foundation than in the previous year.

YIT's success and stable development are based on a strong corporate culture, both now and in the future

YIT's management by results culture is based on a clear-cut management model and the Group's values. Our culture has been systematically honed into its current shape over the years, drawing on the company's long experience. This process started with the financial revitalization programme in 1987 and we forged ahead with it during the economic recession of the early 1990s. Our corporate culture has also proven its worth in the systematic implementation of the growth strategy, which was kicked off in 1994. Maintaining stable and profitable growth in the long run is such a demanding objective that in order to achieve it, we need not only an in-depth approach to management that takes in many levels of the organization, but also the committed participation of all employees to getting results. Our financial indicators for the last decade demonstrate the strength of YIT's corporate culture.

A key element of our corporate culture is to value each and every YIT professional and to reward achievements. YIT is a labour-intensive, international company providing technical services – and its success is based on the professional skills and expertise of 22,000 people. Improving one's own knowhow at an international and broad-ranged company offers challenging career alternatives and advancement opportunities. Continuous on-the-job learning is fostered by means of internal training, job rotation and by transferring technology and business expertise between business segments and countries. For many years, we have appointed skilled young people to positions of responsibility with a view to creating a balanced expertise and age structure at all levels of the organization. Our strong corporate culture and management method ensure that the operational viability of the organization will develop continuously over the long term, even when new people step in and business environments and markets change.

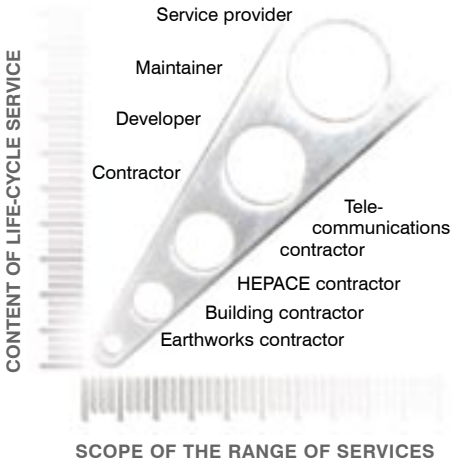
Dear customers, cooperation partners and shareholders, I would like to thank you for the confidence you have shown in our operations. I would also like to extend my thanks to all YIT employees for good performance and your contributions to our mutual success.



Reino Hanhinen
Group CEO



YIT's strategy is profitable growth



YIT has systematically expanded its service portfolio to encompass the entire life cycle of projects.

YIT Corporation's main strategy is profitable growth. The Group has set up business segments that build and maintain the basic structures of society – modern living environments for people – and rounded out its service portfolio to encompass the entire life cycle of projects. YIT has systematically expanded its maintenance and servicing business and geographical coverage.

Today, YIT offers services for the entire life cycle of property, construction, industrial and data network projects. The Group's net sales and number of employees have almost doubled during the past two years and it operates locally in eight countries in Northern Europe.

Growth objectives in all business segments

YIT's growth target is 5-10 per cent annually on average, outpacing that of the market. During the strategic period from 2005–2007, the company intends to expand its business operations both through organic means and potential acquisitions.

Building Systems seeks growth from maintenance services in particular. The operations of Construction Services are being stepped up vigorously in Russia and the Baltic countries. During the next few years, the growth areas of Services for Industry are the investment projects being started up in the Nordic countries and maintenance partnership projects. Data Network Services is focusing on profitable growth through IT helpdesk services.

The geographical strategy is to bolster construction services in Russia and the Baltic countries as well as building system and data network services in all of the company's business territories.

The objective of profitable growth is supported by external factors such as:

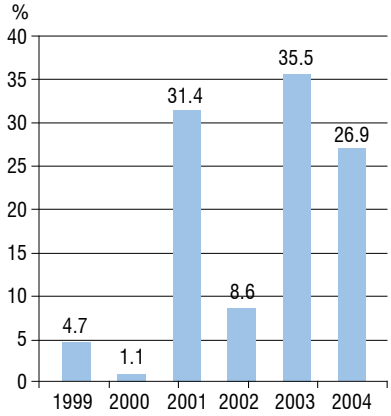
- favourable economic development in the Nordic countries
- moderate trends in interest rates
- consumers are highly confident in their own finances
- rapid growth in the economies of the Baltic countries and Russia and investments in these countries
- ongoing concentration of people and business functions in the growth centres
- cost-effectiveness pressures on public sector bodies and the opening up of service provision to competition in the Nordic countries
- the starting up of major capital investments by the energy sector and industry in the Nordic countries
- the growth in the relative share of construction and infrastructure accounted for by building equipment systems and maintenance
- further outsourcing of field functions in industrial maintenance and by tele-operators

Shared core expertise enables comprehensive deliveries

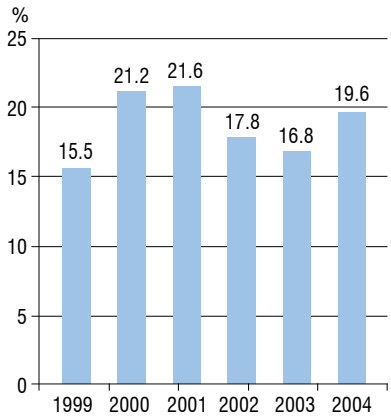
YIT has smoothly and surely expanded its operations, focusing on the construction, development and maintenance of technical living environments. The business segments share the same core expertise in areas such as life cycles, the management of the entire construction chain and the implementation of investment projects. As a whole, YIT's functions support each other, enabling it to provide a comprehensive service range and end-to-end deliveries, disseminate the best technological and business practices and develop procurements.

The stategic objective in all business operations is to shift from pure price competition to projects and services that demand a higher level of expertise, the development of the company's own projects, strategic partnerships and extensive end-to-end deliveries enabled by intra-Group cooperation. Operations place the emphasis on a corpo-

Annual growth in net sales, %



Return on investment, %



rate culture focusing on service and quality stemming from life-cycle expertise. New technology is deployed rapidly and innovatively.

Life-cycle strategy imparts stability

YIT's service chain encompasses the entire life cycle of investments. When the whole life cycle is taken into account in the design and implementation of investments, costs and service features can be managed more effectively. The life-cycle strategy aims to achieve higher service capabilities, business growth and a steadier flow of revenues. Growth in the demand for maintenance services outpaces investments in all the Nordic countries. The effects of the ups and downs of the business cycle are balanced by the growth of the maintenance and servicing business and through geographical expansion.

In line with its life-cycle strategy, YIT has systematically increased the share of its business operations accounted for by its maintenance business. Over 56 per cent of the net sales of Building Systems and over 69 per cent of those of Services for Industry and Data Network Services are generated by the maintenance and servicing business, which enjoys stable development in spite of cyclical fluctuations.

Main operational objectives for the strategic period

YIT's objective for the 2005–2007 strategic period is to:

- be the Nordic market leader in building system services
- be the fastest-growing housing brand in the Russian and Baltic markets
- be an international provider of data network services
- tap into large industrial projects profitably
- be an innovative developer of public sector services and a market leader in this sector
- systematically expand the maintenance and servicing business
- be the best-known brand in technical infrastructure construction and maintenance in the Nordic countries

The focuses of development in the entire Group are procurements, public sector services and bolstering its image as a service company. In addition, outlays are made on the availability of expert employees and honing the company's image as an employer. Personnel development, on-the-job learning and efficient dissemination of information are emphasized in the development of expertise.

Financial targets

YIT's strategic targets for investors were confirmed in 1998. The target levels were revised in 2002 during a review of the strategy and in 2003 after the major Building Systems acquisition. The changes are shown on YIT's Internet site.

After the acquisition, cost-effectiveness and cash flow were set as the financial focus areas.

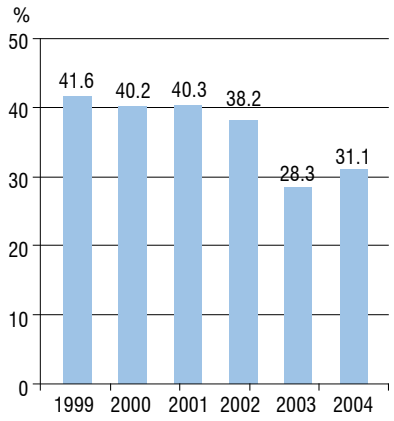
In September 2004, the target level for return on investment was raised from 18 to 20 per cent and the target level for the equity ratio was lowered from 40 to 35 per cent.

The raising of the target level for return on investment was based on the lower need for capital following the realignment of the business segment structure as well as the objectives set for the strategic period. The new target level for the equity ratio is a better fit for the risk level of YIT's current business structure and the higher share of net sales generated by the maintenance and servicing business. An in-depth report on the Group's risk management is presented on page 72.

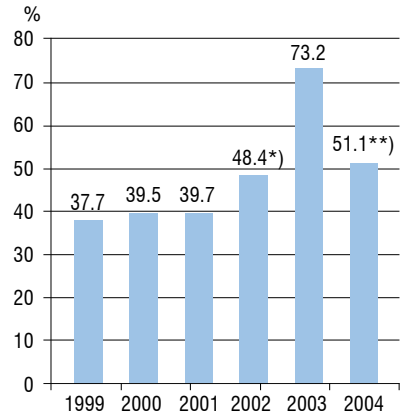
Target levels for the financial indicators for the 2005–2007 strategic period

Average annual growth in net sales	5–10%
Return on investment	20%
Equity ratio	35%
Dividend payout from annual result after taxes and minority interest	30–50%

Equity ratio, %



Dividend payout, %



*) Calculated from earnings per share in which the residual taxes of EUR 10.9 million have not been taken account.
**) Board of Directors' proposal

The Group's offerings and cost-effectiveness demonstrate its strength



TietoEnator Corporation's business premises in Espoo were completed as a joint project.

YIT has smoothly and surely expanded its operations, focusing on the construction, development and maintenance of technical living environments. Following the acquisition of Building Systems in the summer of 2003, the company's service portfolio and business territory grew substantially. As a whole, YIT's functions support each other, enabling it to provide a comprehensive service range and end-to-end deliveries. Growth paves the way for improved dissemination of the best technological and business practices and the development of procurements. YIT promotes the harnessing of the service range and internal efficiency by grouping functions under the same roof in each of its business regions.

Large-scale total deliveries: can do

YIT's business segments share the same core expertise in areas such as life cycles, the management of the entire construction chain and the implementation of investment projects. The acquired Building Systems functions rounded out the rest of the Group, opening up new business opportunities. After the deal, YIT can offer its customers even more comprehensive total deliveries and large-scale projects over the entire life cycle of investments in the Nordic countries and their close-by regions. In property services and management, services can be provided to international customers in all the Nordic countries.

In 2004, YIT took on responsibility for both construction and building systems at numerous residential sites in Finland. Cooperation between Building Systems and Construction Services was also initiated in residential production in St Petersburg, Russia. Two of the business premise sites that were implemented as joint projects were TietoEnator Corporation's business premises in Espoo and the additional building of the Finnish Parliament. The project to implement business premises for the Finnish Meteorological Institute and the Finnish Institute of Marine Research continued in Helsinki. Towards the end of the year, the Innopark project was started up in Hämeenlinna.

The joint projects implemented for industry in Finland included the extension of UPM's deinking facility at the Kaipola plant and the replacement of a paper machine at the Jämsänkoski mill. In these projects, YIT was responsible for industrial piping and building system electrification and automation works. In M-real's CTMP plant construction project in Kaskinen, YIT is handling the construction of the plant frame and shell, piping delivery and installation, and deliveries of ventilation and electrical heating of pipes. During the report year, significant shutdown maintenance deliveries were carried out in Sweden as joint projects for the forest industry, among them M-real's plants in Örnsköldsvik and Husum and SCA's plant in Obbola.

In Finland, YIT serves numerous roles in the On line project of Neste's A24 gas stations, in which telecom links are being installed for use in payment transactions. YIT's Data Network Services is in charge of project design and coordination and Building Systems acts as an installation contractor. YIT's Services for Industry is responsible for the management of the maintenance services of all Neste service stations in Finland.



YIT is responsible for the management of the maintenance services of all Neste service stations in Finland.

The Building Systems acquisition yields synergy benefits of EUR 10 million

When the deal was made in the summer of 2003, YIT estimated that the Building Systems acquisition would generate annual synergy benefits – that is, business benefits imparted by internal cooperation – of about EUR 10 million as from 2004. The estimated benefits were realized in 2004. They resulted from the higher procurement volumes, the standardization of IT systems and the reorganization of business premises. At the Nordic level, YIT standardized its agreements with wholesalers and the largest material suppliers as well as its car leasing agreements, telephone operator agreements, travel practices, insurance policies, IT licenses and telecom connections.

Development of procurements leads to extensive savings

As YIT's operations have grown, become diversified and gone international, the company's procurement volumes and sources have increased significantly. In 2004, YIT kicked off a large-scale drive to develop procurements. Procurements comprise one of the Group's key development areas in the present strategic period as well. The development of procurements will improve earnings and cash flow. Sustained development efforts will yield results during the next few years.

In association with its supplier network, YIT develops procurement solutions with its eye on keeping costs low all around. Higher efficiency is achieved in procurement agreements by means of internal reorganization. Moreover, procurements are centralized in the hands of main suppliers to enable long-term strategic development. As a major player, YIT seeks to achieve sweeping changes in operating methods and exercise an influence on the cost level of both its direct and most important indirect procurements.

YIT is preparing its own operating principles for procurements and logistics in project operations and maintenance and servicing works. YIT seeks to use a greater number of international procurement sources and achieve competitive advantages with nationwide, Nordic-wide and Europe-wide agreements.

Grouping functions in the same regions at YIT Centres

To increase the Group's internal synergies and develop customer accounts, YIT centralizes its functions on the same premises in each of its business regions. When units are located under the same roof, they can work together better – and they can provide comprehensive customer service more effectively. This solution also facilitates better management of both fixed and variable costs.

In Finland, YIT has set up YIT Centres in Oulu, Kouvola, Lappeenranta, Rovaniemi, Jyväskylä and Pori. YIT Centres are under construction or in the planning stage in Turku, Lahti, Rauma, Tampere and Vantaa. YIT already had numerous business locations in Sweden prior to the Building Systems acquisition – accordingly, business premises are now also being merged regionally in Sweden as part of the integration process.

YIT handles both the construction of its centres and their service administration on its own. The buildings are sold to an external property investor and YIT is a tenant on the premises.



In 2004, YIT kicked off a large-scale drive to develop procurements. Procurements comprise one of the Group's key development areas in the present strategic period as well. In the picture Tutu Wegelius-Lehtonen ja Kalle-Pekka Sävelkoski.

YIT centralizes its functions on the same premises in each of its business regions. Below: a site plan of the centre that will be built in Vantaa.





Market situation remains stable in northern Europe

Financial research institutions estimate that the national economies of the Nordic countries will develop at a stable rate of 2-3 per cent in 2005 and 2006, outpacing growth in the EU by about one percentage point. According to the current money market indicators predicting interest rate levels, rates in the euro area will remain at a relatively low level for a few years, supporting investments and demand for housing. Growth in exports and industrial output increase the need for industrial investments and maintenance in the Nordic countries. Russia and Norway benefit from the high price of oil. The rate of growth in Russia, Estonia, Latvia and Lithuania is about twice as fast as in the Nordic countries.

Finland

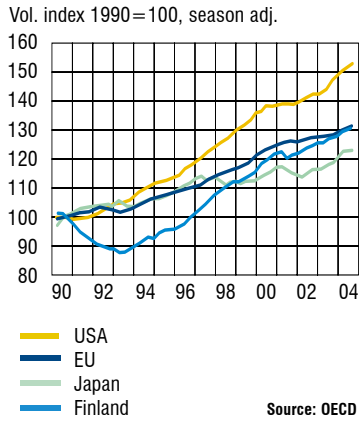
In December 2004, the Research Institute of the Finnish Economy ETLA predicted that Finland's GDP will rise by 3 per cent this year and 2.3 per cent the next. According to ETLA's December review, investments will increase by 3.7 per cent in Finland this year. During the next five years, investment growth will average 3.5 per cent annually. The industrial investment survey that was published in January indicates that the downturn in investments ended last year. During the present year, fixed investments by industry will increase by 7 per cent. The market for industrial, property and infrastructure maintenance will expand as the outsourcing trend progresses. The outsourcing of telecom operators' field functions is also expected to increase in the future. Installation of broadband connections will remain brisk.

According to the business cycle report published by the construction cycle group of the Ministry of Finance in January 2005, the volume of building construction will grow by 3-4 per cent this year. Demand for housing and business premises for commercial services will remain brisk in Finland's growth centres. Industrial building start-ups swung to growth last year and office construction has begun to recover. Civil engineering is expected to grow by one per cent in 2005 due to the large number of projects nearing completion. Renovation will increase at an annual rate of 2-3.5 per cent during the present decade. The Research Institute of the Finnish Economy ETLA predicts that total construction output will grow at an average annual rate of 2.7 per cent from 2003 to 2008, that is, faster than in the previous five-year period. Growth in new construction and renovation maintains demand in the construction and building system markets (heating, plumbing, air-conditioning, electrical and automation contracting, and maintenance).

Sweden

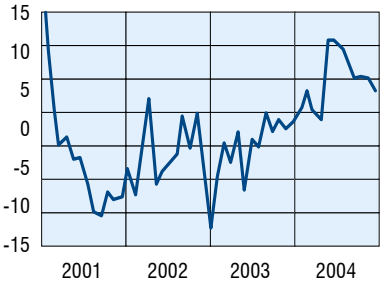
At the end of last December, the Swedish National Institute of Economic Research KI estimated that Sweden's GDP had grown by 3.8 per cent last year, and forecast growth of 3.2 and 2.8 per cent for 2005 and 2006, respectively. The engines of growth are consumption and the rapid growth in investments. The real disposable income of households will grow by 2.9 per cent in 2005 and by 2.4 per cent in 2006. Investment growth is broad-based, covering industry, the service sector and housing investments. Fixed investments will grow by 8 per cent this year and by 7.7 per cent in 2006. Fixed investments by industry will increase by 14 per cent this year and 10.6 per cent in 2006. The factors underlying growth are the high capacity utilization ratio, low interest rates and good profitability. According to the business cycle barometer published at the end of January, the business climate for industry had improved in the last quarter of the year, but growth was slower than at the beginning of the year. The industrial confidence indicator had risen slightly and remained at a high level. Industrial companies expect the number of new orders to rise further in the first quarter of the present year. Construction grew towards the end of the year and even more new orders have come in. The number of employees has been increased and one half of construction companies expect that construction will grow during the year. Residential investments increased by 17.6 per

GDP



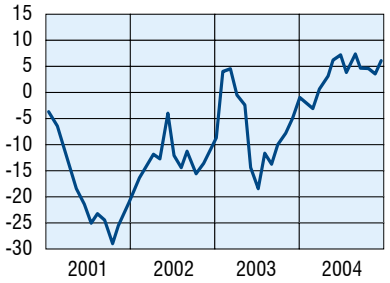
Source: OECD

Industrial confidence indicator Finland



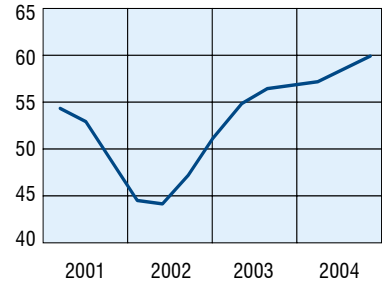
Source: EU commission

Industrial confidence indicator Sweden



Source: EU commission

Industrial outlook Norway



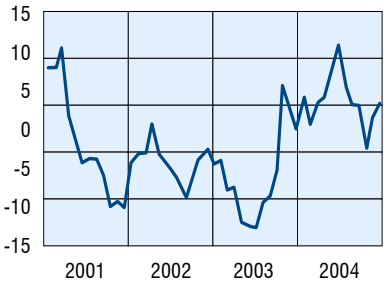
Source: Statistics Norway

Growth estimates in YIT's market territories

GPD %	2004	2005	2006
Finland	3.4	3.5	3.3
Sweden	3.8	3.4	3.0
Norway	3.4	3.7	2.4
Denmark	2.1	2.5	1.9
Russia	6.8	5.5	4.7
Estonia	6.2	5.6	6.0
Latvia	8.2	7.3	6.5
Lithuania	6.6	6.1	5.7

Source: Nordea, Jan 2005

Industrial confidence indicator Denmark

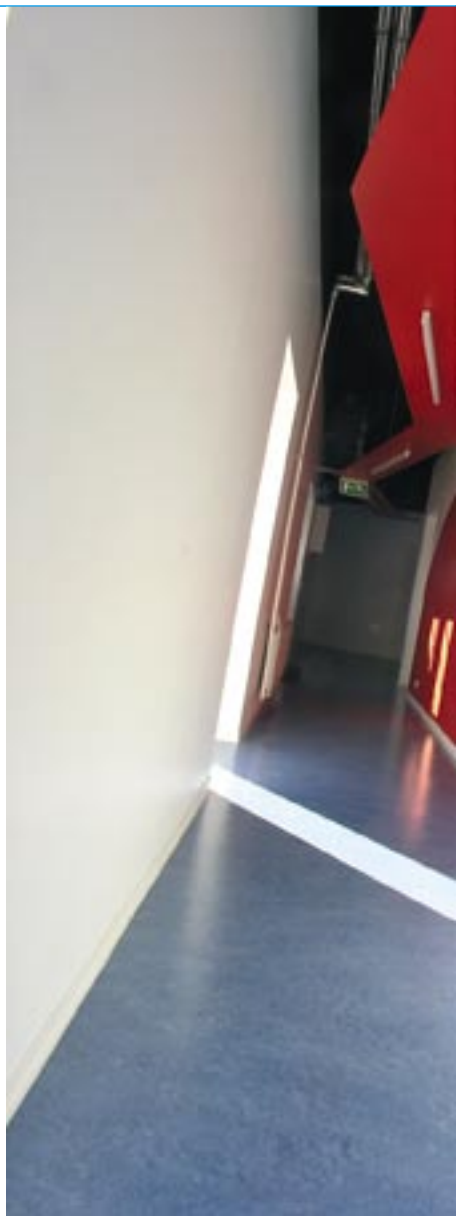


Source: EU commission

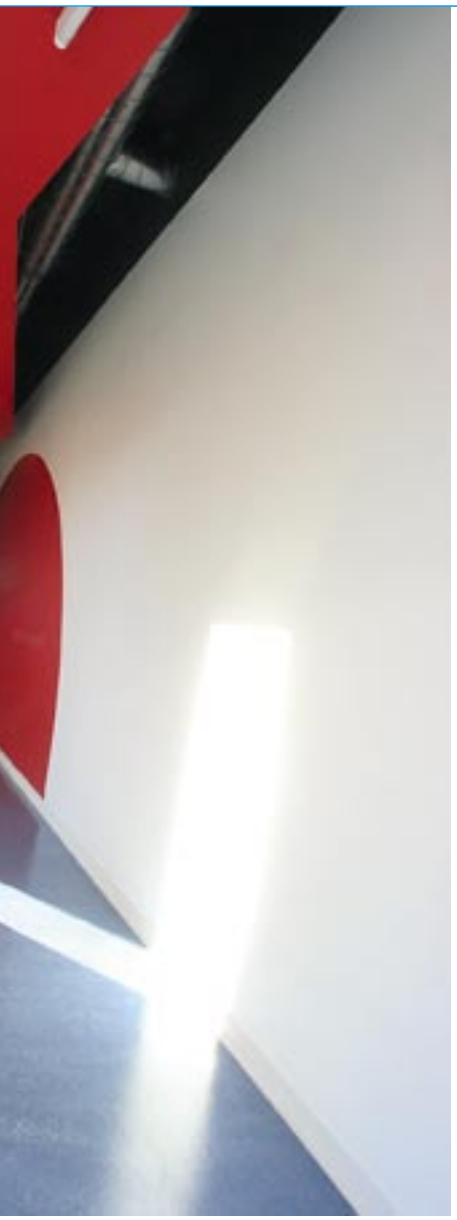
cent last year; growth will continue at a rate of 7.2 and 7.3 per cent in 2005 and 2006, respectively. Last December, Euroconstruct estimated that the value of new residential construction will increase by 4.2, 7.7 and 2.4 per cent in 2005, 2006 and 2007. The corresponding growth forecasts for renovation are 3.1, 2.8 and 2.5 per cent. Civil engineering is anticipated to see growth of 3.9, 4.9 and 3.1 per cent during these years.

Norway

In 2004, Norway's GDP grew by 2.8 per cent due to strong household consumption and rising investments. The prices of residences increased by 10 per cent last year. Low interest rate levels, good trends in salaries and wages, and tax cuts will lead to greater domestic consumption during the present year and the next as well. Housing construction remains brisk and investments by the oil sector will stay at a high level. GDP will grow by 2.6 per cent in both 2005 and 2006. According to Statistics Norway, net sales from construction rose by 7.9 per cent in the January-October period of last year, and net sales of electrical installation works increased by 7 per cent. On the basis of the business cycle barometer released in the last quarter of the previous year, the production volume is expected to rise yet again in the first quarter of 2005. The fact that company managers intend to make more investments suggests that the business climate outlook will remain positive in the longer term, too. The outlook for the forest, metal and chemical industries in particular has improved. Production volume and the capacity utilization ratio are continuing to grow and the increase in new orders in both the export and domestic markets leads to growth in order backlogs. Norwegian State Railways is starting up a ten-year railway investment programme valued at NOK 26.4 billion (USD 4.2 billion). Euroconstruct estimates that the construction of new buildings will see annual growth of only one per cent this year and the next, followed by a decline of 2.3 per cent in 2007. Renovation would grow by 3.5, 3.0 and 2.5 per cent in 2005, 2006 and 2007, respectively.



Sportshall in Rakvere, Estonia.



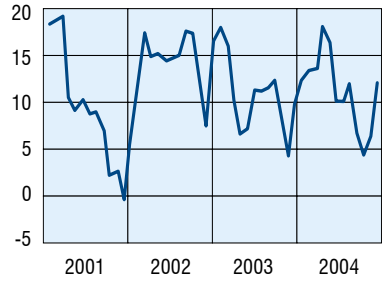
Denmark

The rapid growth of Denmark's GDP in the first half of last year slowed down in the third quarter and picked up again towards the end of the year; full-year growth amounted to 2.2 per cent. Consumption and investments continued to grow at a brisk rate, but slower exports and greater imports cut into production growth. Exports will continue to grow only at a moderate rate due to the slow recovery of Germany, an important export country for Denmark, and the stronger euro. GDP growth is expected to amount to 2.3 and 2.4 per cent in 2005 and 2006, respectively. Household consumption and housing investments are expected to increase rapidly in 2005 and 2006 thanks to a stimulatory economic policy, low interest rates and housing loans with repayment-free periods. The Danish Construction Association estimates that residential production has good growth potential in 2005. Growth in demand has raised the prices of older apartments to a higher level than those of new residences, and thus new construction is affordable. High prices also increase the profitability of repair works on the old housing stock. As the end of the year approached, the balance figures of the construction business cycle indicator inched upwards month by month. The Danish Construction Association anticipates that the output and profitability of construction companies will improve in 2005. Work to repair the damage wreaked by the storm in early January increases the volume of construction and repair works during the more sedate winter season. Euroconstruct predicts that construction output will grow by 1.5 per cent in both 2005 and 2006 and by 3-4 per cent in 2007.

Baltic countries and Russia

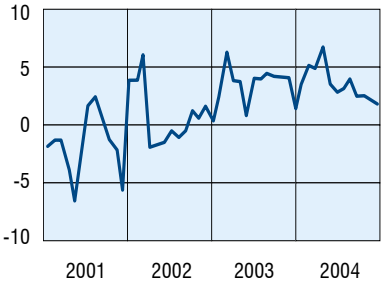
Growth in investments and GDP in the Baltic countries and Russia significantly outpaces growth in the Nordic countries. Growth is expected to remain at a level of 5-8 per cent during the next few years. The high educational level in the area, the EU membership of Estonia, Latvia and Lithuania, and Russia's income from oil support the growth of these economies. Investments are on the rise at a rate of around 10 per cent. In the next few years, the growth rate of construction investments will be in the double digits. The greater affluence of the middle class has strengthened demand for market-financed residences in large cities such as Moscow, St Petersburg, Tallinn and Vilnius.

Industrial confidence indicator Estonia



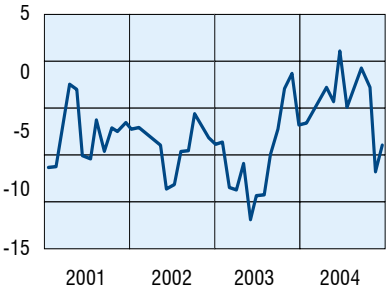
Source: EU commission

Industrial confidence indicator Latvia



Source: EU commission

Industrial confidence indicator Lithuania



Source: EU commission

Corporate responsibility is part of the guiding values

YIT'S VALUES

EXCELLENCE IN SERVICE

You can rely on our quality
We find the right solutions for our customers
We seek to forge durable customer relationships

WELL-RUN COOPERATION

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

CONTINUOUS LEARNING

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

HIGH PERFORMANCE

Entrepreneurship is our strength
Healthy profitability generates dividends
We shoulder our corporate responsibility

Corporate responsibility means that the company is aware of its social role and takes on responsibility for the effects of its operations. These effects may be economic, social or environmental.

At YIT, corporate responsibility is an integral part of business operations and their development. In its values, the company has specified that high performance also means shouldering corporate responsibilities – that is, results are achieved by means of sound operating methods and taking different interest groups into consideration. The major performance areas that the entire Group seeks to excel in are specified annually on the basis of the values.

The company's objective is to grow profitably and develop its operations with an eye on the long term. Strategic planning sets goals for the development of both business operations and responsible operating methods. YIT monitors how well it achieves its corporate responsibility objectives alongside its earnings performance.



Success affects the rest of society

Business operations have both direct and indirect economic effects on interest groups and society. When taking on corporate responsibilities, it is vital to safeguard the competitiveness and continuity of the company's own operations.

To develop its services and operations, YIT seeks to better identify and understand customers' needs. Quality standards take into account the quality of materials, processes and workmanship as well as health, safety and environmental perspectives. New technology is harnessed rapidly and innovatively. Technological development is supported by networking with leading companies and research institutions in different fields. In its administration and operations control, YIT complies with the Corporate Governance Recommendation, which is discussed in greater detail on page 98.

Direct financial effects

YIT's business operations have a direct financial effect on customers, outsourcers and goods suppliers. The success of the company's business operations also directly affects its employees and investors – and, through taxation, society on a larger scale.

Customers

The Group's customers are private individuals, companies and public sector bodies such as municipalities and government institutions in eight Northern European countries. Exports are made to other countries as well. YIT's net sales in 2004 amounted to EUR 3,033.4 million. Of the net sales, 60 per cent were generated in Finland, 30 per cent in the other Nordic countries and 8 per cent in the Baltic countries and Russia.

Delivery chain

All of YIT's business segments procure materials and supplies in great quantities. Purchases of raw materials, consumables and goods for use in service provision totalled EUR 1,041.0 million in 2004. External services were bought to the tune of EUR 633.7 million.

Personnel

YIT has a payroll of about 22,000 people in the Nordic and Baltic countries and Russia. Of YIT's employees, 53 per cent work in Finland, 37 per cent in the other Nordic countries and 10 per cent in the Baltic countries and Russia. In 2004, wages, salaries and fees amounted to EUR 694.3 million.

Investors

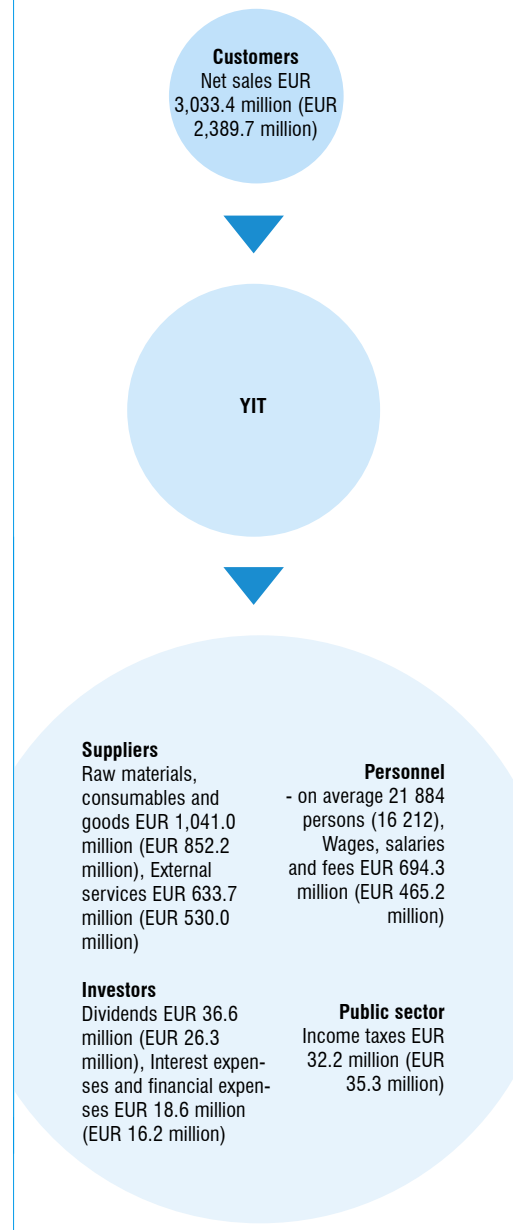
YIT's number of shareholders has increased greatly in the past few years. At the end of 2004, there were 7,456 shareholders, of which 6,285 were households. YIT's objective is to ensure a steadily evolving flow of dividends for its shareholders. In 2004 dividends paid for the 2003 financial year amounted to EUR 36.6 million. The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.70 per share be paid for the 2004 financial year. YIT is now increasing the dividend for the tenth year running.

The YIT Group's interest-bearing liabilities amounted to EUR 261.5 million at year's end and net debt to EUR 226.6 million. Interest expenses and financial expenses amounted to EUR 18,6 million in 2004.

Public sector

In 2004, income taxes amounted to EUR 32.2 million.

Direct financial effects





YIT is one of the main partners of "Design ON/Design OFF" during Finland's Design Year. The partnership includes a project for the development of industrial design that has been customized for YIT – in this project, Finnish and foreign students improve worksite safety through physical and graphic design.

Indirect financial effects

In addition to its direct financial effects, YIT's operations have an indirect bearing on social well-being. The company's mission is to build and maintain the basic structures of society. YIT's network of business outlets covers all of Finland, Sweden, Norway and Denmark. Through its evolution and growth, the Group supports local development by creating services and jobs.

Influencing market development through industry organizations

Thanks to its participation in various organizations, YIT is involved in influencing the development of the markets, operating methods and employment relationship issues. Industry organizations promote the profitable and long-term business operations of their member companies by taking the needs of customers, the environment and society into consideration. By joining their forces, the member companies can carry out large-scale research and development projects and, for example, upgrade occupational safety and cooperation with educational institutions. In 2004, YIT played a major role in initiatives such as the two-year life-cycle model development project led by the Confederation of Finnish Construction Industries RT.

Against the black market

During the year now ended, problems regarding the use of black market labour – that is, people working without permits or in violation of the terms of collective agreements – came to light in the Finnish construction market. YIT is unconditionally against black market labour. To prevent black market work, YIT's operating systems include detailed instructions on the hiring of labour and the selection of subcontractors. In the spring of 2004, the company held training events for all work supervisors, foremen and employees in charge of procurements. During these events, the problem areas were delved into thoroughly.

YIT performs recurring work site inspections to ensure that subcontractors also comply with the issued regulations. Construction contractors, owners and unions have also agreed on joint procedures for combating the black market and promoting healthy competition. To thwart the black market, preventative cooperation is carried out with the police and tax authorities.

Public sector projects foster social well-being

YIT constructs schools, day-care centres and other buildings for municipalities and the state and attends to the maintenance of roads, recreational outdoor areas and properties. In regional development projects, YIT works with the city and landowner to develop the identity of the area and its eco-efficient implementation.

In association with the Centre for Urban and Regional Studies of the Helsinki University of Technology, YIT has developed tools with which today's and tomorrow's residents can participate more effectively in regional development. In 2004, a book entitled "Ihmisystävällinen elinympäristö" ("Good Living Environments") was completed. It features research information and practical experiences for the planning of built-up environments.

Projects and services for the public sector directly affect the indispensable structures of society. The PPP projects (public-private-partnership) carried out by the private and public sectors impart flexibility to the investments of public sector bodies. Implementation may include responsibility for the maintenance and costs of a project over its entire life cycle. If need be, project financing can be arranged in such a way that the public party does not have to invest any of its own capital into it.

Our most important interest group is personnel

YIT's business operations are highly labour-intensive. The company's employees comprise the most important social interest group that is affected by its operations. The company's values put the accent on open interaction and respect for each and every employee. YIT seeks to have a long-term approach to its personnel policy and devotes great effort to ensuring its employees' well-being and development.

At the end of 2004, YIT had 21,680 employees. Of them, 11,540 worked in Finland, 4,236 in Sweden, 2,507 in Norway, 1,136 in Denmark, 1,151 in Estonia, Latvia and Lithuania, and 1,110 in Russia.

Management by objectives promotes balanced interaction

Management by objectives is YIT's chosen management method. Management by objectives hinges on the company's values. The Group's most important shared key performance areas and each employee's own personal objectives are specified annually on the basis of the values. Performance evaluation and development discussions establish continuous interaction between supervisors and their subordinates. The discussions aim to ensure that each YIT employee is productive and satisfied at work. They also serve as a tool for developing management.

Management by objectives is in use throughout YIT. The aim is for each YIT employee to participate in performance evaluation and development discussions twice every year and to have a follow-up discussion with his own supervisor, during which the previous period is evaluated. The scope and functionality of the implementation of management by objectives are being monitored and developed further. Particular attention has been paid to promoting employee participation in performance evaluation and development discussions.

Personnel studies are carried out annually

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

In the personnel study carried out in 2004, the results improved on the previous year's figures in every subarea. On a scale of 1 to 5, the average was 3.49, as against 3.39 in 2003. Salaried employees gave higher scores all around than non-salaried employees. The study also shows that there are differences between the units. The planning of development measures will pay particular attention to equalizing the differences between personnel groups. In 2004, 47 per cent of the employees replied to the personnel study – over 10,000 people. It is important to increase the response percentage so that development efforts can take everyone's opinion into account.

Giving employees a greater say in how things are done

YIT believes it is important for its employees to have a broad influence on the company's operations and operating methods. Formal opportunities to exercise an influence are provided in the form of performance evaluation and development discussions, cooperation groups and other feedback methods. YIT encourages employees to display initiative by holding suggestion campaigns. Moreover, cash bonuses are paid for suggestions that lead to measures for developing operations. The company's communications are based on openness and fairness, being truthful and encouraging dialogue. YIT has agreed to institute personnel representation on the management boards of the divisions.

Striving for equality across the board

The YIT Group's equality plan was updated in 2004. The plan incorporates not only gender issues, but also age and origin issues, along with harassment and psychologi-



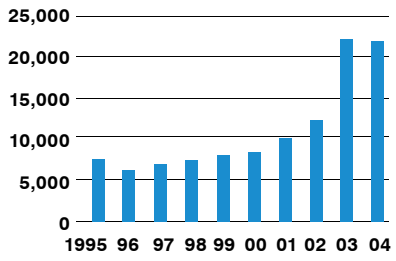
Key figures of personnel

		2004	2003
Average number of personnel		21,884	16,212
Personnel at year's end		21,680	21,939
Finland		11,540	12,155
Sweden		4,236	4,279
Norway		2,507	2,719
Denmark		1,136	1,008
Estonia, Latvia and Lithuania		1,151	1,117
Russia		1,110	701
Wages, salaries and fees	MEUR	694	465
Pension expenses	MEUR	87	66

Personnel in Finland

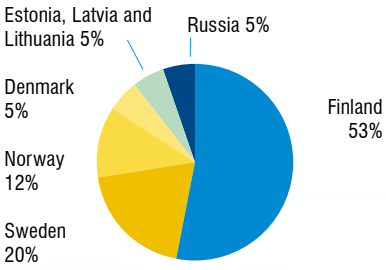
	2004	2003
Employees at year's end	11,540	12,155
Summer employees and trainees	900	800
Average age	43	43
Women, %	9 %	9 %
Average length of stint of employment, years	13	12

Personnel Dec. 31, 1995-2004



The company's values put the accent on open interaction and respect for each and every employee.

Personnel by country Dec. 31, 2004



cal violence, or "workplace bullying". In accordance with equality legislation, YIT systematically promotes the equal treatment of different groups in matters of promotion, pay and training opportunities. In addition, the company seeks to foster attitudes that promote equality.

Due to the nature of the work, more men than women work for YIT's business segments. In 2004, 91 per cent of YIT's employees in Finland were men and 9 per cent women. There were no women on the Boards of Directors of the business segments' parent companies or the Group's Management Board or Board of Directors.

Long-term efforts to ensure that the company will have the best workers in the future, too

YIT's business operations are based on expertise and service. Ensuring the availability of the best labour comprises part of risk management. Competent employees will be required in all eight of YIT's business countries in the future as well.

YIT values long employment relationships – they make it possible to plan operations with an eye on the long term and also take into account the individual development wishes and career plans of the employees. The Group seeks to promote permanence by means of fostering work satisfaction across the board and bonus systems. In 2004, the average duration of a stint of employment in Finland was 13 years.

From time to time, the market situation makes it impossible to avoid reorganizing or decreasing employees. When such situations arise, the company strives in the first instance to transfer employees to other positions in the Group and offer training and pension options. During the year now ended, there was general overcapacity in relation to demand in the building equipment system business. Capital investments by industry were severely depressed, but the work situation began to improve towards the end of the year. Due to the prevailing market situation, personnel layoffs and also some reductions were carried out in the Building Systems and Services for Industry business segments.



Honing professional skills through training and job rotation

One of YIT's values is continuous learning. The continuous development of professional skills is not only the right of each and every YIT employee, but also their obligation. YIT offers employees opportunities for broadening and enriching the content of their work by means such as internal YIT coaching and vocational degree training, external coaching supported by the company and encouraging employees to study for post-basic diploma degrees. YIT's own international coaching programme in business management, which was kicked off in 2003, continued during the report year. A total of 78 people have completed the programme. The coaching programme aims to support the shared management culture and promote interaction in our multi-business, international Group.

Professional development and career advancement opportunities are also offered



by means of active job rotation. The major realignments in unit management and the organizational structure in recent years have primarily been carried out by means of internal transfers.

Performance bonuses improve commitment

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

Other monetary rewards in use at YIT include suggestion bonuses and years-of-service bonuses. About 260 executives and key employees have been granted YIT share options.

Occupational health care improves well-being

Occupational health care services contribute to the occupational fitness and well-being of personnel. In addition to improving well-being, these activities focus on preventing workplace accidents and the musculoskeletal ailments that commonly lower occupational fitness in YIT's field of business.

At YIT, occupational health care is organized on a country-by-country basis and the health of employees is followed locally. YIT has its own occupational health care staff in Finland, and the services provided are more extensive than required under law.

Occupational safety aims at zero accidents

The Group's employees perform many kinds of work in which physical safety factors are a prime concern. The basic concept underlying occupational safety at YIT is that every accident and health risk can be prevented. YIT seeks to reduce occupational accidents by ensuring that working environments are safe, coaching employees on proper working methods and ergonomics, and raising awareness of safety factors. Safety issues are highlighted in the vocational education organized by the Group. All the accidents that do happen are analyzed using the TAVA method. During the year now ended, fewer serious accidents took place in relation to hours worked in all the business segments in Finland than in the previous year.

The business segments and divisions have committees and groups devoted to occupational protection. They analyze the numbers and causes of occupational accidents and close calls. At the Group level, development work is coordinated by the safety management expert group.

YIT has set minimum acceptable safety levels for construction sites. The realization of these safety levels is monitored systematically. The safety level of building construction is gauged with TR measurements and the safety of earthworks with MVR measure-

YIT seeks to reduce occupational accidents by ensuring that working environments are safe, coaching employees on proper working methods and ergonomics, and raising awareness of safety factors.

YIT seeks to have a long-term approach to its personnel policy and devotes great effort to ensuring its employees' well-being and development.

ments. These measurements indicate that the average safety level of construction sites was 93 per cent in 2004, as compared with 91 per cent in 2003.

Many means of preventing premature retirement

In the next few years, the retirement of the baby boomers will pose a challenge to companies, and YIT is no exception. In 2004, the average age of employees in Finland was 43 years. The age structure varies by unit. The average age of experts in certain fields is notably high.

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

Focusing on the hiring of skilled young people

Personnel hiring and YIT's image as an employer will assume greater significance in the next few years. Due to the great number of employees who will retire, the company makes particularly great efforts to hire young experts. YIT's image as an employer is developed, steps are taken to ensure that existing employees are happy with the company, and wages, salaries and other terms of employment are kept competitive so that these experts will remain interested in YIT in the future. The development of the company's image can be monitored by means such as nationwide surveys of students' impressions of the company.

YIT offers students a great range of summer jobs and cooperates with educational institutions by sponsoring classes and by enabling students to complete diploma projects and on-the-job training periods at the company. In future, YIT will seek to engage in even closer cooperation; objectives for increasing the number of trainees and summer employees have been set for each business segment.

The number of summer employees has been on the rise. In the spring of 2004, close to 10,000 young people sent summer job applications to YIT in Finland. During the year now ended, 900 summer employees and trainees worked for YIT's business segments in Finland.



The Next Step fair and the FinnSkills 2005 competition drew close to 40,000 visitors and participants in Turku. The FinnSkills 2005 competition kicked off the nationwide Year of Vocational Skills Specialists 2005, which aims to promote the importance of vocational education and skills.

Projects result in environmental impacts over their entire life cycle

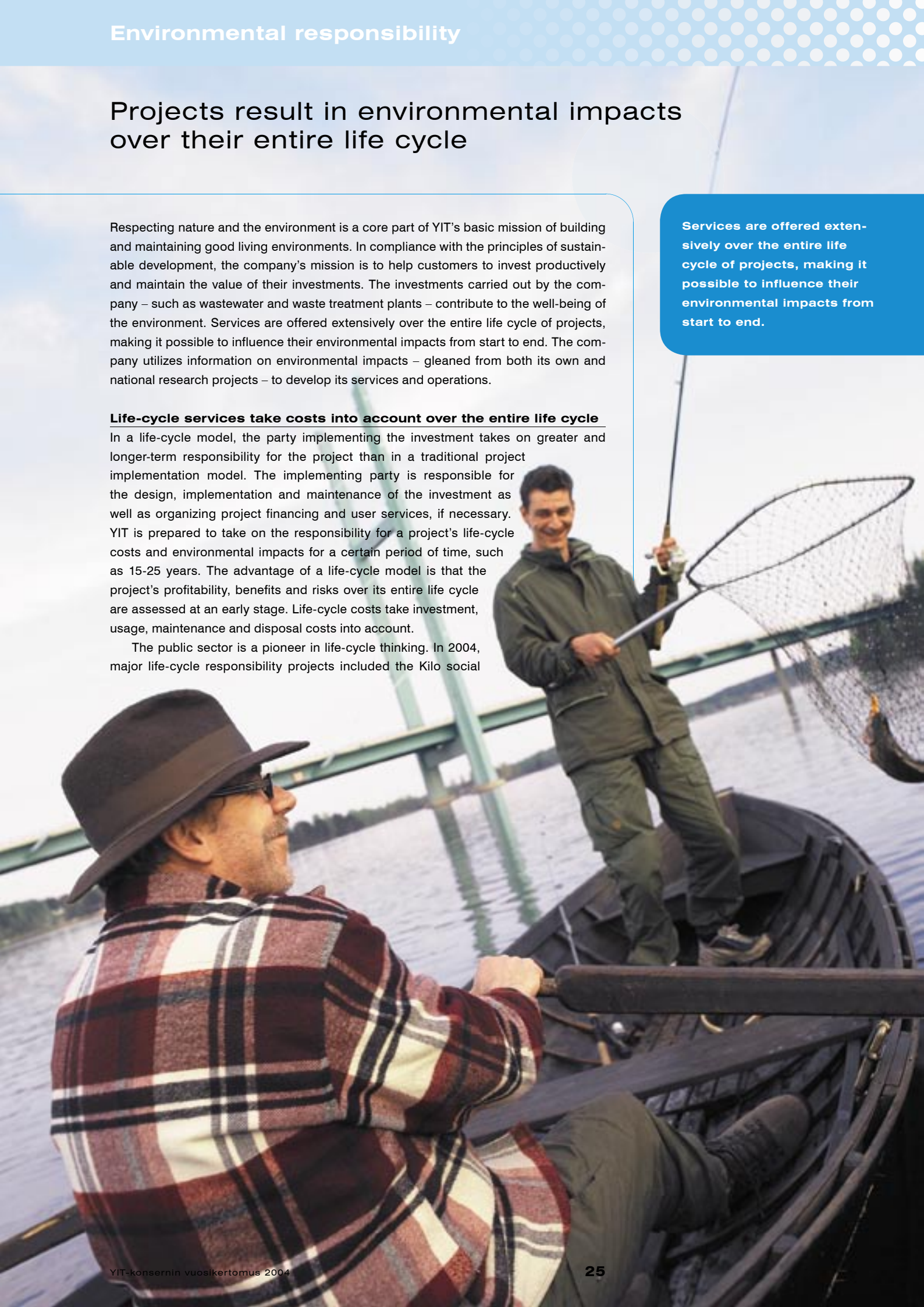
Respecting nature and the environment is a core part of YIT's basic mission of building and maintaining good living environments. In compliance with the principles of sustainable development, the company's mission is to help customers to invest productively and maintain the value of their investments. The investments carried out by the company – such as wastewater and waste treatment plants – contribute to the well-being of the environment. Services are offered extensively over the entire life cycle of projects, making it possible to influence their environmental impacts from start to end. The company utilizes information on environmental impacts – gleaned from both its own and national research projects – to develop its services and operations.

Services are offered extensively over the entire life cycle of projects, making it possible to influence their environmental impacts from start to end.

Life-cycle services take costs into account over the entire life cycle

In a life-cycle model, the party implementing the investment takes on greater and longer-term responsibility for the project than in a traditional project implementation model. The implementing party is responsible for the design, implementation and maintenance of the investment as well as organizing project financing and user services, if necessary. YIT is prepared to take on the responsibility for a project's life-cycle costs and environmental impacts for a certain period of time, such as 15-25 years. The advantage of a life-cycle model is that the project's profitability, benefits and risks over its entire life cycle are assessed at an early stage. Life-cycle costs take investment, usage, maintenance and disposal costs into account.

The public sector is a pioneer in life-cycle thinking. In 2004, major life-cycle responsibility projects included the Kilo social





and health centre for the City of Espoo and premises for the Finnish Meteorological Institute and the Finnish Institute of Marine Research in Kumpula, Helsinki, for Senate Properties

Energy savings reduce carbon dioxide emissions

The bulk of the environmental load caused by buildings results from their energy consumption over their life cycles. As from the beginning of 2006, new buildings in the EU will be required to have energy efficiency certification, as set forth in the Kyoto Protocol. In Finland, YIT participates in a national development programme seeking methods for fulfilling the requirements of the EU Directive.

Solutions that affect the environmental soundness of buildings and their energy efficiency are decided on in the design stage. The key is to opt for long-lived materials that age well and to ensure that the solutions are durable and modifiable. Structural solutions, building systems, and maintenance and servicing all affect energy consumption and costs as well as carbon dioxide emissions.

The implementation of investments aiming at energy savings during property use are supported with services that are in line with the ESCO concept (Energy Service Company). The customer is not required to make monetary outlays on the implementation of the investment – rather, the investment is repaid in a few years with the money saved through lower energy consumption. YIT takes on total responsibility for the financing and technical implementation of the energy saving project.

A significant share of the energy consumed by society is used for industrial processes. YIT carries out maintenance and modernization projects for industry in which it can draw on its design expertise to improve the energy efficiency of old plants.

In property maintenance in Finland in 2004, Kesko's properties achieved their goal of 10 per cent savings in energy consumption. Energy efficiency was improved by means such as preventative maintenance control, regulating technical building processes and providing guidelines for users.

When YIT took on responsibility for the usability and energy savings of SKF's premises in Katrineholm, Sweden, the amount of energy used for heating was halved. In Jönköping, YIT has attended to the design and implementation of a project in which the cooling system of the Elimia exhibition centre uses energy collected from the great Vättern Lake. Thanks to this investment, the centre's CFC emissions and energy consumption will decline.

Real-time monitoring is used to ensure that properties meet their energy consumption objectives. The users themselves can monitor consumption during usage with an "e-manual" developed by YIT. For example, residents or the users of the premises can keep track of water and energy consumption on a residence-by-residence basis in real-time over the Internet.

Advanced waste collection system improves sorting

In the summer of 2004, YIT made a cooperation agreement with the Swedish company Envac Group to launch its advanced waste processing system on the Finnish and Russian markets and use it in YIT's residential production. YIT and Envac have cooperated for ten years in Norway.

With this system, the wastes of residential, office and commercial premises or hospitals, airports and other close-knit complexes are collected in a central location by means of an underground pneumatic system. From there, they are transported conventionally for further processing. The benefits of the system are efficient waste sorting, reduced collection traffic, improved comfort and safety, and higher efficiency in space usage. YIT supplies the service as a life-cycle delivery, taking on responsibility for the investment and its operating and maintenance services.

Information campaign about changing light bulbs and tubes containing toxic PCBs

During the year now ended, YIT carried out a campaign in Norway to promote the replacement of light bulbs and tubes containing toxic PCBs. The use of PCBs has been prohibited as from the beginning of 2005. Four years ago, there were five million bulbs and tubes containing extremely toxic PCBs in Norway – and even in the autumn of 2004, close to three million such bulbs and tubes were in use. YIT reminded property owners of the impending regulations and informed them of the energy savings resulting from the changing of the bulbs and tubes.

Operating systems control the environmental impacts of YIT's own operations

YIT pays attention to the environmental impacts of its own operations in many ways. In day-to-day work, the management of environmental compliance is promoted with operating systems and personnel training. The realization of environmental objectives and instructions is ensured through performance evaluation and development discussions, for example.

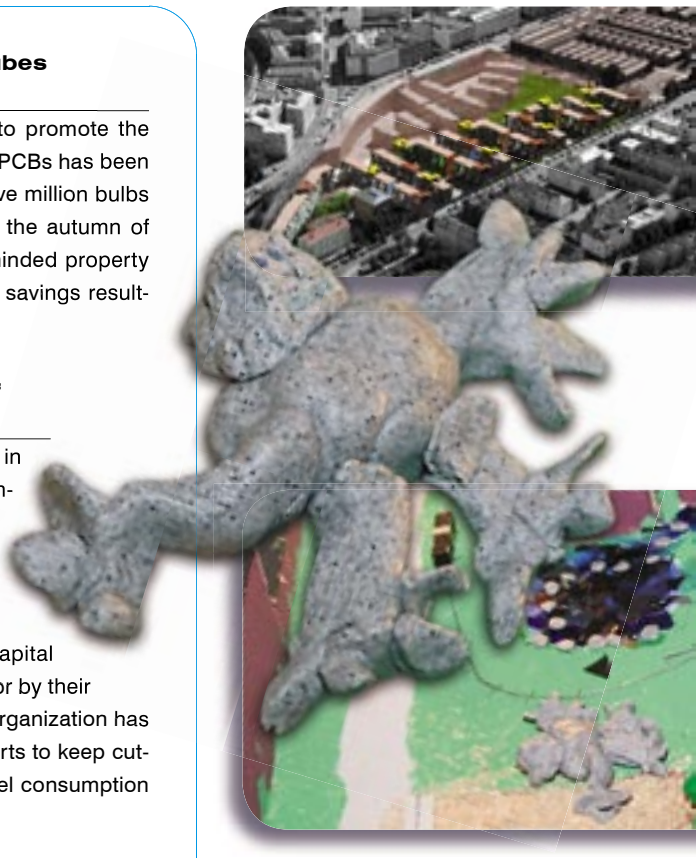
The environmental compliance of YIT Industria, which offers capital investment services for industry, and YIT Building Systems is vouched for by their ISO 14001 environmental certificates. In Denmark, the Green Network organization has awarded YIT a diploma in recognition of the company's continuous efforts to keep cutting down on wastes and emissions by means such as reducing the fuel consumption of service vehicles and improving the sorting of office wastes.

From procurements to waste treatment

When making procurements for its industrial services, YIT prefers suppliers who can prove their environmental compliance with appropriate certification. The selected goods suppliers are evaluated regularly. In its procurements, the company also pays attention to the packaging materials and methods used and the recyclability of the materials.

The optimization of driving distances in servicing operations seeks to improve service efficiency, achieve cost-savings and reduce environmental impacts. At construction sites, efforts are made to use excavated soil and rock either at the same site or another close-by site, such as by using them for filling so that they do not have to be transported unnecessarily. Soft excavated earth can be strengthened via stabilization so that it is suitable for construction, or it can be used for landscaping or sound barriers. Personnel training focuses on direct environmental impacts as well as sorting and material emissions. The management of waste issues is developed in cooperation with customers and the environmental authorities. One of the focus areas in vocational diploma education in infrastructure is preventing groundwater pollution. For example, YIT seeks to minimize the amount of salt used in road maintenance.

Data Network Services ensures that the recycling of decommissioned electrical and electronic equipment is seen to in compliance with EU regulations. Electrical and electronic components are sorted from scrap metal and components containing toxic substances such as lead and quicksilver are delivered separately for recycling.



Children and youth from the Arkki Architecture School coming up with ideas for an old engineering works area in Helsinki. Housing will be built for about 2,500 residents. The venerable buildings in the area, which date back to the turn of the 19th and 20th centuries, will be kept.

People in the Northern latitudes spend a great deal of time indoors. Energy efficiency, operational reliability and safety ensure that properties are pleasant to live in and use – and economical for their owners.



Building Systems turns a clear profit

The Building Systems business segment offers services and systems covering the entire life cycle of properties, from design to installation and maintenance. The business segment's technological expertise encompasses electricity and illumination, HEPAC, fire extinguisher, security and access control solutions, automation and audiovisual systems. The business segment operates in the Nordic and Baltic countries and Russia. YIT is the Nordic market leader in building system services.

The Building Systems business segment is divided into Finnish, Swedish, Norwegian and Danish functions. The Finnish functions also include operations in the Baltic countries and Russia. In 2004, the net sales of the business segment amounted to EUR 1,331.5 million (EUR 681.0 million). The maintenance and servicing business accounted for 56 per cent of its net sales. The business segment posted an operating result before amortization of goodwill and goodwill on consolidation (EBITA) of EUR 33.6 million (EUR -7.1 million). Amortization of goodwill and goodwill on consolidation on the Building Systems acquisition amounted to EUR 19.5 million and on other acquisitions to EUR 5.1 million. The business segment's operating result rose into the black in 2004 and was EUR 9.0 million (EUR -19.7 million). Return on investment was 5.1 per cent.

At the end of the report year, the order backlog amounted to EUR 557.8 million (EUR 502.3 million). At year's end, it had 12,194 employees (11,812).

The Building Systems business segment was created at the beginning of September 2003 from the acquired Building Systems business and YIT Installation's Scandinavia and Building Systems divisions. The net sales, operating profit and order backlog figures presented for 2003 are pro forma calculations. At the beginning of 2004, YIT Rapido Property Management Services Ltd was merged into the business segment from YIT Construction Ltd, followed by the property network business of YIT Primatel Ltd.

The balance sheet of the Building Systems business, which was acquired in the comparison period, was integrated – in other words, consolidated – into the consolidated balance sheet for the first time on December 31, 2003. The business operations were first recorded for a four-month period as from August 29, 2003, in the figures for the fourth quarter of 2003.

The Danish unit's result includes a loss provision of EUR 4 million due to an electrification project on two ships for the Royal Danish Navy. The project was transferred from ABB as part of the Building Systems acquisition. One of the ships has been completed and handed over, while the other will be completed in June 2005. The loss on the entire project – that is, both of the ships – has been recorded in the result for the third quarter of 2004.

Favourable market trends towards the end of the year

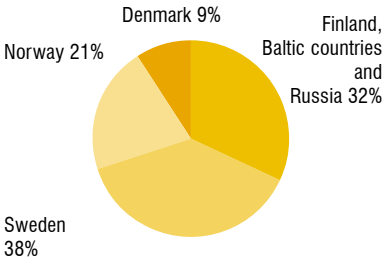
The trend in the market for building system services was favourable in 2004 thanks to the good demand for housing construction and maintenance as well as the start-up of investments by industry.

During the year now ended, residential construction swung to growth in Sweden, Norway and Denmark. Housing construction in Finland remained at a good level all year. In the Baltic countries and Russia, general economic growth stimulated construction and demand for building systems.

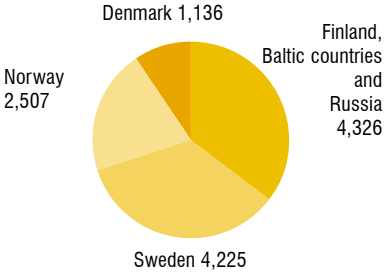
Demand for maintenance and property services remained strong, which was also the case in refurbishing and modernization works. In particular, public sector projects contributed to the volume of refurbishing and modernization works. As companies sought cost-savings, services were outsourced in maintenance, servicing and property services.

Industrial investment projects that got under way in the Nordic countries were Stora Enso's paper machine investments in Kvarnsveden and Skoghall, Sweden.

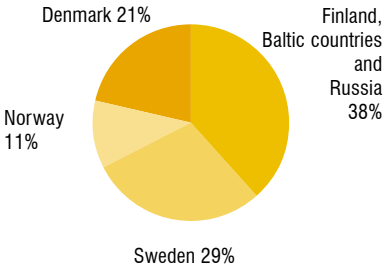
Net sales by country



Personnel by country



Order backlog by country



BUILDING EQUIPMENT SYSTEMS

In building equipment systems, YIT's range includes services for heating, plumbing, air-conditioning, electricity and automation systems over the entire life cycle of a property. These services are offered to property owners and users, property service companies and building managers, and developers and construction companies.

SECURITY TECHNOLOGY

Security technology services include sprinkler, fire alarm and extinguisher systems as well as electronic security services such as access control, video surveillance and burglar alarm systems and corporate security services. Security technology services are offered to the same customers as building equipment systems and to industry as well.

PROPERTY SERVICES

Property services include property management, maintenance and servicing, along with property service management. Property services are primarily offered to property owners and building managers.

SERVICES FOR INDUSTRY

The business segment's services for industry mainly involve electrical, automation and ventilation installation works. In addition, the service range includes electrical and automation installation works for ships and, in Sweden and Norway, process piping for industry as well.

DATA NETWORK SERVICES FOR PROPERTIES

The business segment's data network services include the installation and maintenance of property networks. In Norway, Denmark, the Baltic countries and Russia, Building Systems offers the same data network services that YIT's Data Network Services business segment offers in Finland.

Key figures, EUR million

	2004	2003
Net sales	**1,331.5**	681.0
Operating result before amortization of goodwill and goodwill on consolidation, MEUR (EBITA)	**33.6**	-7.1
Operating result (EBIT)	**9.0**	-19.7
- % of net sales	**0.7%**	-3%
Return on investment	**5.1%**	-
Order backlog, Dec. 31	**557.8**	502.3
Personnel, Dec. 31	**12,194**	11,812

Balance sheet summary, EUR million

	2004
Non-current assets	**204.1**
Inventories	**55.2**
Financial assets	**377.3**
Shareholders' equity	**81.9**
Provisions	**17.9**
Interest-bearing liabilities	**152.9**
Interest-free liabilities	**383.9**
Balance sheet total	**636.6**

Seeking growth from maintenance and servicing

The relative share of construction costs accounted for by building systems is rising continuously due to the opportunities opened up by technology and the growing expectations of customers. The more extensive deployment of technology means that maintenance has become more demanding, and this has led to an increase in the relative share of maintenance accounted for by work on building systems. The trend in the market for refurbishing, modernization and property services has been stable; slight growth is expected in them in the years ahead. YIT is seeking growth particularly from building equipment systems and maintenance and servicing.

Life-cycle thinking is gaining ground in building system deliveries – that is, one supplier takes on responsibility for both the investment stage and the maintenance of the project over its entire life cycle. Life-cycle deliveries are expected to become more common, especially in public sector projects.

Targeting development measures at improving profitability

Steps were taken to improve the profitability of the business segment – its operational efficiency was increased and both project management and cooperation were honed. To upgrade operational efficiency, fixed costs were examined by country, and the necessary cost cuts and personnel downsizing measures were implemented locally. The largest individual efficiency-boosting measure was carried out at the beginning of 2004 in Sweden, when the payroll of the acquired Building Systems business was reduced by 320 persons. In addition, the two companies operating in Sweden were merged on October 1, 2004, to achieve higher efficiency in the management and control of operations.

Outlays were made on developing project management during the whole year. New target levels were set for the profitability of offered projects, stricter monitoring was instituted and more project assessments were performed. In projects carried out jointly with YIT's Construction Services, both design and implementation were honed.

For upgrading business efficiency, it is vital to standardize the processes, tools and operating methods employed by the business segment's different units. In 2004, YIT kicked off the development of an operations control system that will be in shared use in all its business countries.

During the report year, technological expertise, procurements and the utilization of information technology were also developed. Intra-country cooperation within the business segment was stepped up in procurements, marketing communications and joint customer projects. Personnel development measures zeroed in on expertise, skills, occupational safety and health.

Outlook for 2005

In the Nordic countries – the main market area for Building Systems – annual economic growth is expected to range from two to three per cent, depending on the country. Construction will also grow in all the Nordic countries. The market outlook for Building Systems is stable. During the next two years, the market for building systems is anticipated to grow by three to four per cent annually. Growth in Russia and the Baltic countries clearly outpaces that of the Nordic countries, both in terms of their economies and investments.

The share of the costs of new construction and renovation accounted for by building equipment systems is still on the rise. It is expected that information, communications and automation technologies will break through in building equipment systems during the next few years.

In 2005, the Building Systems business segment will continue to focus on strengthening its profitability and expanding its maintenance and servicing business. The business segment's net sales growth is forecast to remain slight.

Boosting operational efficiency in Sweden to improve profitability

In Sweden, building system services are offered by YIT Sverige AB, which was formed at the beginning of October through the merger of YIT Calor AB and YIT Building Systems AB. Its service range comprises building equipment systems and security technology, property services as well as electrical installation works and piping for industry.

In 2004, it had net sales of EUR 506.5 million (EUR 305.3 million), with its growth being primarily attributable to the fact that the acquired Building Systems business was included in its operations during the entire year. Of the net sales, 48 per cent were generated by the maintenance and servicing business. The order backlog was EUR 163.2 million at the turn of the year (EUR 166.0 million). At year's end, it had 4,225 employees (4,266).

Favourable market trends

On the whole, the Swedish construction market developed favourably in 2004. New construction saw slight growth. Housing construction swung to rapid growth during the report year, increasing by nearly 20 per cent. Other building construction remained slight and was down on the previous year. The market for refurbishing, modernization and maintenance grew. As exports increased, investments and industrial projects were greenlit, leading to growth in the building system market.

Increasing operational efficiency

To upgrade operational efficiency, the business segment's fixed costs were examined during the year now ended, and the necessary cost cuts and personnel downsizing measures were implemented locally. The largest individual efficiency-boosting measure was carried out at the beginning of 2004 in Sweden, when the payroll of the acquired Building Systems business was reduced by 320 persons.

Building system and industrial projects

During the report year, YIT received an end-to-end building system order for the extension of Volvo Truck's development centre in Gothenburg, taking on responsibility for



Automation installation at YIT's servicing point in Vantaa.



YIT is supplying a new security system for the Parliament of Sweden's buildings in Stockholm.



YIT landed an order from Astra-Zeneca for ventilation installation works at a production plant in Södertälje.



Ventilation installation works in the project to build business premises for the Finnish Meteorological Institute and the Finnish Institute of Marine Research in Helsinki.



the design and installation of heating, cleaning facilities, air compression, cooling and sprinklers. At the Cloetta Centre arena, which was completed in Linköping during the year now ended, YIT holds full responsibility for technical deliveries and also supplies maintenance and upkeep services.

Stora Enso's paper machine investment in Kvarnsveden is one of the largest industrial investments in Sweden in recent years. YIT's role in the project is to install ventilation, sprinkler and piping systems. YIT will also supply Stora Enso with piping installation and insulation for its new plant in Skoghall. YIT landed an order from AstraZeneca for ventilation installation works at a production plant in Södertälje. In the project to modernize the Ringhals nuclear power plant, YIT is handling the electrical installation works. In addition, YIT received an order for the replacement of turbine extraction piping at the Forsmark nuclear power plant.

YIT is supplying a new security system for the Parliament of Sweden's buildings in Stockholm. The YIT OnGuard solution will be employed. Plumbing and ventilation installations and gas installations are being delivered for the extension of the Linköping University Hospital.

For two years, YIT has been responsible for technical maintenance and property upkeep at the Östra Sjukhuset hospital in Gothenburg. During the report year, this agreement was extended until 2007. As part of this project, YIT has participated in the implementation of energy-savings measures. In addition, London & Regional Properties extended its property management and development agreement with YIT until the end of February 2009.

Market trends in 2005

The Swedish economy has begun to grow on the heels of exports. The business climate in construction is in a stage of rapid growth. It is estimated that residential start-ups will grow during the next two years and that other kinds of building construction have passed their trough. The market for refurbishing, modernization and property services will evolve steadily and slight growth is expected. In industry, start-ups of projects that are interesting to YIT have been announced in mining, pulp and paper and nuclear power plants.

Functions integrated successfully in Finland

YIT Kiinteistötekniikka Oy is responsible for building system services in Finland, the Baltic countries and Russia. Its services cover building equipment systems and security technology, property services as well as electrification and HEPAC services for industry.

Net sales from the building system business grew substantially compared with the previous year, amounting to EUR 429.3 million (EUR 241.2 million). The growth is primarily attributable to the fact that the Building Systems business which was acquired in 2003 was included in its operations during the entire year. Of the net sales, 63 per cent were generated by the maintenance and servicing business. The order backlog was EUR 213.8 million at the turn of the year (EUR 164.3 million). At year's end, it had 4,326 employees (3,819), of whom 462 worked in the Baltic countries and Russia.

Growth in the market for maintenance and servicing

Production of new residential buildings remained at a high level in Finland. The construction of business premises was at a low ebb all year, but construction of commercial premises continued briskly. Demand held good in repair works and renovation, developing favourably. Demand in maintenance and servicing remained on a strong growth track. Industry began to pick up towards the end of the year, but the scarcity of investments during the year now ended impacted on both industrial and ship electrification operations.

Brisk demand for property services

2004 was a busy year for property services. Customers stepped up their use of purchased services substantially in property services and especially in technical maintenance, and it is believed that the outsourcing trend will continue in the years ahead. In 2004, a follow-up agreement for the provision of property services was made with TeliaSonera. Cooperation with the Tapiola Insurance Group became firmer as the repair employees of Tapiola's property unit transferred to YIT. In the property maintenance agreement with Kesko, the year's theme was savings on energy consumption, in which the target, savings of 10 per cent, was achieved.

In building equipment system projects, the additional building of the Finnish Parliament was completed during the report year. Other projects included heating and plumbing works for the Porthania Building of the University of Helsinki, the Hesperia hospital and the penitentiary of Riihimäki. New works that were started up included the building equipment system works of Kiinteistö Oy ICT and an internal medicine clinic in Turku and the Kaaritalo project in Helsinki. Numerous new residential buildings and YIT Centres were completed or ongoing as joint YIT projects during the report year.

Machinery room ventilation works were implemented for Leipa Georg Leinfelder GmBH in Germany and for UPM's Changshu project in China. The major industrial sites in Finland comprised automation works for Outokumpu Stainless Oy, the refurbishing of the Naantali electric station for Fingrid Oy and the electrification and automation of E.ON Finland Oy's boilers in Kivenlahti.

Different types of ship electrification works were carried out on M/S Victoria as well as Birka Line and Color Line vessels. In addition, the order backlog includes ship electrification and fitting on Freedom class cruisers on behalf of Aker Finnyards; in this contract, a new type of emergency illumination system with a low power draw will be installed.

As part of the development of its service range, YIT made a cooperation agreement with the Swedish company Envac Group to launch its waste processing system, which features advanced pneumatic technology, on the Finnish and Russian markets.

Building equipment deliveries in the Baltic countries

The project to extend the Akropolis shopping centre was completed in Vilnius, Lithuania. YIT supplied all the building equipment systems for the project. Work continued on an office site for the same centre during the report year. In addition, a new malting plant was completed in Lithuania for Viking Malt UAB. YIT supplied all the Mikro-Link-site building equipment systems for two office buildings. An extension for Elcoteq was completed in Estonia, as was the Pärnu hospital. YIT supplied end-to-end building equipment solutions for both sites.

Servicing operations grow in Russia

The major projects in St Petersburg, Russia, were HEPAC and equipment installation works at Wrigley's, Petro's, Heineken's and Philip Morris' production plants and HEPACE deliveries for the wastewater treatment plant of Sestroretsk. In addition, deliveries of building equipment systems commenced for many of YIT's residential buildings in St Petersburg. The major delivery in Moscow went for the speed-skating arena of Krylatskoe.

Servicing operations grew in both St Petersburg and Moscow. Servicing customers include Ikea, McDonald's and Saint-Gobain Isover's glass wool factory.

Market trends in 2005

Demand for new residences is expected to remain good in 2005. The construction of business premises is predicted to recover slightly, but to remain slight. Demand for the construction of commercial premises will most likely wane slightly, but remain at



Eesti Energy is building a new switching substation in Narva.



HEPAC and equipment installation works at Heineken's production plant in St Petersburg. Electrotechnical installation works to new Tallink hotel in Estonia





YIT is delivering electrotechnical installation works, ClimaCeil and piping works for SAS Flight Academy at the Gardemoen Airport in Oslo.



For the Norwegian School of Management's Nydalen campus YIT is implementing electrotechnical works, ClimaCeil and data networks.



a good level. Good demand is expected to continue in the renovation of residential and other buildings. The start-up of investments by industry stimulates the market. The market for maintenance and servicing is expected to develop favourably.

Construction will remain very brisk in the Baltic markets, creating much potential demand for building system services. In YIT's Russian business territory, the market is also surging. Thanks to this, YIT is poised to perform well in 2005.

Stable development in Norway

YIT Building System AS offers building system services in Norway. Its range comprises building equipment system and security technology, property services, industrial electrification and piping as well as data network services.

Net sales in 2004 amounted to EUR 281.2 million (Sept. 1- Dec. 31, 2003: EUR 98.2 million). Of the net sales, 70 per cent were generated by the maintenance and servicing business. The order backlog was EUR 61.7 million at the turn of the year (EUR 75.7 million). At year's end, it had 2,507 employees (2,719).

Market for modernization grows

Contrary to predictions, the number of start-ups in both residential and business premise construction grew to a higher level than in the previous year. The market for modernization and refurbishing saw growth, especially due to public sector projects, and the market for residential modernization also increased compared with the previous year. In line with its strategy, YIT seeks growth from the maintenance and servicing market.

Numerous deliveries of total building equipment system solutions

During the report year, YIT received numerous orders for total building equipment system solutions. YIT is delivering electrotechnical installation works, the integrated technical system ClimaCeil – which was developed by YIT – and piping works for SAS Flight Academy at the Gardemoen Airport in Oslo. In addition, an end-to-end solution encompassing HEPAC, electrical and piping works, and fire extinguisher systems will be supplied for a care home in Oslo. Also in Oslo, piping, sewerage and cooling and fire extinguisher systems will be delivered for Skanska's new head office. For the Norwegian School of Management's Nydalen campus, which is under construction, YIT is implementing electrotechnical works, ClimaCeil and data networks.

An agreement on electrotechnical deliveries for the nine kilometre long railway tunnel that will be built between Sandvika and Asker was made in a consortium with Balfour Beatty AB with Jernbaneverket, the Norwegian National Rail Administration.

YIT is one of Norway's major suppliers of audiovisual systems. In cooperation with Telenor, YIT is responsible for the A/V solutions of the auditoriums and meeting rooms of the St. Olav's hospital in Trondheim. YIT will deliver illumination, sound technology and ventilation for the new Color Line football stadium in Ålesund.

In industrial projects, the international Foster Wheeler Company commissioned the construction of a new steam generator from YIT, complete with auxiliary equipment. For Prior, Norway's leading egg and poultry meat company, YIT will deliver ventilation and electrical systems that meet the stringent regulations of the food industry.

Market trends in 2005

Economic growth will continue in Norway during the next few years. Consumption and construction investments are expected to increase. The focus of construction is on renovation and public sector projects. Life-cycle services are gaining ground and customers are paying greater attention to the productivity improvements imparted by investments. Development lays the foundation for long-term customer relationships.

Servicing on the rise in Denmark

YIT A/S offers building system services in Denmark. Its range comprises building equipment systems and security technology, property services, industrial and ship electrification as well as data network services.

Net sales in 2004 amounted to EUR 116.6 million (Sept. 1- Dec. 31, 2003: EUR 36.9 million). Of the net sales, 34 per cent were generated by the maintenance and servicing business. The order backlog was EUR 119.1 million at the turn of the year (EUR 96.3 million). At year's end, the company had 1,136 employees (1,008).

The result includes a loss provision totalling EUR 4 million due to an electrification project on two ships for the Royal Danish Navy. The project was transferred from ABB as part of the Building Systems acquisition. One of the ships has been completed and handed over, while the other will be completed in June 2005. The loss on the entire project – that is, both of the ships – has been recorded in the result for 2004.

Market for property services and maintenance picks up

The market developed in line with general expectations. The interest rate level was at a record low, and this increased demand for housing construction. Exports did not grow and industry pushed back investments due to the weak rate of the dollar and the high price of oil. The vacancy rate of business premises remained high, putting the brakes on new production. Renovation works on business premises saw growth, however. The market for property services and maintenance picked up during the report year as companies sought cost-savings by outsourcing service provision.

Installation works and service agreements

An agreement was signed with the Pedagogical University of Denmark for an end-to-end building equipment system delivery for the project to modernize its old university building in Copenhagen. The solution comprises project management and electrical, ventilation and piping installation works. YIT is also fully responsible for technical installation works in a ventilation development project at A.P. Møller – Mærsk's head office in Copenhagen.

Ventilation orders were landed from companies such as Novo Nordisk and F.L. Smidth. During the report year, new electrotechnical works were received for Danida's development cooperation project, which will be implemented in Maputo, Mozambique. In the marine industry, YIT received an order from Århus Shipyard for electrical installation works on three 146-metre ships.

In cooperation with the construction company Pihl and the Icelandic electricity company Landvirkjun, YIT is participating in the construction of a new hydropower plant, power lines and distribution systems in southern Greenland on behalf of Nukissiorfiit, Greenland's energy supply company. A service agreement for the maintenance and servicing of the Siri oil field was made with Danish Oil and other suppliers.

Major agreements for property services and servicing were made with parties such as Kolding Kommune, Teknos Technology, Danish Crown, Storstrømmens Sygehus Næstved, J&B Enterprise, Davidsen Partneren, Texas Instruments and Dressman.

Market trends in 2005

Private consumption and demand for housing are expected to strengthen in 2005 thanks to the state's tax relief and housing loan measures. The construction of new business premises will probably remain at a low ebb. Demand for renovation as well as property maintenance and servicing will grow. Growth in exports and investments by industry will remain slight. Appealing projects are on the horizon for YIT in the electrification of plant investments and the marine industry.



Power line servicing in Denmark.



A service agreement for the maintenance and servicing of the Siri oil field was made with Danish Oil and other suppliers.

Ship electrification comprises a significant business area.



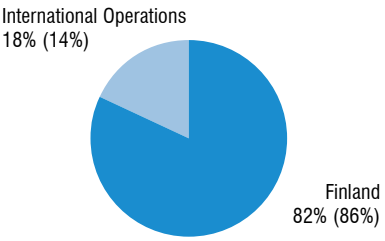


To build is to give shape to plans, wishes and dreams. By taking the entire life cycle of a building and its environs into account and inviting the customer to participate in the design process, it can be ensured that the implemented solutions are individualized – and that the end results stand the test of time.

Construction Services continues to rack up good earnings

Construction services encompass premises solutions for residences, workplaces and industry as well as construction and maintenance services for the basic structures of society, that is, its infrastructure. In addition to new construction, the business segment's services include repairing and modernizing old buildings and technical maintenance. YIT offers construction services in Finland, the Baltic countries and Russia. Water and environmental services are offered in Northern Europe and certain countries in the Middle East and Asia.

Net sales 2004 (2003)



Construction Services' net sales in 2004 amounted to EUR 1,427.3 million (EUR 1,398.5 million). The figure includes double net sales (sale of shares in own production) of EUR 203.1 million (EUR 243.1 million), which will be discontinued as from 2005 when YIT changes over to IFRS in its financial statements. International operations accounted for 18 per cent (14%) of net sales. Operating profit amounted to EUR 109.4 million (EUR 107.8 million). Exclusive of non-recurring items in the comparison period (EUR 24.3 million), operating profit grew by 31 per cent. Return on investment was 26.9 per cent (28.2%).

The uninvoiced order backlog at year's end amounted to EUR 847.9 million (EUR 817.7 million). The business segment had 5,102 employees (5,268) at year's end. At the beginning of 2004, 351 people transferred into the employ of Building Systems.

Good market situation in residential and infrastructure construction

In the summer months, housing sales and the rising price of residences in Finland levelled off from the record peak seen in the first months of the year. Demand remained normal in the last quarter of the year. The dramatic increase in the demand for housing and their prices in Moscow and St Petersburg plateaued during the latter part of the year. Demand for residences remained solid in the Baltic countries. Due to the high number of vacant business premises, the market situation for business premise construction remained challenging in Finland. Competition continued to be heated in both new construction and renovation. In industrial construction, demand recovered slightly in the second part of the year. In infrastructure construction – that is, civil engineering – the market as a whole was somewhat larger than in the previous year.

Aiming to increase services requiring specialist expertise

The business segment's strategic objective is to increase the added value of its services and maintain the profitability of operations at a good level. The segment will expand its business operations that are based on land management and specialist expertise in design control, life cycles, specialized infrastructure construction technologies, and other such areas. In land management, the segment places a great emphasis on ensuring a good reserve of plots and their rapid turnover and especially on long-term partnership and regional development projects.

In line with its strategy, the business segment continued to shift the focus of its operations from tender-based contracting to developer-contracted construction and other services with a high degree of added value, such as life cycle implementations and Design & Build projects. The order backlog of residential developer contracting saw vigorous growth in Russia and the Baltic countries.

The business segment's strategic objective is to adapt its services to better match the needs of different customer groups. In residential construction in the Greater Helsinki Area, for example, the company offers both terraced houses and blocks of flats for many different customer groups. In Russia and the Baltic countries, YIT puts the accent on its robust housing brand – which has a reputation as a reliable and high-quality builder.

RESIDENCES

Housing customers are either developers or on the market for a new home. Homebuyers are served under the YIT Home brand, which represents safe living in an individualized home, competitive financing solutions and cutting-edge telecom services. Developers are offered market-financed and State-supported residential building projects that are carried out under the Design & Build principle in partnership with YIT. Under this model, YIT takes on responsibility for both design and implementation.

WORKING ENVIRONMENTS

YIT's customers in working environments are those who use, own or invest in business premises, commercial and service premises and logistics and industrial facilities. YIT builds new sites, repairs old ones and provides maintenance services. An integral element in its service chain comprises need assessments and reports in which the efficiency, costs and competitiveness of space usage are analyzed. Customers are offered even more competitive solutions through different kinds of property development and upgrading projects.

PUBLIC SECTOR

YIT's public sector customers are municipalities, the state, parishes and their corporations. The entire service palette offered for working environments is also at the disposal of public sector bodies, to which YIT also provides specialist expertise, such as demanding road, street, bridge and railway network construction and maintenance services as well as construction, operation and maintenance services for water supply processes. To municipalities and landowners, YIT provides regional development projects that are carried out jointly by public sector bodies and the private sector. In models carried out as public-private-partnerships (PPP), implementation may involve assuming responsibility for project maintenance and costs over its life-cycle, arranging financing and using various project company models.

TENDER-BASED CONSTRUCTION

The service range in tender-based construction includes traditional contract-based new construction, renovation and maintenance. Tender-based construction services are offered in building construction, renovation, civil engineering, infrastructure maintenance and water supply technology.

Key figures, EUR million

	2004	2003
Net sales	**1,427.3**	1,398.5
Operating profit before amortization of goodwill and goodwill on consolidation, MEUR (EBITA)	**111.6**	111.1
Operating profit (EBIT)	**109.4**	107.8
- % of net sales	**7.7%**	7.7%
Return on investment	**26.9%**	28.2%
Order backlog, Dec. 31	**847.9**	817.7
Personnel, Dec. 31	**5,102**	5,268

Balance sheet summary, EUR million

	2004	2003
Non-current assets	**25.1**	21.3
Inventories	**356.9**	321.1
Financial assets	**539.7**	591.7
Shareholders' equity	**288.7**	259.2
Provisions	**2.5**	3.7
Interest-bearing liabilities	**131.5**	143.2
Interest-free liabilities	**499.1**	528.1
Balance sheet total	**921.8**	934.2

Good housing sales in Finland during the entire year

In the early year, housing sales in Finland hit a record peak, and then returned to their ordinary level in the second half of the year. Sales of residences went well during the whole year in the municipalities surrounding the Greater Helsinki Area and the other growth centres.

The major market-financed residential projects that were under construction or started up in 2004 included Asunto Oy Helsingin Cirrus in Vuosaari, which will be Finland's highest apartment building, the Tilkka regional site in Töölö, Helsinki, the Vanhankaupunginkoski regional site in Viikki, Helsinki, the Etu-Lyötty regional site in the centre of Oulu, the Tampella area in Tampere and the Lutakko area in Jyväskylä.

Residential construction in Finland, 2004 (2003), number of residences

	Market-financed	State-financed and tender-based	Total
Sold	2,311 (2,453)	-	**2,311** (2,453)
Completed	2,908 (1,796)	266 (1,200)	**3,174** (2,996)
Start-ups	2,515 (2,826)	202 (282)	**2,717** (3,108)
Under construction at year's end	2,826 (3,224)	158 (222)	**2,984** (3,446)
Completed and unsold at year's end	189 (65)	-	**189** (65)

Other building construction in Finland

The high number of vacant business premises meant that the market situation for business premise construction remained challenging in Finland, both in new projects and renovation. During the first months of the year, the scarcity of investments by industry

kept the construction of production premises at a low level as well. Towards the end of the year, demand for industrial construction recovered slightly as investments were greenlit. Demand for commercial and logistics premises remained moderate in 2004.

Major business premise projects that were under construction or started up in 2004 were the additional building of the Finnish Parliament in Helsinki, an office building for TietoEnator in Espoo, a multi-purpose hall in Joensuu, YIT Centres in six localities, with the Suomi Group as the owner of the Centres, the extension of the business premises of VTI Technologies Oy, with Ilmarinen Mutual Pension Insurance Company as the owner of the premises, M-real's new BCTMP plant in Kaskinen, and the Innopark. The last is a business park being implemented in association with the City of Hämeenlinna; its tenants will include organizations such as the Häme Polytechnic.

Renovation projects under way or initiated in 2004 included the refurbishing of the Ympyrätalo Building in Hakaniemi, Helsinki, and the refurbishing of an Alko warehouse in Ruoholahti, Helsinki, on behalf of Kapiteeli Plc; when completed, the latter will house the new premises of the Helsinki District Court.

In December 2004, the business segment made the largest single property deal in its history when the logistics centre project located in the vicinity of the Helsinki-Vantaa Airport was sold to Tapiola Mutual Pension Insurance Company and Tapiola General Mutual Insurance Company. The centre will be used by DHL, which will centralize its Nordic logistics functions there.



Asunto Oy Jyväskylän Mariini.

Life-cycle responsibility projects tap into the entire Group's expertise

The aim of Construction Services is to be the market leader in life-cycle model projects in Finland. A life-cycle responsibility project is an investment project in which the party implementing the investment takes on responsibility for the design, implementation, maintenance, usability and life-cycle costs of the investment over an agreed period of time. A life-cycle responsibility project may also include organizing private financing and the services offered in the operating environment. Life-cycle responsibility projects harness the expertise of all the YIT Group's business segments.

Projects with public sector bodies are often referred to as private-public-partnerships (PPP models). In such models, implementation may involve assuming life-cycle responsibility, arranging financing and using various project company models.

Major life-cycle responsibility and PPP projects that were under way or started up in 2004 included the Kilo health centre for the City of Espoo, the Laurea Polytechnic for the City of Vantaa, and premises for the Finnish Meteorological Institute and the Finnish Institute of Marine Research in Kumpula, Helsinki, for Senate Properties. In the latter project, YIT has taken on life-cycle and maintenance responsibility for 30 years.

The Technopolis office building in Vantaa.



Regional development projects are carried out as private-public cooperation

In accordance with the strategy of Construction Services, outlays were made on regional development in 2004 in cooperation with municipalities and landowners. Such development aims to create beautiful and attractive residential and working environments by drawing on the expertise of a network of both public and private players. Greater openness is sought in project development, zoning and design. Right from the start, residents and other interest groups are invited on board to engage in a dialogue on the creation of the area's identity and themes.

During the report year, the Hista Manor and Espoo Manor regional development projects were ongoing in Espoo. A new project was the redevelopment of an area owned by Lomayhtymä ry on the shore of Nupurinjärvi lake into a terraced house area. The Kupariranta regional project in Naantali and the Aijälänranta regional project in Jyväskylä were in progress.



Finland's largest soil stabilization project in Vuosaari Harbour project in Helsinki.



IT Centre Megapolis in Vilnius.

Hotel Stikliai in Vilnius.



Growth in the market for infrastructure construction and maintenance

In infrastructure construction – that is, civil engineering – the market as a whole was larger than in the previous year. Price competition remained tight, but became healthier as large projects went ahead. The market situation in tunnelling and underground construction developed favourably in the latter part of the year when large projects went into the tendering stage.

YIT has landed numerous earthwork contracts for the Vuosaari Harbour project, both for traffic connections and harbour construction. New contracts received in 2004 included two railway tunnels for the direct line from the harbour to Savio, Kerava. The tunnel excavation works were started up in December 2004 and the contracts will be seen to completion in February-March 2007. In addition, YIT has been involved in the implementation of the now-completed shunting yard, earthworks at the harbour and its business park, and the largest soil stabilization project in Finland.

Other significant projects in 2004 included the construction of a bridge on the Kerava-Lahti direct line in Kytömaa, the extension of the Port of Kotka's container terminal, the penitentiary of Southwestern Finland and sealing works at the former landfill site in Myllypuro, Helsinki.

During the year now ended, YIT consolidated its position as the market leader among private players in public road maintenance. YIT handles ten road maintenance contracts for the National Road Administration, plus numerous urban and municipal road maintenance contracts. During the report year, the company landed multi-year regional contracts in Espoo, Nummi, Imatra, Raisio and Iisalmi. In addition, the Pietarsaari regional contract was extended until 2009.

YIT and Finnish Road Enterprises were pre-selected as a consortium for the competitive bidding on the construction of the E18 motorway. The construction of the E18 motorway between Lohja and Muurla will be carried out with private financing and under a life-cycle model.

Surging residential construction in Russia and the Baltic countries

YIT strongly stepped up its residential construction in Russia and the Baltic countries. Housing production was started up in the municipalities surrounding Moscow (Moscow Oblast), where YIT established the joint venture ZAO YIT Ramenje at the end of 2003 to attend to developer-contracted residential construction. YIT acquired its first residential plot in the City of Moscow during the last quarter of the year.

Residential construction in Russia and the Baltic countries, 2004 (2003), number of residences

	Russia, St Petersburg	Russia, Moscow region	Estonia	Latvia	Lithuania	**Total**
Sold	420	302	251	37	126	**1,136** (606)
Completed	225	-	303	38	-	**566** (214)
Start-ups	1,845	1,328	283	139	278	**3,873** (351)
Under construction at year's end	2,211	1,328	230	101	284	**4,154** (855)
Completed and unsold at year's end	13	-	-	1	-	**14** (5)

The prices of residences in Russia registered a significant increase in the first half of the year. However, the rate of price increases levelled off in the latter half of the year. The selling price of the market-financed residences built by YIT in Russia and the Baltic market is slightly under a third, on average, of the prices of residences sold in Finland.

As is the custom of the country, YIT constructs buildings in Russia without doing the interior decorating works. In the Baltic countries, residences are finished almost to the same degree as in Finland. As demand increases, the finishing of interior decorating works has been started up in individual projects in Russia as well. In order to meet the need for housing loans, YIT has developed a housing financing concept for Russian homebuyers in association with the International Moscow Bank (IMB).

During the year now ended, YIT began to expand the YIT Home brand to Russia and the Baltic countries. The content and services of the brand are set in accordance with local demand, needs and culture. YIT aims to stand out as a reliable and high-quality construction company in each of its market areas.

Major market-financed residential sites and areas that were implemented or started up in Russia and the Baltic countries in 2004 included the "New Europe" complex of about 1,500 apartments on Slava Prospect in St Petersburg, the "Five Stars" block of flats on Vasily Island in the centre of St Petersburg and buildings in the Shuvalovo and Uritsky areas. In the municipalities surrounding Moscow, blocks of flats were started up in the cities of Zhukovsky, Balashiha, Dolgoprudnoye and Ramskoye. Construction began on blocks of flats on Karukella St., Valge St. and Asula St. in Tallinn, on Jakšto St. and Krivivi St. in Vilnius, on Archyvo St. in Kaunas, and on Nomentnu St. in Riga. In addition, the first stage of a block of flats was started up on Brivibas St. in Riga.



A block of flats with 350 residential units and 10–16 floors on Vasili Island in St Petersburg.

Projects in Russia and the Baltic countries

In addition to residential construction, YIT offers commercial, business premise and industrial construction services in Russia, Estonia, Latvia and Lithuania. The services are provided as Design & Build implementations, under cooperation and partnership models and as traditional tender-based contracting.

Major construction projects that were being built or started up in 2004 included the Japanese Embassy in Moscow, Russia; a shopping centre for AB Baltic Shopping Centres in Vilnius, Lithuania; in Estonia, the Design & Build implementation of production plants for Elcoteq and an office building and parkade for AS Ärimaja in Tallinn, a back-up boiler and a peak load boiler for the Narva power plant, the Paikunen landfill in Pärnu, and the concert hall of the City of Jõhvi for Eesti Konzert; and the Jurmala spa hotel in Latvia for SIA Ärimaja Jurmala.



The waterworks of the City of Siauliai in Lithuania.

Projects in water and environmental services

In water and environmental services, investment, modernization and maintenance services are offered in Finland, Russia, Northern Europe and the Middle and Far East. During 2004, major projects in water and environmental services in Finland included deliveries for the wastewater treatment plants of Helsinki and Tampere and a power plant water treatment plant for Fortum in Loviisa. Significant international projects included the district heating system projects of the cities of Yanji, Zhangye and Xiang Yang in China; wastewater treatment plants in southwestern St Petersburg and Sestroretsk in Russia; the Ventspils drinking water plant as well as a wastewater treatment plant and network project for the City of Jelgava in Latvia; the wastewater treatment plant of Viljand in Estonia; and equipment deliveries for the wastewater treatment plant of Makkah-South in Saudi Arabia.



Management of plots is geared towards improving profitability

Business operations based on land management comprise one of Construction Services' strategic growth areas. Land management aims to increase the added value of



The entry hall of the church of Klaukkala.



Low-rise houses in the Kartanonpuisto area of Espoo.

Toyota dealership in Vilnius.



services and improve profitability. Particular attention is paid to plot acquisition models and payment terms to achieve higher turnover of the capital tied into the plots and to minimize the effect of plot acquisition on cash assets.

The new plot acquisition models include long-term regional development agreements made with public sector bodies, private companies and landowners. In the Russian housing market, part of the building rights are paid to the cities by handing over a certain number of the completed apartments.

Construction Services owns solid plot reserves in all its market areas – enough for 3-4 years of construction.

The most important plot acquisition in YIT's history is carried out in Vallila, Helsinki

YIT carried out its most significant plot acquisition to date in February 2004 when it made an agreement to acquire from VR Corporation the building rights of the old Konepaja area in Vallila, Helsinki. The deal will be consummated stage by stage as zoning and construction progress. The deal includes plots zoned for the construction of over one thousand residential units and a development, marketing and acquisition agreement concerning about 70,000 square metres of floor area in building rights for commercial and business premises in the area.

Plot reserves in Finland, December 31, 2004

Building rights and zoning potential, 1,000 m2 of floor area	Residential plots	Business premise plots	**Total**
Greater Helsinki Area	479	317	**796**
Surrounding municipalities	97	0	**97**
Turku area	108	186	**294**
Tampere area	238	180	**418**
Jyväskylä	39	20	**59**
Lahti	57	10	**67**
Oulu	91	41	**132**
Rest of Finland	258	98	**356**
Total	**1,367**	**852**	**2,219**
Capital tied into plot reserves, EUR million	161.2	116.9	**278.1**

In 2004, 223,000 m2 (2003: 280,000) of floor area in residential plots and 67,000 m2 (45,000) of floor area in business premise plots went into use. In the same period, residential plots amounting to 195,000 m2 (232,000) of floor area were bought, along with 27,000 m2 (17,000) of floor area in plots for business premises. New plot acquisitions in 2004 amounted to EUR 76.0 million (EUR 73.6 million). At the end of 2004, plot reserves in Finland amounted to 2.2 million m2 of floor area (1.9), including both prezoned plots and plots that are being zoned.

Residential plot reserves in Russia and the Baltic countries, December 31, 2004

Building rights and zoning potential, 1,000 m2 of floor area	Residential plots
Russia, St Petersburg	246
Russia, Moscow area	40
Estonia	132
Latvia	31
Lithuania	91
Total	**540**
Capital tied into plot reserves, EUR million	23

In Russia, Estonia, Latvia and Lithuania, the equivalent of about 316,000 m2 of floor area (32,000) in residential plots went into use. Residential building rights representing 420,000 m2 of floor area (390,000) were acquired. At the end of 2004, YIT had the equivalent of about 540,000 m2 of floor area in residential housing plots abroad (430,000), which suffices for the construction of about 6,700 market-financed residential units.

Cost-effectiveness and cash flow are the main development themes

In 2004, the main themes of development efforts were improving cost-effectiveness and boosting the efficiency of cash flow. Business operations were upgraded by developing customer accounts and expertise, business processes and personnel. Development efforts were divided into six programmes: YIT Home, corporate customer relationships, business processes, the development of personnel, business information systems and procurements.

The comprehensive development of procurements was started up within the entire Group. In Construction Services, procurements were realigned as strategically managed operations and, in the case of certain product groups, decision-making was centralized at the corporate level. Development efforts seek higher cohesiveness in planning, procurement and production cooperation and to come up with solutions that are economical all around in association with the supplier network.

The development of the YIT Home customer process and brand continued in all the market areas. In corporate customer relationships, the main thrust was on the public sector and related life-cycle implementation and regional development projects as well as joint projects between the private and public sectors. Personnel development put the accent on job orientation and cooperation with educational institutions.

YIT was strongly involved in a project to develop life-cycle implementation models. The project is led by the Confederation of Finnish Construction Industries RT and the participants are large construction companies, municipalities and representatives of the authorities.

In 2004, YIT sold product model technology and software that had been developed in-house to Graphisoft Ltd, and made a partnership agreement with this Hungarian company on their further development.

Outlook for 2005

It is estimated that the market outlook for developer-contracted residential construction will remain good in all of YIT's market areas in the next few years. In Finland, the outlook is bolstered by the population shift from one municipality to another, consumers' belief in the positive development of their own finances and the low interest rate level. Demand for new residences in Russia and the Baltic countries is supported by strong economic growth and people's need to improve their living conditions.

On the whole, the Finnish construction market is expected to grow at a rate of several per cent in the next few years. Particularly strong growth is expected in renovation. Demand for commercial and logistics premises will also grow. Growth is foreseen in infrastructure construction, such as when railway maintenance opens to competition. The market for office and industrial construction will not see significant growth.

The Construction Services business segment will achieve its most substantial growth in Russia and the Baltic countries. There, growth is sought from market-financed residential construction.



YIT handles ten road maintenance contracts for the National Road Administration, plus numerous urban and municipal road maintenance contracts in Finland.



McDonalds' restaurant in St. Petersburg.



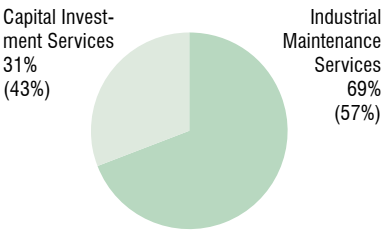
The efficiency, reliability and environmental soundness of production systems have a great bearing on day-to-day life. When industrial production rolls smoothly, our lives are easier.



Investment start-ups increase order backlog

The business segment offers capital investment and maintenance services to industry, from individual deliveries to end-to-end partnership agreements. Its customers represent a wide spectrum of fields of industry. In its product areas, YIT is the largest provider of maintenance and investment services for industry in the Nordic countries. Projects are exported worldwide.

Net sales 2004 (2003)



In 2004, the net sales of Services for Industry amounted to EUR 195.1 million (EUR 209.7 million). The share of net sales accounted for by the maintenance business was 69 per cent (57%). The value of international operations amounted to EUR 19.0 million (EUR 26.3 million), representing 10 per cent (13%) of total net sales. Operating profit amounted to EUR 6.3 million (EUR 8.8 million). Return on investment was 32.9 per cent (pro forma).

At the end of the year, Services for Industry's order backlog amounted to EUR 116.5 million (EUR 67.2 million). Of the backlog, EUR 10.3 million (EUR 1.9 million) represented foreign orders. The number of employees at year's end was 2,760 (3,117).

The Services for Industry business segment was formed in September 2003, after the Building Systems acquisition, and thus the net sales, operating profit and the order backlog figures presented for 2003 are pro forma calculations.

The net sales of Services for Industry were lower than in the previous year mainly due to the decline in investments. Operations focused on maintenance-related deliveries. One of the major factors underlying the buoyant growth in the order backlog comprises the orders YIT landed for the Diesel project at Fortum's refinery in Porvoo.

Investments are started up, stable demand in maintenance

Capital investments by industry remained slight in 2004. For the most part, the investments that were made comprised maintenance and modernization investments. There was a clear turn for the better during the report year, and investments were greenlit. The investments that are particularly significant to YIT are Fortum's oil refinery in Porvoo and Finland's fifth nuclear power plant, which will be built in Olkiluoto. In addition to these large projects, numerous major forest industry investments began in the Nordic countries.

Market trends remained favourable in industrial maintenance. Industry's low investment level – with industry even refraining from replacement investments – forced companies to make outlays on the maintenance of their old stock of machinery and equipment. As is typical of the field, the business volume was at its most brisk in the summer and early autumn due to the maintenance and repair investments that are carried out during the summer holidays. Numerous shutdown works were performed for the forest industry and at nuclear power plants during the report year. Demand remained steady in the outsourcing of services.

The objective is to bolster partnerships

YIT seeks to systematically increase its operation and maintenance business. Mechanical wood processing, the pulp and paper industry, the chemical industry and the basic metals industry in particular are potential growth areas in maintenance.

End-to-end maintenance deliveries are being purchased in greater amounts. As outsourcing gains ground, the service level requirements grow. Maintenance is expected to increase productivity and improve functionality. Service providers are required to be

CAPITAL INVESTMENT SERVICES

Capital investment services for industry comprise piping system, tank and automationdeliveries for various industrial processes. The products and services cover everything from workshop-fabricated piping and boiler components to end-to-end projects including design, manufacture and installation.

MAINTENANCE SERVICES

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

PARTNERSHIP AGREEMENTS

In maintenance partnership agreements, the company takes on total responsibility for the maintenance and operation of a plant as well as the management of its external services.

Key figures, EUR million

	2004	2003
Net sales	**195.1**	209.7
Operating profit before amortization of goodwill and goodwill on consolidation, MEUR (EBITA)	**6.8**	9.7
Operating profit (EBIT)	**6.3**	8.8
- % of net sales	**3.2%**	4.2%
Return on investment	**32.9%**	-
Order backlog, Dec. 31	**116.5**	67.2
Personnel, Dec. 31	**2,760**	3,117

Balance sheet summary, EUR million

	2004
Non-current assets	**14.8**
Inventories	**8.1**
Financial assets	**43.5**
Shareholders' equity	**18.8**
Provisions	**1.1**
Interest-bearing liabilities	**1.5**
Interest-free liabilities	**45.0**
Balance sheet total	**66.3**

even more proficient and well-versed in the customer's processes. YIT pays particular attention to strategic partnerships, the strengthening of customer relationships, comprehensive troubleshooting and improving its service quality.

Large projects get under way

Of the large investment projects that are now starting up, YIT landed orders for Fortum's Diesel project in heated international competition. In this project, a new refinery unit will be built at the Porvoo refinery. In 2004, YIT received a mechanical installation contract for a production line, including piping and equipment installation for the hydrogen and residual oil unit as well as a steel structure delivery. In addition, an agreement was made earlier for the delivery of underground process piping for the production line. Deliveries for the Diesel project will continue until early 2006. YIT and Fortum's Porvoo refinery have also made a multi-year agreement for the small-scale installation of automation and instrumentation.

The first commercial tender requests concerning the piping of OL3 – Finland's fifth power plant, which will be built in Olkiluoto – came in for calculation in 2004.

Many piping deliveries for the forest industry in investment services

The largest projects seen to completion in the wood processing industry were piping for the VEPA 2003 project of Stora Enso's mill in Veitsiluoto, the process and heat-recovery piping of a thermomechanical pulping plant as part of the WARMA project in Varkaus and bleaching plant piping for the Elegant project in Kemi.

A new project that was landed comprised the delivery of deinking plant piping for UPM's Kaipola plants. Their construction was started up immediately. In June, work got under way on the PM 2 piping project at Stora Enso's Summa mills. An agreement concerning projecting and design services was made for M-real's BCTMP plant in Kaskinen, and the installation of pipe rack piping was started up during the year now ended; YIT is also delivering piping for the plant's evaporating facility.

In the energy industry, deliveries for the soda recovery boiler of UPM's Wisa 800 REC project and Wisapower Oy's power plant piping contract were seen to completion. During the report year, the highly challenging Timo project was started up for TVO. It involves the replacement of high-pressure power plant turbines. Large-scale piping deliveries for the project will continue until 2006.

In the case of tanks, a gas storage facility measuring 3,000 cubic metres will be supplied for AGA-Cryo AB in Porvoo, along with tanks for Metso Paper in Kvarnsveden, Sweden.

Demand was slight in the marine industry. The major deliveries in 2004 comprised piping prefabs for the Color automobile ferry and Fesco icebreaker built by Kvaerner Masa-Yards as well as piping prefabs for the Ultra Voyager cruise ship in Turku and Helsinki.

Demand for instrumentation installation improved significantly as the year progressed. The major instrumentation delivery was landed from Linde AG for AGA's air gas plant in Tornio.

Piping and boiler prefabs ordered for export

Significant piping and boiler prefab export orders were received from all Finnish boiler manufacturers: the design and delivery of internal circulation piping and high-pressure piping for a soda recovery boiler for Andritz in Portugal, ring chambers and high-pressure piping components for Kvaerner Power in the USA and Brazil, and internal circulation piping for Foster Wheeler Energy in China.

Materials will be delivered to Cellulosa Arauco y Constitucio S.A. in Chile. Steam piping for a large combined cycle gas power plant will be supplied, complete with installation, to Demag Delaval Industrial Turbomachinery Ab (SIEMENS) in Riga. A tank delivery was completed for UPM in Changshu, China. Pulp AS in Estonia placed an order for a CTMP plant tank.

Orders for power plant projects have come in from Sweden in particular. Replacements of pressurized tank components will be carried out for Billerud Karlsborg, Stora Enso Norrsundets Bruk and SCA Packaging Obbola.

Strong demand in maintenance and modernization

Numerous maintenance shutdowns took place at Teollisuuden Voima's nuclear power plants in 2004. YIT supplied two major modernization project deliveries and hourly-rate maintenance works for these shutdowns. In the Kannake project, the support plans of the main steam lines of TVO1 and TVO2 were revised. This delivery also included the manufacture and installation of supports.

YIT is one of the largest providers of maintenance services for Fortum's power plants. In 2004, YIT made a five-year maintenance agreement with Fortum's Loviisa power plant, including valve maintenance services at the power plant. During the year now ended, YIT also worked on the replacement of the back-up cooling system of the nuclear power plant.

The nationwide framework agreement for piping maintenance for UPM was continued. Annual regional agreements with Stora Enso were extended. Annual maintenance agreements were also made with other major customers.

Renewing partnership agreements

A partnership agreement was made with Vacon Plc for equipment maintenance and servicing of frequency converters in Finland. The companies have cooperated since 1998. YIT has Vacon frequency converter maintenance and servicing outlets in Imatra, Jyväskylä, Kemi, Lahti, Pori, Turku, Vantaa and Varkaus. Under the new agreement, the servicing operations expanded to Vaasa and Tampere as from June.

YIT made an agreement with Altia Corporation to provide maintenance services for its plants in Rajamäki. The three-year agreement comprises mechanical, electrical and automation maintenance, property maintenance works and the direction of services in support of operations. YIT was also handed the responsibility for the maintenance of PPTH Norden Oy's plants in Peräseinäjoki and Alavus.



One of the major factors underlying the buoyant growth in the order backlog comprises the orders YIT landed for the Diesel project at Fortum's refinery in Porvoo.



YIT has a long track record in the maintenance of petrol stations. The company made its first such maintenance agreement in 1994 with Oy Shell Ab.





Existing maintenance partnership agreements were renewed with several major customers.

The Ylivieska engineering works manufacture items such as piping prefabs.



A maintenance partnership agreement was made with Raisio Chemicals, covering its plants in Lapua and Kaipiainen. YIT assumed total responsibility for performing and developing maintenance at Raisio Chemicals' Kaipiainen plants in September. Work continued at the Lapua plant under a new contract.

Existing partnership agreements were also renewed with Valio, Ekokem, Hartwall, Neste Jakelu and Shell.

YIT expands internal cooperation in Sweden

Cooperation in maintenance services for industry was stepped up with the Building Systems business segment's YIT Sverige AB in Sweden. During the report year, major maintenance shutdown deliveries were carried out jointly for forest industry plants on the eastern coast of Sweden for customers such as M-real in Örnsköldsvik and Husum and SCA in Obbola.

Development efforts prepare for future projects

Development efforts zero in on automated welding and upgrading the efficiency of the project control system. Steps are also taken to bolster logistics expertise. YIT stepped up its high-pressure piping prefabrication capacity to prepare itself for potential deliveries for Olkiluoto 3, Finland's fifth nuclear power plant.

Development work geared towards increasing the teamwork abilities and functionality of working communities continued during "Together We Can Do It" events held all over Finland.

Outlook for 2005

After a few sedate years, industry began to start up investments in 2004. In the years just ahead, demand for investments is expected to remain good. Demand is strengthened by the nuclear power plant project and smaller projects by the forest industry and the energy, gas and oil refining industries in the Nordic countries.

Demand for repair and maintenance works will also increase in step with economic growth. Industrial companies are tightening their focus on their own core expertise areas and are outsourcing their maintenance functions.

The net sales of Services for Industry are anticipated to grow in the next few years as investment projects are started up and maintenance partnership agreements gain ground. In spite of its favourable outlook, the business segment's capacity will remain partially unused at the beginning of 2005. After that, the capacity utilization ratio will surge.

In the energy sector, YIT completed its deliveries for the Wisa 800 REC project.





Development efforts zero in on for example automated welding.

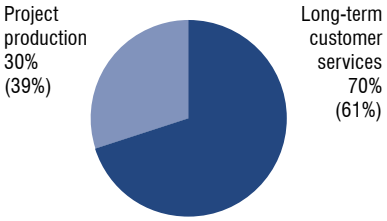


These days, we tend to take data transfer for granted – and only pay attention to it when a connection is disconnected. It is our task to create and maintain data networks so well that they function almost invisibly.

Growth from new customer accounts enhances cost-effectiveness

Data Network Services' offerings encompass the design, construction, installation and maintenance of telecom networks as well as IT helpdesk services. Its technical expertise includes telecom and data networks, mobile and public authority networks and data networks. YIT is Finland's largest provider of telecom network installation and construction services. Thanks to its nationwide service network, the business segment can handle data network installation and maintenance services all over Finland.

Net sales 2004 (2003)

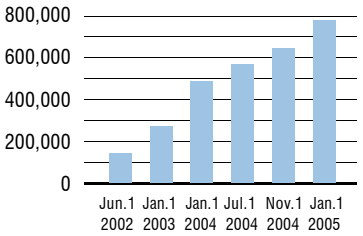


2004 was a better year for Data Network Services than 2003. The earnings trend in its business operations was stronger than in the previous year due to the brisker market situation, especially in the case of broadband connection installation, as well as its measures to develop and boost the efficiency of its operations.

In 2004, the net sales of Data Network Services amounted to EUR 127.0 million (EUR 130.0 million). Of the net sales, 70 per cent (61%) were generated by long-term service agreements and 30 per cent (39%) by project production. The business segment's operating profit grew by 53 per cent compared with the previous year and amounted to EUR 16.4 million (EUR 10.7 million). Return on investment was 45.8 per cent (26.8%).

The order backlog at year's end was EUR 82.7 million (EUR 102.9 million). At the end of the year, Data Network Services had 1,328 employees (1,463). At the beginning of 2004, 134 employees transferred over to Building Systems.

Number of broardband connections in Finland



Source: Ficom

Favourable trends in broadband connections

Competition between operators was heated in the telecom business. Trends were favourable in broadband networks and connections and the IT services offered for them. Due to the competition between teleoperators, the market for installation services began to open up to external service providers.

The major factors underlying net sales growth were new operator customer accounts, the rising number of broadband connections and demand for IT installation services as part of these connection deliveries. Broadband-related demand also enlarged the order backlog. The significant decline in mobile network projects and the shifting of service demand to smaller-scale maintenance and conversion works increased the share of net sales generated by long-term customer agreements.

Seeking growth from IT helpdesk services

YIT aims to stand out in the market by providing good service. Achieving this goal entails an extensive product and service range, robust expertise, identifying the telecom needs of customers and a nationwide service network with local service outlets.

The business segment seeks profitable growth in all its home markets. In Finland, growth is sought particularly from IT helpdesk services and new customer relationships. In the case of fixed and mobile telecom networks, the segment aims to hold on to its strong position.

Buoyant growth in the number of broadband connections

In 2004, the number of broadband connections in Finland grew by nearly 60 per cent to about 780,000 connections. A record number of broadband connections were sold in the latter part of the year. Demand was stimulated by the slashing of the monthly charges of end customers and the recurring new customer offers provided by operators.

END-TO-END NETWORK IMPLEMENTATION

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

INSTALLATION AND MAINTENANCE SERVICES AND HELPDESK

Telecom installation and maintenance services and technical helpdesk services are offered to customers such as IT service providers and, through operators, to end users. Installation services encompass different types of connections, installation of PCs and peripherals and internal network solutions. The service also includes the IT helpdesk services that users require.

TELECOM SOLUTIONS FOR EVENTS

Temporary telecom solutions are provided for events either on a turnkey basis or as packages including planning, cabling, terminal devices and maintenance.

CONTACT CENTRE SERVICES

The Contact Centre serves as a customer support channel and accepts service requests around the clock, each and every day.

REPAIR CENTRES

The Repair Centres offer maintenance, repair, logistics and pre-installation services for operators' equipment.

UNDERSEA CABLES

The company lays down and maintains undersea cables in the Baltic Sea with its own cable vessel.

Key figures, EUR million

	2004	2003
Net sales	**127.0**	130.0
Operating profit before amortization of goodwill and goodwill on consolidation, MEUR (EBITA)	**19.7**	14.0
Operating profit (EBIT)	**16.4**	10.7
- % of net sales	**12.9%**	8.2%
Return on investment	**45.8%**	26.8%
Order backlog, Dec. 31	**82.7**	102.9
Personnel, Dec. 31	**1,328**	1,463

Balance sheet summary, EUR million

	2004	2003
Non-current assets	**25.6**	28.9
Inventories	**0.5**	0.8
Financial assets	**55.9**	45.1
Shareholders' equity	**7.4**	7.2
Provisions	**4.5**	3.0
Interest-bearing liabilities	**27.8**	31.1
Interest-free liabilities	**42.3**	33.5
Balance sheet total	**82.0**	74.9

The turnkey solutions marketed by operators increased YIT's IT helpdesk service volume. The broadband trend also led to a slight increase in investments in the fixed telecom network in both urban and sparsely populated areas. As the number of connections grows, so will the need for network maintenance services; this is expected to become evident in YIT's operations next year.

Outsourcing of installation services starts up again

The severe competition in the telecom business encouraged operators to focus on their core business. Both operators and IT system suppliers are looking for solutions to support the development of the installation market and pull external, independent service providers into the field.

This trend has increased YIT's service provision potential, but also puts pricing under pressure. However, the major impacts of this trend on the open market will become evident only a few years down the line, when the grace periods generally related to the arrangements come to an end.

During the report year, YIT made new customer agreements with most operators. The most significant new service provision agreement was made with Kuopion Puhelin (Kuopio Telephone Group); as part of this agreement, the latter's installation employees transferred to YIT. The new agreements enlarged the clientele and increased workloads, making it possible to develop operations.

Gradual implementation of 3G network investments in the mobile market

During the report year, tough price competition between operators in the mobile network market reduced both investments and the demand for installation services. In addition, the market was recessed partly due to the ongoing sweeping changes in technology.



YIT aims to stand out in the market by providing good service. In Finland, growth is sought particularly from IT helpdesk services.

The company lays down and maintains undersea cables in the Baltic Sea with its own cable vessel Telepaatti.



In the autumn, several operators opened 3G networks in limited regions in Finland. These third-generation networks enable faster data transfer. However, no great peak is expected in 3G network investments. Instead of a rapid revolution, investments are expected to be realized at a slower pace, as network evolution occurring in step with new service development and the resulting need for greater network capacity.

Towards the end of 2004, YIT made an agreement with Siemens concerning the installation of base stations in the GSM-R network of the Finnish Rail Administration. The network is based on GSM technology, but incorporates special features developed to meet railway traffic requirements. Siemens will supply the network infrastructure for the project, and YIT will install the network base stations and antenna circuits. The network will be completed by the end of 2006.

Development of operations enhances competitiveness

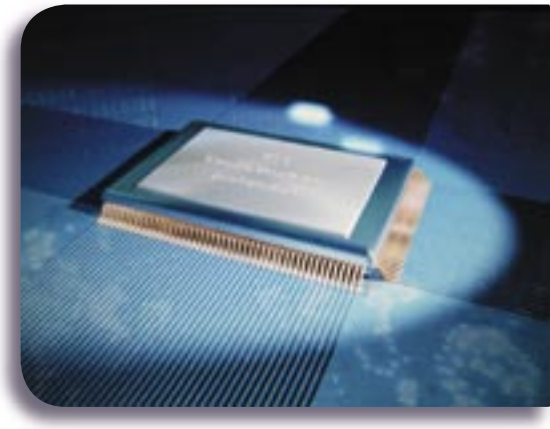
In 2004, development efforts focused on coming up with new service packages in technical helpdesk services and on measures supporting the opening up of the installation market in both helpdesk services and telecom networks.

The IT platform of Data Network Services has been modernized to achieve greater efficiency in service processes and improve the service level. Field operations were honed by means of a joint project with Tekes, which seeks efficiency in the production control and logistics of field services.

Cooperation with educational institutions has been firmed up to ensure that enough labour is available in the years ahead. As part of this cooperation, the number of trainees at YIT was increased substantially.



Outlook for 2005



The fixed and mobile network market will see moderate growth in Finland over the next few years. Major new network investments are not expected in the teleoperator sector. In the fixed network, the broadband trend will continue and the amount of data transferred over the network will grow. At the same time, the number of telephone connections will decline in the fixed network. Investments in the mobile networks will mainly comprise replacement investments, including the replacement of equipment, and no growth is foreseen in the field during the next few years. 3G projects will progress gradually as demand grows.

Regulation will open up local network-related services to competition. New services and technologies, such as wireless access and LANs, will call for investments in the future as well.

The heated competition between operators subjects YIT to price pressures, but also opens up opportunities for stepping up installation services and structural growth through outsourcing.

The market for IT helpdesk services is full of potential, although these services will see only moderate growth in the next few years. IT helpdesk services are also opening up to competition, and system suppliers are seeking new, independent partners for service implementation.

In 2005, Data Network Services' work volume is expected to increase slightly. The broadband trend will continue and the open market for IT helpdesk services will grow.

Report of the Board of Directors, January 1 - December 31, 2004

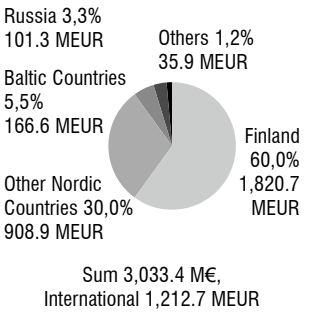
YIT posts its best-ever result in 2004

In 2004, YIT's net sales, profit before taxes and order backlog rose to record levels. After its successful integration stage, Building Systems transitioned to normal business operations. In the final quarter, the business segment's operating profit before amortization of goodwill and goodwill on consolidation represented as much as 4.0 per cent of net sales. Housing production in Russia, Estonia, Latvia and Lithuania was stepped up briskly. Towards the end of the year, residential production stabilized at a good level in Finland and, on the whole, Construction Services' result was good. The order backlog of Services for Industry doubled. The cost-effectiveness of Data Network Services and the buoyant growth in broadband installation generated good earnings. The outlook for 2005 is favourable.

YIT's group structure

Once the Building Systems acquisition had been carried out, the Group's operations were divided into four business segments at the beginning of September 2003: Building Systems, Construction Services, Services for Industry and Data Network Services.

Net sales by country 2004



Sum 3,033.4 M€,
International 1,212.7 MEUR

The Construction Services business segment was formed from YIT Construction Ltd together with its subsidiaries. The Data Network Services business segment was formed from YIT Primatel Ltd. The former YIT Installation was divided into two new business segments. The Services for Industry business segment was formed from YIT Industria Ltd and YIT Service Ltd, which were part of YIT Installation, as well as the associated company Oy Botnia Mill Service Ab.

The Building Systems business segment was formed from the acquired Building Systems business and YIT Installation's Scandinavia and Building Systems divisions. In addition, YIT Rapido Property Management Services Ltd from YIT Construction Ltd and the property network business from YIT Primatel Ltd were integrated into the Building Systems business segment as from the beginning of 2004. The acquired Building Systems business functions had net sales of EUR 335.1 million during the period from August 29 to December 31, 2003. YIT Rapido Property Management Services had net sales of EUR 27.7 million in 2003 and the property network business had net sales of EUR 11.4 million.

In the case of Building Systems and Services for Industry, the net sales, operating profit and order backlog figures presented below for 2003 are pro forma calculations.

YIT's financial target levels are revised

On September 23, 2004, YIT Corporation's Board of Directors amended its financial target levels for the 2005 - 2007 strategic period. The target level for return on investment was raised from 18 to 20 per cent. The target level for the equity ratio was lowered from 40 to 35 per cent. The raising of the target level for return on investment was based on the lower need for capital following the change in the business segment structure as well as on the objectives set for the strategic period. The equity ratio target is a better fit for the risk level of YIT's current business structure and the higher share of net sales accounted for by the maintenance and servicing business.

Net sales top eur 3 billion

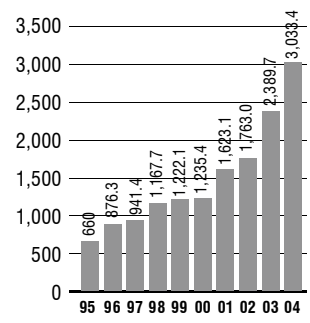
The YIT Group's net sales in 2004 rose to EUR 3,033.4 million (2003: EUR 2,389.7 million), representing growth of 27 per cent compared with the previous year. The strategic target for net sales growth is 5-10 per cent annually on average.

Net sales by business segment (EUR million)

	Jan-Dec/2004	Jan-Dec/2003	Change	Share of the Group's net sales Jan-Dec/2004
Building Systems	1,331.5	681.0	96%	44%
Construction Services	1,427.3	1,398.5	2%	47%
Services for Industry	195.1	209.7	-7%	6%
Data Network Services	127.0	130.0	-2%	4%
Other items	-47.5	-29.5	61%	-1%
YIT Group, total	3,033.4	2,389.7	27%	100%

YIT's service chain spans the entire life cycle of investments. YIT employs a life cycle strategy to seek better service capabilities, business growth and a steadier flow of income. A growing share of the Group's net sales come from its industrial, property, telecom network and traditional infrastructure maintenance and servicing

Net sales 1995–2004 (MEUR)



business. In 2004, the share of the Group's net sales accounted for by the upkeep business rose to EUR 1,010.2 million (EUR 643.5 million), representing 33 per cent (27%) of total net sales.

The share of the Group's net sales accounted for by its international activities was EUR 1,212.7 million (EUR 672.5 million), or 40 per cent (28%). Of the Group's net sales, 60 per cent (72%) came from Finland, 30 per cent (19%) from the other Nordic countries, 5 per cent (5%) from the Baltic countries and 3 per cent (3%) from Russia.

YIT's strategy is to bolster its construction services in the Baltic countries and Russia and, in addition to these services, strengthen its building system and data network services in all the Nordic countries.

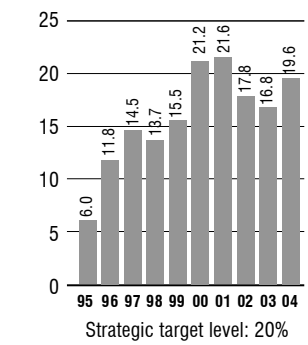
Pre-tax result up 40 per cent

The Group's operating profit before amortization of goodwill and goodwill on consolidation (EBITA) amounted to EUR 165.7 million (EUR 118.7 million), or 5.5 per cent (5.0%) of net sales. Operating profit (EBIT) was EUR 135.1 million (EUR 98.6 million) and the operating profit margin was 4.5 per cent (4.1%).

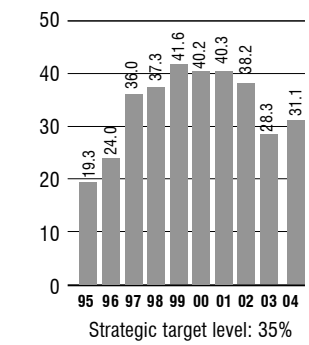
Operating profit before amortization of goodwill and goodwill on consolidation (EBITA) by business segment (EUR million)

	Jan-Dec/2004	Jan-Dec/2003	Change	Share of the Group's EBITA Jan-Dec/2004
Building Systems	33.6	-7.1	-	20%
Construction Services	111.6	111.1	-	67%
Services for Industry	6.8	9.7	-30%	4%
Data Network Services	19.7	14.0	41%	12%
Other items	-6.0	-9.0	-33%	-3%
YIT Group, total	165.7	118.7	40%	100%

Return on investment 1995-2004



Equity ratio 1995-2004

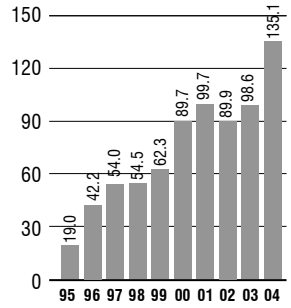


Operating profit (EBIT) by business segment (EUR million)

	Jan-Dec/2004	Jan-Dec/2003	Change	Share of the Group's operating profit Jan-Dec/2004
Building Systems	9.0	-19.7	-	7%
Construction Services	109.4	107.8	1%	81%
Services for Industry	6.3	8.8	-28%	5%
Data Network Services	16.4	10.7	53%	12%
Other items	-6.0	-9.0	-33%	-5%
YIT Group, total	135.1	98.6	37%	100%

Profit before extraordinary items and taxes was 40 per cent better than in the previous year, having risen to EUR 118.2 million (EUR 84.4 million). Profit after taxes was EUR 84.0 million (EUR 48.4 million). Return on investment was 19.6 per cent (16.8%). The strategic target level for return on investment is 20 per cent.

Operating profit (EBIT) 1995–2004 (MEUR)



Earnings per share increase by 67 per cent

Earnings per share amounted to EUR 1.37 (EUR 0.82). Equity per share rose to EUR 7.46 (EUR 6.69). The equity ratio was 31.1 per cent (28.3%). The strategic target level for the equity ratio is 35 per cent.

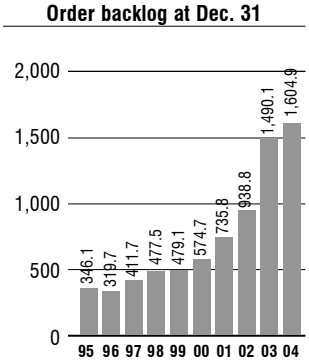
Ten years of rising dividends

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.70 be paid per share (EUR 0.60) for the 2004 financial year, representing 51.1 per cent (73.2%) of earnings per share. YIT is now increasing the dividend for the tenth year running. The strategic target for the dividend payout is 30-50 per cent of annual earnings after taxes and minority interest.

The Administrative Court's ruling on YIT's residual taxes

In its ruling on May 27, 2004, the Helsinki Administrative Court ruled that YIT shall pay the EUR 10.9 million in residual taxes for 1997, which were levied from the company in March 2002, along with the consequences for delay. In accordance with the ruling, EUR 11.9 million was paid in June. The tax refund paid to YIT at

the beginning of 2003 by a decision of the Tax Correction Board of the Tax Office for Major Corporations has not been recorded in YIT Corporation's financial results for either 2002 or 2003. YIT has sought a leave to appeal the decision of the Helsinki Administrative Court from the Supreme Administrative Court.



Largest-ever order backlog

The Group's market position is strong. The uninvoiced backlog of orders was 8 per cent higher at the end of 2004 than a year earlier, having risen to EUR 1,604.9 million (EUR 1,490.1 million). The Group's backlog for international orders grew to EUR 621.0 million (EUR 569.5 million), representing 39 per cent of the entire backlog (38%). The margin of the order backlog is good. Due to their nature, part of the Group's maintenance and servicing operations are not included in the order backlog.

Order backlog by business segment (EUR million)

	Dec/2004	Dec/2003	Change	Share of the Group's order backlog Dec/2004
Building Systems	557.8	502.3	11%	35%
Construction Services	847.9	817.7	4%	53%
Services for Industry	116.5	67.2	73%	7%
Data Network Services	82.7	102.9	-20%	5%
YIT Group, total	1,604.9	1,490.1	8%	100%

The major factor underlying the 73 per cent growth in the order backlog of Services for Industry was a large delivery and installation contract received from Fortum's Diesel project.

The group's financial position remains good

The Group's financial position remained good during 2004. Interest-bearing liabilities amounted to EUR 261.5 million (EUR 264.7 million) at the end of the period and net debt to EUR 226.6 million (EUR 204.4 million). Net financial expenses were EUR 16.8 million (EUR 14.2 million), or 0.6 per cent (0.6%) of net sales. At the end of the review period, liquid assets amounted to EUR 34.9 million (EUR 60.3 million). The gearing ratio was 49.2 per cent (49.6%) at the end of the year.

The proportion of fixed-interest loans in the Group's entire loan portfolio was 77 per cent (72%). Loans raised directly on the capital and money markets amounted to 69 per cent (70%).

The construction-stage contract receivables sold to financing companies totalled EUR 199.7 million (EUR 212.0 million) at the end of the year. The interest paid on them to the financing companies, EUR 5.7 million (EUR 5.1 million), is included in net financial expenses.

Total assets in the consolidated balance sheet amounted to EUR 1,590.3 million (EUR 1,555.5 million) at the end of the year.

Capital expenditures and acquisitions

Gross capital expenditures on non-current assets included in the balance sheet totalled EUR 31.0 million (EUR 232.9 million) during the financial year, representing 1.0 per cent (9.7%) of net sales. Investments in construction equipment amounted to EUR 8.1 million (EUR 10.3 million) and investments in information technology to EUR 3.7 million (EUR 6.5 million). Other production investments came in at EUR 1.9 million (EUR 1.3 million). Other investments, including the goodwill on consolidation of acquired companies, amounted to EUR 17.3 million (EUR 214.8 million). EUR 17.9 million in goodwill arising from the acquisition of ABB's Building Systems business functions was amortized during the report period; its tax effect was EUR 5.1 million. EUR 1.6 million in non-tax deductible goodwill on consolidation was amortized, as was EUR 10.7 million in goodwill on consolidation arising from other acquisitions.

In May 2004, YIT increased its stake in ZAO YIT Ramenje to 51 per cent. The latter company's business is residential construction in the environs of Moscow.

In June 2004, YIT Kiinteistötekniikka Oy agreed to purchase from Kvaerner Masa-Yards its 40 per cent holding in YIT Shipins Oy. YIT Shipins Oy was established in 1997 by ABB Installaatiot Oy, which held a 60 per cent stake, and Kvaerner Masa-Yards Oy, which had a 40 per cent holding. ABB sold its shares in Shipins to YIT in connection with the sale of the Building Systems business in the summer of 2003.

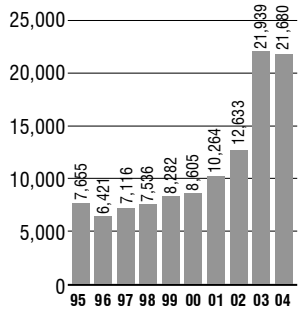
In November 2004, YIT and Kuopion Puhelin Oyj (Kuopio Telephone Group) agreed on the transfer of the latter's installation business to YIT Data Network Services. The agreement pertained to the installation business of Kuopion Puhelin Oyj, KPY Verkot Oy and KPY Palvelut Oy. 48 employees transferred to YIT. The transfer of business operations took place on January 1, 2005.

Changes in the group structure

On March 31, 2004, YIT Installation Ltd was divided into two companies: YIT Industry Ltd and YIT Building Systems Ltd. YIT Industry Ltd comprised the parent company of the Services for Industry business segment and YIT Building Systems Ltd the parent company of the Building Systems business segment.

Within the Building Systems business segment, YIT Building Systems AB and YIT Calor AB, the Swedish subsidiaries of YIT Building Systems Ltd, jointly formed a company named YIT Sverige AB as from October 1, 2004. YIT Rapido Property Management Services Ltd merged into YIT Kiinteistötekniikka Oy on August 30, 2004, and YIT Safetytec Ltd followed suit on October 1, 2004.

Personnel Dec. 31, 1995–2004



Within the Construction Services business segment, YIT Latvija SIA and TOP Maja SIA, the Latvian subsidiaries of AS FKSM, were merged into the subsidiary SIA FKSM on August 31, 2004, and the company was renamed YIT Celtnieciba SIA. YIT Construction Ltd thus operates in Latvia through YIT Celtnieciba SIA.

Within the Services for Industry business segment, the Varkaus-based ETT-Teollisuusautomaatio Oy, a fully-owned subsidiary of YIT Service Ltd, was merged into YIT Service Ltd on March 1, 2004.

Number of employees 22,000

In 2004, the Group employed 21,844 (16,212) people on average. At the end of the year, the Group had 21,680 employees (21,939). Of YIT's employees, 53 per cent work in Finland, 37 per cent in the other Nordic countries and 10 per cent in the Baltic countries and Russia.

Personnel by business segment, Dec. 31, 2004

	No.	Share of the Group's employees
Building Systems	12,194	56%
Construction Services	5,102	24%
Services for Industry	2,760	13%
Data Network Services	1,328	6%
Corporate Services	296	1%
YIT Group, total	21,680	100%

Personnel by country, Dec. 31, 2004

	No.	Share of the Group's employees
Finland	11,540	53%
Sweden	4,236	20%
Norway	2,507	12%
Denmark	1,136	5%
Estonia, Latvia and Lithuania	1,151	5%
Russia	1,110	5%
YIT Group, total	21,680	100%

Decisions taken by the Annual General Meeting

YIT Corporation's Annual General Meeting was held on March 18, 2004. The Annual General Meeting adopted the 2003 financial statements and discharged the members of the Board of Directors and president from liability. The meeting confirmed that a dividend of EUR 1.20 would be paid per share (EUR 0.90 for 2002), to a total of EUR 36.6 million (EUR 26.3 million). It was decided that the record date would be March 23, 2004, and that the dividend payout would begin on March 30, 2004.

The Annual General Meeting confirmed that the number of Board members shall be set at six. The following persons were elected as members of the Board of Directors: Ilkka Brotherus, managing director of Sinituote, Eino Halonen, managing director of Suomi Mutual Life Assurance Company, Reino Hanhinen, Group CEO of YIT Corporation, Asmo Kalpala, president of the Tapiola Insurance Group, and Teuvo Salminen, deputy CEO of Jaakko Pöyry Group, with Antti Herlin, chairman of the Board of Directors of Kone Corporation, as a new member, replacing Mikko Kivimäki, the president and CEO of Rautaruukki Corporation. At its organization meeting on March 24, 2004, the Board of Directors elected, from amongst its number, Ilkka Brotherus as its chairman and Eino Halonen as its vice chairman. Ilkka Brotherus was elected as the chairman of the Board of Directors' Audit Committee and Eino Halonen and Teuvo Salminen as its members.

The Annual General Meeting elected PricewaterhouseCoopers Oy, Authorized Public Accountants, to audit the administration and accounts in 2004. PricewaterhouseCoopers Oy appointed Pekka Nikula, M.Sc. (Econ.), Authorized Public Accountant, as chief auditor.

A decision was taken to amend the Articles of Association such that the nominal value of the share was changed from two euros to one euro (split), doubling the number of shares. The terms and conditions of the 2002 share option programme were amended correspondingly. In addition, a decision was made to

grant new share options to members of management and key employees who are either in the employ of or will be hired into the employ of the new Building Systems business segment.

Share capital and shares

YIT Corporation's share capital was EUR 61,046,750 at the beginning of 2004 and the number of shares outstanding was 30,523,375. Following the resolution of the Annual General Meeting, the nominal value of the share was changed from two euros to one euro (split) on March 26, 2004, thereby doubling the number of shares. On the basis of shares subscribed for with the Series C share options from 2002, the share capital was increased by a total of EUR 246,104 in four lots. At the end of 2004, the share capital was EUR 61,292,854 and the number of shares was 61,292,854.

Authorizations to increase the share capital

In 2004, no share issues were organized and convertible bonds or bonds with warrants were not floated. At the end of the year, the Board of Directors did not have valid share issue authorizations or authorizations to issue convertible bonds or bonds with warrants.

Market capitalization grows by 37 per cent

The closing rate of YIT's share on the last day of trading in 2004 was EUR 18.36 (2003: EUR 13.45). The price grew by 36.5 per cent during the report year. Including the dividend paid in spring 2004, the share yield was 41.0 per cent (65.6%). The trend in YIT's share price has significantly outclassed general share price trends on the Helsinki Stock Exchange, because, as measured by the HEX all-share index, prices were 3.3 per cent higher at the end of 2004 than at the turn of the previous year. Measured with the weight-limited HEX portfolio index, prices rose by 14.6 per cent during the report year.

The highest share price in 2004 was EUR 18.84 (EUR 13.85) and the lowest was EUR 13.51 (EUR 7.01). The average price was EUR 15.92 (EUR 10.35). Market capitalization at the end of the year was EUR 1,125.3 million (EUR 821.1 million), up 37.0 per cent on the previous year.

YIT's share turnover also increased significantly compared with the previous year. Share turnover on the Helsinki Stock Exchange during 2004 amounted to 45,579,537 (29,279,338) shares and the value of share turnover to EUR 725.8 million (EUR 303.0 million). The average daily turnover of the shares was 180,156 (117,117). The figures have been adjusted to match the number of shares after the halving of the nominal value of the share (split).

Own shares

During 2004, the company did not own any of its own shares and had no valid authorizations to acquire its own shares. During the financial year, no shares in the parent company were owned by subsidiaries.

Number of shareholders grows substantially

In 2004, the number of registered shareholders grew from 4,928 to 7,456, up 51.3 per cent. The number of private investors grew by over 2,200.

International investors owned a total of 22.1 per cent of the shares at the beginning of the year and 27.9 per cent at year's end.

On May 3, 2004, Fidelity International Limited announced that its and its subsidiaries' holding in YIT had declined to 4.92 per cent on April 28. The Tapiola Insurance Group announced on June 23, 2004, that the Group's holding in YIT had declined to 4.98 per cent on June 22. The Tapiola Insurance Group includes Tapiola General Mutual Pension Insurance Company (3.43%), Tapiola Mutual Life Insurance Company (1.21%) and Tapiola Corporate Life Insurance Company (0.34%).

Share option programmes from 2002 and 2004

Following the resolution of the Annual General Meeting to halve the nominal value of the share, a decision was made to amend the terms of the Series C and D share options from 2002 accordingly such that each Series C and D share option entitles its bearer to subscribe for two YIT Corporation shares having a nominal value of one euro. The share capital may be raised by a maximum amount of EUR 2,800,000 as a result of the subscriptions.

In 2002, about 210 members of the Group's management and key employees named by the Board of Directors subscribed for the Series C share options. The subsidiary YIT Construction Ltd subscribed for all the Series D share options for distribution to members of the Group's management and key employees in 2003-2005, provided that the profitability and growth objectives set forth in the share option programme are achieved. By the end of 2004, a total of 211,740 Series D share options had been distributed to members of the Group's management and key employees. Shares can be subscribed for annually in the period from April 1 to November 30. The subscription period with the Series C share options began on April 1, 2004. With the Series D share options, the subscription period will begin on April 1, 2005. Both subscription periods end on November 30, 2006.

In the period from April 1, 2004, to November 30, 2004, a total of 246,104 shares were subscribed for with the Series C share options. The resulting increases in the share capital, totalling EUR 246,104, were entered in the Trade Register in four instalments. A maximum of 653,896 shares can still be subscribed for with the Series C share options. During the report year, 382,435 Series C share options were traded at an average price of EUR 19.48.

The Annual General Meeting decided to grant a maximum of 180,000 Series E share options and a maximum of 420,000 Series F share options for subscription to members of the new Building Systems business segment's management and its key employees. The share option programme includes about 65 people who are not covered by the 2002 share option programme. Each share option entitles its bearer to subscribe for one YIT Corporation share having a nominal value of one euro. On the basis of the subscriptions, the share capital may be raised by a maximum amount of EUR 600,000.

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

The terms and conditions of the share options are posted in full on the company's Internet site, www.yit.fi/investors > YIT's share.

Adoption of IAS/IFRS

The YIT Group started up preparations for adopting International Accounting Standards (IAS) in its financial statements in December 2001. The project that was initiated at that time assessed the differences between the Finnish accounting policies used by the Group and IAS and prepared a new accounting policy for drafting the consolidated financial statements in line with International Financial Reporting Standards (IFRS). The training of accounting personnel commenced in the spring of 2003 and a system project for the calculation of conversions was started up in November. The first conversions from the financial statements drafted in accordance with Finnish accounting practices to IFRS financial statements were performed on December 31, 2004.

YIT will start reporting in line with IAS/IFRS as from the beginning of 2005. As preparatory measures, IFRS comparison figures have been calculated during the first and second quarters of 2004, in line with the currently valid standards, from the opening balance sheet dated January 1, 2004. By the end of the year, the Interim Reports for 2004 had also been converted to match IFRS.

YIT will release a stock exchange release on the transition to IFRS on April 6, 2005. The release will include the opening balance sheet, with shareholders' equity presented using the "bridge approach", as well as quarterly comparison information on the consolidated income statement and balance sheet for the 2004 financial year in line with IFRS and FAS. The Interim Report for the January-March period of 2005 will be published in accordance with IFRS on May 4, 2005.

Effects of the changes in the accounting principles on January 1, 2004

Developer contracting

One of the major changes in the accounting policy is the treatment of developer contracting, whereby established housing and property companies are treated as part of the consolidated balance sheet. Net sales from the sale of shares in own production (double net sales) will be eliminated, with operating profit remaining unchanged. Net sales from the sale of shares amounted to about EUR 203 million on January 1 - December 31, 2004 (Jan. 1 - Dec. 31, 2003: EUR 243 million).

Income from developer contracting comprises the unencumbered selling prices of the shares and the expenses comprise the acquisition cost of plots and the actual costs of construction. Developer contracting will be recognized on the basis of the percentage of completion in accordance with IAS 11. The percentage of completion is derived with the formula: degree of the completion of construction multiplied by the degree of sale. The change in the booking practice will slow down earnings accrual compared to the present practice, in which the project margin has been recorded as revenue in the income statement on the basis of the degree of completion or the degree of sale, whichever is lower. This accounting change will reduce shareholders' equity in the balance sheet by about EUR 15 million at the time of transition.

In IFRS, 10-year construction commitments are recorded as provisions having an effect on earnings, whereas they are presently recorded as expenses on the basis of their realization. This accounting change will reduce shareholders' equity in the balance sheet and increase provisions by about EUR 18 million.

The changes in the treatment of developer contracting will also affect the elimination of internal items in the balance sheet and sold contract receivables. In the case of unsold shares, sold contract receivables will be restated in full as current interest-bearing liabilities, and in the case of sold shares, to the extent they exceed the degree of completion. These accounting changes will increase current interest-bearing liabilities in the opening balance sheet by about EUR 140 million.

On the whole, the changes in the treatment of developer contracting projects will reduce the balance sheet total by about EUR 100 million.

Occupational disability portion of statutory entitlement pensions (TEL)

On December 22, 2004, the Ministry of Social Affairs and Health approved an amendment to Finland's occupational pension

system, whereby the occupational disability portion of statutory entitlement pensions will be treated as a payment-based system in IFRS financial statements. The occupational disability portion of statutory entitlement pensions, including the deferred taxes thereon, has neither been booked to reduce shareholders' equity or to increase pension liabilities and deferred tax assets. The total effect would reduce shareholders' equity in the balance sheet by about EUR 37 million.

Financial leasing agreements

Leasing agreements in which the Group has a substantial share of the risks or benefits of ownership have been classified as financial leasing agreements and recorded as fixed assets and interest-bearing liabilities. The effect of the leasing agreements is to increase the balance sheet by about EUR 40 million.

Goodwill and goodwill on consolidation

The amortization of goodwill and goodwill on consolidation according to plan will be discontinued after the 2003 financial year and replaced with value impairment tests. Goodwill and goodwill on consolidation have been tested in the opening balance sheet. On the basis of the tests, there were no grounds for recognizing impairment. In 2004, the amortization of goodwill and goodwill on consolidation amounted to EUR 30.6 million.

Tax effects

Deferred tax assets and liabilities have been calculated from the temporary differences between the IFRS financial statements and taxation. Their net effect is to increase the balance sheet and shareholders' equity in the balance sheet by about EUR 13 million.

Market situation remains stable in northern Europe

Financial research institutions estimate that the national economies of the Nordic countries will develop at a stable rate of 2-3 per cent in 2005 and 2006, outpacing growth in the EU by about one percentage point. According to the current money market indicators predicting interest rate levels, rates in the euro area will remain at a relatively low level for a few years, supporting investments and demand for housing. Growth in exports and industrial output increase the need for industrial investments and maintenance in the Nordic countries. Russia and Norway benefit from the high price of oil. The rate of growth in Russia, Estonia, Latvia and Lithuania is about twice as fast as in the Nordic countries.

Finland

In December 2004, the Research Institute of the Finnish Economy ETLA predicted that Finland's GDP will rise by 3 per cent this year and 2.3 per cent the next. According to ETLA's December review, investments will increase by 3.7 per cent in Finland this year. During the next five years, investment growth will average 3.5 per cent annually. The industrial investment survey that was published in January indicates that the downturn in investments ended last year. During the present year, fixed investments by industry will increase by 7 per cent. The market for industrial, property and infrastructure maintenance will expand as the outsourcing trend progresses. The outsourcing of telecom operators' field functions is also expected to increase in the future. Installation of broadband connections will remain brisk.

According to the business cycle report published by the construction cycle group of the Ministry of Finance in January 2005, the volume of building construction will grow by 3-4 per cent this year. Demand for housing and business premises for commercial services will remain brisk in Finland's growth centres. Industrial building start-ups swung to growth last year and office construction has begun to recover. Civil engineering is expected to grow by one per cent in 2005 due to the large number of projects nearing completion. Renovation will increase at an annual rate of 2-3.5 per cent during the present decade. The Research Institute of the Finnish Economy ETLA predicts that total construction output will grow at an average annual rate of 2.7 per cent from 2003 to 2008, that is, faster than in the previous five-year period. Growth in new construction and renovation maintains demand in the construction and building system markets (heating, plumbing, air-conditioning, electrical and automation contracting, and maintenance).

Sweden

At the end of last December, the Swedish National Institute of Economic Research KI estimated that Sweden's GDP had grown by 3.8 per cent last year, and forecast growth of 3.2 and 2.8 per cent for 2005 and 2006, respectively. The engines of growth are consumption and the rapid growth in investments. The real disposable income of households will grow by 2.9 per cent in 2005 and by 2.4 per cent in 2006. Investment growth is broad-based, covering industry, the service sector and housing investments. Fixed investments will grow by 8 per cent this year and by 7.7 per cent in 2006. Fixed investments by industry will increase by 14 per cent this year and 10.6 per cent in 2006. The factors underlying growth are the high capacity utilization ratio, low interest rates and good profitability. According to the business cycle barometer published at the end of January, the business climate for industry had improved in the last quarter of the year, but growth was slower than at the beginning of the year. The industrial confidence indicator had risen slightly and remained at a high level. Industrial companies expect the number of new orders to rise further in the first quarter of the present year. Construction grew towards the end of the year and even more new orders have come in. The number of employees has been increased and one half of construction companies expect that construction will grow during the year. Residential investments increased by 17.6 per cent last year; growth will continue at a rate of 7.2 and 7.3 per cent in 2005

and 2006, respectively. Last December, Euroconstruct estimated that the value of new residential construction will increase by 4.2, 7.7 and 2.4 per cent in 2005, 2006 and 2007. The corresponding growth forecasts for renovation are 3.1, 2.8 and 2.5 per cent. Civil engineering is anticipated to see growth of 3.9, 4.9 and 3.1 per cent during these years.

Norway

In 2004, Norway's GDP grew by 2.8 per cent due to strong household consumption and rising investments. The prices of residences increased by 10 per cent last year. Low interest rate levels, good trends in salaries and wages, and tax cuts will lead to greater domestic consumption during the present year and the next as well. Housing construction remains brisk and investments by the oil sector will stay at a high level. GDP will grow by 2.6 per cent in both 2005 and 2006. According to Statistics Norway, net sales from construction rose by 7.9 per cent in the January-October period of last year, and net sales of electrical installation works increased by 7 per cent. On the basis of the business cycle barometer released in the last quarter of the previous year, the production volume is expected to rise yet again in the first quarter of 2005. The fact that company managers intend to make more investments suggests that the business climate outlook will remain positive in the longer term, too. The outlook for the forest, metal and chemical industries in particular has improved. Production volume and the capacity utilization ratio are continuing to grow and the increase in new orders in both the export and domestic markets leads to growth in order backlogs. Norwegian State Railways is starting up a ten-year railway investment programme valued at NOK 26.4 billion (USD 4.2 billion). Euroconstruct estimates that the construction of new buildings will see annual growth of only one per cent this year and the next, followed by a decline of 2.3 per cent in 2007. Renovation would grow by 3.5, 3.0 and 2.5 per cent in 2005, 2006 and 2007, respectively.



The Helsinki District Court building was selected as the Concrete Structure of the Year 2004.

Denmark

The rapid growth of Denmark's GDP in the first half of last year slowed down in the third quarter and picked up again towards the end of the year; full-year growth amounted to 2.2 per cent. Consumption and investments continued to grow at a brisk rate, but slower exports and greater imports cut into production growth. Exports will continue to grow only at a moderate rate due to the slow recovery of Germany, an important export country for Denmark, and the stronger euro. GDP growth is expected to amount to 2.3 and 2.4 per cent in 2005 and 2006, respectively. Household consumption and housing investments are expected to increase rapidly in 2005 and 2006 thanks to a stimulatory economic policy, low interest rates and housing loans with repayment-free periods. The Danish Construction Association estimates that residential production has good growth potential in 2005. Growth in demand has raised the prices of older apartments to a higher level than those of new residences, and thus new construction is affordable. High prices also increase the profitability of repair works on the old housing stock. As the end of the year approached, the balance figures of the construction business cycle indicator inched upwards month by month. The Danish Construction Association anticipates that the output and profitability of construction companies will improve in 2005. Work to repair the damage wreaked by the storm in early January increases the volume of construction and repair works during the more sedate winter season. Euroconstruct predicts that construction output will grow by 1.5 per cent in both 2005 and 2006 and by 3-4 per cent in 2007.

Baltic countries and Russia

Growth in investments and GDP in the Baltic countries and Russia significantly outpaces growth in the Nordic countries. Growth is expected to remain at a level of 5-8 per cent during the next few years. The high educational level in the area, the

EU membership of Estonia, Latvia and Lithuania, and Russia's income from oil support the growth of these economies. Investments are on the rise at a rate of around 10 per cent. In the next few years, the growth rate of construction investments will be in the double digits. The greater affluence of the middle class has strengthened demand for market-financed residences in large cities such as Moscow, St Petersburg, Tallinn and Vilnius.

EARNINGS TRENDS OF THE BUSINESS SEGMENTS

Building systems

The net sales of the business segment amounted to EUR 1,331.5 million in 2004 (EUR 681.0 million). The maintenance and servicing business accounted for 56 per cent of the net sales. The breakdown of net sales by country was as follows: Sweden, 38 per cent, Finland, the Baltic countries and Russia, 32 per cent, Norway, 21 per cent, and Denmark, 9 per cent. Building Systems' operating profit before amortization of goodwill and goodwill on consolidation (EBITA) amounted to EUR 33.6 million (EUR –7.1 million). Amortization of goodwill and goodwill on consolidation on the Building Systems acquisition amounted to EUR 19.5 million and amortization of goodwill and goodwill on consolidation on prior acquisitions to EUR 5.1 million. The business segment's operating result (EBIT) rose into the black in 2004 and amounted to EUR 9.0 million (EUR -19.7 million). Return on investment was 5.1 per cent.

The Danish unit's result for the period includes a loss provision of EUR 4 million due to an electrification project on two ships for the Royal Danish Navy. The project was transferred from ABB as part of the Building Systems acquisition. One of the ships has been completed and handed over, while the other will be completed in June 2005. The loss on the entire project – that is, both of the ships – has been recorded in the result for the third quarter of 2004.

After its successful integration stage, YIT's Building Systems has transitioned to normal operations in all its business countries and its earnings trend has been turned into growth. In the final quarter, its operating profit before amortization of goodwill and goodwill on consolidation (EBITA) represented as much as 4.0 per cent of net sales.

The order backlog at the end of the year was EUR 557.8 million (EUR 502.3 million). The breakdown of the backlog by country was: Sweden, EUR 163.2 million, Finland, EUR 213.8 million, Norway, EUR 61.7 million, and Denmark, EUR 119.1 million. At the end of the year, the business segment had 12,194 employees (11,812). Of them, 4,225 worked in Sweden, 3,864 in Finland, 2,507 in Norway, 1,136 in Denmark and 462 in the Baltic countries and Russia.

The balance sheet of the Building Systems business which was acquired in the comparison period was included in the consolidated balance sheet for the first time on December 31, 2003. The first four-month period of its business operations that was booked began on August 29, 2003, and is recorded in the figures for the fourth quarter of 2003.

The trend in the market for building system services was favourable in 2004 thanks to the good demand for housing construction and maintenance as well as the starting up of investments by industry. Steps were taken to improve the profitability of the business segment, whereby its operational efficiency was increased and both project management and cooperation were developed. To upgrade operational efficiency, fixed costs were examined by country, and the necessary cost cuts and personnel downsizing measures were implemented locally. The largest individual efficiency-boosting measure was carried out at the beginning of 2004 in Sweden, when the payroll of the acquired Building Systems business was reduced by 320 persons. In addition, the two companies operating in Sweden were merged on October 1, 2004, with a view to achieving higher efficiency in the management and control of operations.

Construction services

The net sales of Construction Services amounted to EUR 1,427.3 million (EUR 1,398.5 million) in 2004. Net sales include double net sales (sale of shares in own production) of EUR 203.1 million (EUR 243.1 million), which will be discontinued as from 2005 when the company changes over to IFRS. International operations accounted for 18 per cent (14%) of net sales. Operating profit amounted to EUR 109.4 million (EUR 107.8 million). Exclusive of non-recurring items in the comparison period (EUR 24.3 million), operating profit grew by 31 per cent. Return on investment was 26.9 per cent (28.2%).

The uninvoiced order backlog at the end of the year was EUR 847.9 million (EUR 817.7 million). At the end of 2004, the business segment had 5,102 employees (5,268).

In the early year, housing sales in Finland hit a record peak, and then returned to their ordinary level in the second half of the year. Sales of residences went well during the whole year in the municipalities surrounding the Greater Helsinki Area and the other growth centres. In 2004, a total of 2,311 (2003: 2,453) residential units were sold in Finland. 3,174 (2,996) residential units were completed during the report year and the construction of 2,717 (3,108) was started up. At year's end, 2,984 (3,446) residential units were under construction. There were 189 (65) unsold completed residences at the end of the year.

YIT continued to strongly step up its residential construction in Russia and the Baltic countries. Housing production was started up in the municipalities surrounding Moscow (Moscow Oblast), where YIT established the joint venture ZAO YIT Ramenje at the end of 2003 to attend to developer-contracted residential construction. YIT acquired its first residential plot in the City of Moscow during the last quarter of the year. In 2004, a total of 1,136 (2003: 606) residential units were sold in Russia and the Baltic countries. 566 (214) residential units were completed during the report year and the construction of 3,873 (351) was started up. At year's end, 4,154 (855) residential units were under

construction. There were 14 (5) unsold completed residences at the end of the year.

The high number of vacant business premises meant that the market situation for business premise construction remained challenging in Finland, both in new projects and renovation. Towards the end of the year, demand for industrial construction recovered slightly. Demand for commercial and logistics premises remained moderate in 2004. In infrastructure construction – that is, civil engineering – the market as a whole was slightly larger than in the previous year.

Services for industry

In 2004, the net sales of Services for Industry amounted to EUR 195.1 million (EUR 209.7 million). The share of net sales accounted for by the maintenance business was 69 per cent (57%). The share accounted for by international operations amounted to EUR 19.0 million (EUR 26.3 million), representing 10 per cent (13%) of total net sales. Operating profit was EUR 6.3 million (EUR 8.8 million). Return on investment was 32.9 per cent (pro forma).

At the end of the year, Services for Industry's order backlog amounted to EUR 116.5 million (EUR 67.2 million). Of the backlog, EUR 10.3 million (EUR 1.9 million) represented foreign orders. The number of employees at year's end was 2,760 (3,117).

The Services for Industry business segment was formed in September 2003, after the Building Systems acquisition, and thus the net sales, operating profit and order backlog figures presented for 2003 are pro forma calculations.

The net sales of Services for Industry were lower than in the previous year mainly due to the decline in investments. For the most part, the investments that were made comprised maintenance and modernization investments. There was a clear turn for the better during the report year, and investments were greenlit. One of the major factors underlying the buoyant growth in the order backlog comprises the orders YIT landed for the Diesel project at Fortum's refinery in Porvoo. Another major investment from YIT's perspective is Finland's fifth nuclear power plant, which will be built in Olkiluoto. In addition to these large projects, numerous major forest industry investments began in the Nordic countries.

Market trends remained favourable in industrial maintenance. Industry's low investment level – with industry even refraining from replacement investments – forced companies to make outlays on the maintenance of their old stock of machinery and equipment. Numerous shutdown works were performed for the forest industry and at nuclear power plants during the report year. Demand remained steady in the outsourcing of services.

Data network services

In 2004, the net sales of Data Network Services amounted to EUR 127.0 million (EUR 130.0 million). Of the net sales, 70 per cent (61%) were generated by long-term service agreements and 30 per cent (39%) by project production. The business segment's operating profit grew by 53 per cent compared with the previous year and amounted to EUR 16.4 million (EUR 10.7 million). Return on investment was 45.8 per cent (26.8%).

The order backlog at year's end was EUR 82.7 million (EUR 102.9 million). At the end of the year, Data Network Services had 1,328 employees (1,463).

The earnings trend in its business operations was stronger than in the previous year due to the brisker market situation as well as its measures to develop and boost the efficiency of its operations.

The major factors underlying net sales growth were new operator customer accounts, the rising number of broadband connections and demand for IT installation services as part of these connection deliveries. Broadband-related demand also enlarged the order backlog. The significant decline in mobile network projects and the shifting of service demand to smaller-scale maintenance and conversion works increased the share of net sales generated by long-term customer agreements.

In 2004, development efforts focused on coming up with new service packages in technical helpdesk services and on measures supporting the opening up of the installation market in both helpdesk services and telecom networks.

Outlook for 2005

We estimate that the pre-tax result for 2005 will be better than in the previous year.

Board of Directors

Income statement (EUR thousands)

	Note	Consolidated 2004	Consolidated 2003	Parent Company 2004	Parent Company 2003
Net sales	1)	**3,033,431**	2,389,667	**751**	1,338
Change in inventories of finished goods and in work in progress		**12,840**	14,104		
Production for own use		**2,308**	2,205		
Share of results of associated companies		**910**	71		
Other operating income	2)	**4,469**	32,401	**6,778**	6,287
Materials and services	3)	**1,639,580**	1,385,666		
Personnel expenses	4)	**861,245**	602,834	**5,398**	4,791
Depreciation and value adjustments	5)	**47,735**	37,779	**631**	548
Other operating expenses		**370,336**	313,628	**13,931**	14,281
		2,918,896	2,339,907	**19,960**	19,620
Operating profit	6)	**135,062**	98,541	**-12,431**	-11,995
Financial income and expenses	7)	**-16,832**	-14,202	**-2,038**	-469
Profit before extraordinary items		**118,230**	84,339	**-14,469**	-12,464
Extraordinary items	8)			**80,322**	82,863
Profit before taxes		**118,230**	84,339	**65,853**	70,399
Income taxes	9)	**-32,797**	-35,460	**-18,933**	-20,426
Minority interests		**-1,418**	-495		
Profit for the financial year		**84,015**	48,384	**46,920**	49,973

Balance sheet

(EUR thousands)

	Note	Consolidated 2004	Consolidated 2003	Parent Company 2004	Parent Company 2003
ASSETS					
Non-current assets					
Intangible assets	10)				
Intangible rights		**9,819**	2,130	**144**	144
Goodwill		**152,088**	168,854		
Other capitalized expenditure		**2,154**	9,686	**704**	116
Advance payments		**352**	16		
		164,413	180,686	**848**	260
Goodwill on consolidation		**72,125**	78,024		
Tangible assets	10)				
Land and water areas		**2,889**	2,948	**1,019**	1,024
Buildings and structures		**12,264**	12,629	**2,624**	2,166
Machinery and equipment		**47,684**	46,604	**964**	1 007
Other tangible assets		**1,531**	1,488	**283**	317
Advance payments		**4,001**	3,062		
		68,369	66,731	**4,890**	4,514
Investments	11,21)				
Shares in Group companies				**359,708**	417,593
Shares in associated companies		**3,812**	3,224		
Other shares and holdings		**2,921**	3,014	**255**	284
Other investments		**65**	1,688		
		6,798	7,926	**359,963**	417,877
Total non-current assets		**311,705**	333,367	**365,701**	422,651
Current assets					
Inventories					
Raw materials and consumables		**15,591**	17,554		
Work in progress	19)	**110,105**	94,971		
Other inventories	12)	**287,169**	256,855		
Advance payments		**8,701**	11,415		
		421 566	380 795		
Receivables	13)				
Deferred tax assets		**12,156**	7,022		
Trade receivables		**459,102**	427,025	**532**	485
Loan receivables		**208,967**	196,334	**257,587**	285,899
Other receivables		**27,784**	31,434	**138,441**	88,046
Prepaid expenses and accrued income		**114,106**	119,125	**861**	3,124
		822,115	780,940	**397,421**	377,554
Marketable securities	14)	**700**	11,923	**24**	11,039
Cash in hand and at bank		**34,196**	48,447	**376**	16,631
Total current assets		**1,278,577**	1,222,105	**397,821**	405,224
Total assets		**1,590,282**	1,555,472	**763,522**	827,875

Balance sheet

(EUR thousands)

	Note	Consolidated 2004	Consolidated 2003	Parent Company 2004	Parent Company 2003
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity	15)				
Share capital		**61,293**	61,047	**61,293**	61,047
Share premium reserve		**71,549**	70,184	**71,549**	70,184
Legal reserve		**1,081**	689		
Retained earnings		**239,214**	228,024	**163,699**	150,354
Profit for the financial year		**84,015**	48,384	**46,920**	49,973
Total shareholders' equity		**457,152**	408,328	**343,461**	331,558
Minority interest		**3,559**	3,363		
Provisions	16)	**26,001**	27,295		
Liabilities					
Deferred tax liability	17)	**12,895**	7,110		
Non-current liabilities	17)				
Bonds		**140,000**	155,000	**140,000**	155,000
Loans from credit institutions		**61,551**	28,376	**61,523**	28,364
Pension loans		**12,616**	18,044	**12,590**	18,019
Trade payables		**1,441**	558		
Other long-term liabilities		**337**			
Accrued expenses and deferred income		**913**	1,811	**913**	
		216,858	203,789	**215,026**	201,383
Current liabilities	18)				
Bonds		**15,000**	28,592	**15,000**	28,592
Loans from credit institutions		**2,683**	3,953	**1,841**	3,634
Pension loans		**5,416**	5,660	**5,416**	5,660
Advances received	19)	**106,736**	100,631		
Debts to construction fund		**213,040**	232,294		
Trade payables		**136,610**	122,481	**879**	1,177
Other current liabilities		**117,217**	131,486	**175,418**	246,918
Accrued expenses and deferred income		**277,115**	280,490	**6,481**	8,953
		873,817	905,587	**205,035**	294,934
Total liabilities		**1,103,570**	1,116,486	**420,061**	496,317
Total shareholders' equity and liabilities		**1,590,282**	1,555,472	**763,522**	827,875

Cash flow statement

(EUR thousands)

	Consolidated		Parent Company	
	2004	2003	**2004**	2003
Cash flow from operating activities				
Profit before extraordinary items	**118,230**	84,339	**-14,469**	-12,464
Adjustments:				
Depreciation according to plan	**47,735**	37,779	**631**	548
Other non-cash flow income and expenses	**-5,092**	8,196	**900**	
Gains/losses on sale of tangible and intangible assets	**-1,420**	-29,475	**-771**	-941
Financial income and expenses	**16,833**	14,202	**2,038**	469
Cash flow before change in working capital	**176,286**	115,041	**-11,671**	-12,388
Change in working capital				
Change in current non interest-bearing receivables	**-37,419**	-278,854	**-53,142**	-4,709
Change in inventories	**-38,636**	-41,308		
Change in current non interest-bearing liabilities	**-13,618**	345,573	**-32,784**	34,978
Cash flow from operations before financial items and taxes	**86,613**	140,452	**-97,597**	17,881
Interest paid and other financial expenses	**-20,038**	-14,729	**-14,666**	-10,855
Dividends received	**27**	337	**3,296**	2,213
Intrerest received and other financial income	**1,022**	2,745	**9,270**	9,150
Taxes paid	**-32,180**	-31,175	**-21,030**	-16,566
Cash flow from operating activities	**35,444**	97,630	**-120,727**	1,823
Cash flow from investing activities				
Investments in tangible and intangible assets	**-30,950**	-230,525	**-1,607**	-931
Proceeds from sale of tangible and intangible assets	**3,798**	37,507	**15**	15
Other investments	**-75**	-2,408	**64**	-92,848
Proceeds/losses from sale of investments	**2,646**	1,422	**64**	1,715
Translation differences in investments	**-1 623**			
Cash used in investing activities	**-26,204**	-194,004	**-1,464**	-92,049
Cash flow from financing activities				
Issuance of share capital	**1,611**	9,515	**1,611**	9,515
Purchase of own shares		12,448		12,448
Change in loan receivables	**2,123**	101	**28,313**	-125,049
Change in short-term loans	**391**	23,579	**-37,208**	80,445
Raising of long-term loans	**37,935**	117,686	**35,000**	115,000
Repayment of long-term loans	**-39,972**	-19,262	**-37,477**	-13,978
Dividends paid	**-36,802**	-26,261	**-36,628**	-26,261
Group contributions received			**82,758**	53,630
Cash used in financing activities	**-34,714**	117,806	**36,369**	105,750
Change in liquid funds	**-25,474**	21,432	**-85,822**	15,524
Liquid funds at January 1	**60,370**	38,938	**27,670**	12,146
Liquid funds at December 31	**34,896**	60,370	**400**	27,670

Accounting policy

YIT Corporation (Business ID 0112650-2) is the parent company of the YIT Group. The company is domiciled in Helsinki, Finland. Copies of the consolidated financial statements are available at the address YIT Corporation, Panuntie 11, FI-00620 Helsinki, Finland.

Consolidation

Extent of the consolidated financial statements

The consolidated financial statements include the parent company YIT Corporation and all principal Group and associated companies included in investments.

Intra-Group transactions and margins

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

Intercompany share ownership

The acquisition cost method has been used in eliminating cross-ownership of shares. In practice this means that the purchase price of the shares in subsidiaries has been eliminated against their balance sheet equity at the moment of acquisition. In carrying out the elimination, the difference between subsidiaries' acquisition value and the balance sheet values has been entered in the consolidated balance sheet as goodwill on consolidation. The goodwill items arising before 1995 have been amortized according to a 10 per cent straight-line schedule. The goodwill on consolidation arising after 1995 has been amortized on a straight-line basis over 5-10 year periods. The goodwill on consolidation arising from additional purchase prices paid after the year of acquisition has been amortized in one sum. The goodwill on consolidation arising from the acquisition of the Building Systems business will, as a rule, be amortized on a straight-line basis over a 10 year period. The length of the amortization period is affected by the scope of the acquired business and the fact that its territory extends into the Nordic and Baltic countries.

Minority interests

Minority interests have been separated out from the subsidiaries' shareholders' equity, depreciation difference and net profit and are presented as separate items under shareholders' equity and liabilities in the consolidated balance sheet and in the consolidated income statement.

Associated companies

The financial statement data of associated companies has been consolidated using the equity method. The Group's shares of the aggregate results of associated companies, calculated in accordance with the Group's holdings in them, are shown as a separate item in the income statement.

Fixed assets and depreciation

The balance sheet values of fixed assets are based on the original acquisition costs less depreciation according to plan.

In the income statement, depreciation is calculated as planned depreciation - i.e., based on the economic life of the assets. The depreciation periods are as follows:

Goodwill	5-10 years
Buildings	5-40 years
Machinery and equipment	3-15 years
Other fixed assets	4-40 years

Personal computers and their printers are recorded directly as expenses.

The goodwill arising from the Building Systems business will be amortized over 7 years in Denmark and over 10 years in Finland and Norway.

Inventories

Inventories have been valued either at the acquisition cost including variable costs arising from purchase or manufacture, or at the probable market cost, whichever is lower. In valuing real estate properties held in inventories, the available market information and the level of the yield on the properties have been taken into account.

The use of substances and supplies has been booked according to the FIFO principle.

Change in inventories

The change in the Group's inventories cannot be derived from the balance sheets due to changes that have taken place in the Group structure.

Recording of income from projects

Income from projects has been recorded according to the degree of completion. The degree of completion is calculated on the basis of the costs realized according to the physical degree of completion and the total cost estimate. Projects that are partially credited to earnings are spread over two financial periods. The margin on so-called developer contracting projects has been recognized as income on the basis of the degree of completion or the degree of sale of the shares in a condominium or property, whichever is lower. The forecast loss on loss-making projects included in the backlog of orders has been booked to expenses in its entirety.

During the 2004 financial year, the accounting principles of the Building Systems business have been standardized to match those of the YIT Group. The effect of the changes in the principles applied in the financial statements is not material.

Items denominated in foreign currency

Receivables and liabilities in foreign currency have been valued at the exchange rates quoted by the European Central Bank on December 31, 2004. Forward exchange contracts related to loan receivables and liabilities have been valued according to the market rates on December 31, 2004.

In carrying out consolidation, the financial statements of foreign subsidiaries have been translated into euros using the exchange rates quoted by the European Central Bank on December 31, 2004. The translation differences arising therefrom have been recorded in shareholders' equity.

Investments in the shareholders' equities of foreign subsidiaries have been hedged with loans denominated in foreign currency, forward exchange contracts and currency swaps. In the consolidated financial statements, the exchange rate differences arising from hedging have been booked in shareholders' equity against the translation difference of shareholders' equity amounts denominated in foreign currency.

Agreements denominated in foreign currencies are hedged with forex derivatives. Exchange differences in hedging have been recorded as revenue in accordance with the degree of completion of projects.

Pension arrangements

Pension security for the employees of Group companies has mainly been covered through policies with external pension insurance companies. Pension liabilities that are directly recorded as expenses are shown in the balance sheet under non-current liabilities.

Leasing payments

Leasing payments are recorded as annual expenses and rents for future years are presented in the notes to the financial statements.

Guarantee liabilities

10-year liabilities in the construction industry are recorded as expenses when they are incurred.

Appropriations

In the consolidated financial statements, the accumulated difference between planned and total depreciation is divided between the deferred tax liability and non-restricted equity. The deferred tax liability has been calculated according to local tax bases. In accordance with the Finnish Companies Act, the portion calculated in shareholders' equity is not part of distributable equity.

Income taxes

In Finland, the taxes estimated on the results of Group companies for the year are entered using a tax base of 29% in the consolidated income statement, as are adjustments to taxes for previous financial years. Deferred tax liabilities and tax assets are calculated on the periodization differences between the taxation calculations and the financial statements, applying the tax base of 26% that came into force in Finland on January 1, 2005. In other countries, the tax base in force on the date of closing is used in the taxes estimated on the results for the year and deferred taxes.

Management of financial risks

The financial risks connected with the YIT Group's business operations consist of foreign exchange, interest rate and liquidity risks.

The general principles of risk management are approved by the Board of Directors. The Group's Finance Department is responsible for their practical implementation in association with the divisions.

Foreign exchange risk

The objective of managing foreign exchange risk across YIT's units is to hedge equity and earnings generated by operations against foreign exchange risks.

Shareholders' equity items of significant international subsidiaries are hedged by means of loans taken out in foreign currency and through derivative contracts. The hedged currencies are SEK and NOK.

Subsidiaries' contractual currency flows are hedged on a company-specific basis against the base currency of the company in question. Hedging is performed by the parent company's Finance Department, either as intra-Group or external transactions. The most significant currency hedged is USD.

The Group's net exposure is hedged against foreign exchange risks by means of loans, deposits and derivative instruments. The position to be hedged includes contractual accounts receivable and accounts payable as well as assets and liabilities denominated in foreign currency.

The derivative instruments used are forward exchange contracts, swaps and options.

Interest rate risk

The management of interest rate risk across YIT's units is centralized within the parent company's Finance Department.

Interest rate risks are examined from the perspective of both the financial balance sheet and the entire balance sheet. The main focus in 2004 was still on managing interest rate risks having an effect on earnings in the financial balance sheet.

The loan portfolio comprises the bulk of the company's financial balance sheet. The interest rate risk connected with interest-bearing liabilities is regulated by changing the composition of the loan portfolio either by undertaking actual loan operations or through derivatives. The derivative instruments used are swaps and forward rate agreements (futures).

At the end of 2004, a change of one percentage point in the interest rate level would have affected the Group's annual net financial expenses by EUR 2.2 million (EUR 2.4 million).

Liquidity risk

The parent company's Finance Department handles the YIT Group's asset management and funding on a centralized basis. YIT's internal debt relationships exist directly between the Group's parent company and the subsidiaries.

The Group's liquidity management is based on the financial budget as well as on short-term, up-to-date cash funds planning.

The tools used in liquidity management are Group bank accounts with an overdraft, financing credit facilities and commercial paper programmes. Deposits will not be used as a liquidity buffer until the Group's equity ratio exceeds the strategic target limit (35%).

The Finance Department sees to it that a sufficient number of different sources of finance are available and the maturity profile of external loans is controlled.

Definitions of financial indicators

$$\text{Return on investment (\%)} = \frac{\text{Profit before estraordinary items and taxes + interest expenses and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average for the period)}} \times 100$$

$$\text{Return on equity (\%)} = \frac{\text{Profit before extraordinary items - taxes}}{\text{Shareholders' equity - own shares + minority interest (average for the period)}} \times 100$$

$$\text{Equity ratio (\%)} = \frac{\text{Shareholders' equity - own shares + minority interest}}{\text{Balance sheet total - advances received}} \times 100$$

$$\text{Gearing ratio (\%)} = \frac{\text{Interest-bearing liabilities - liquid financial assets}}{\text{Shareholders' equity - own shares + minority interest}} \times 100$$

$$\text{Share issue-adjusted earnings per share (EUR)} = \frac{\text{Profit before extraordinary items - taxes} \pm \text{minority interest from profit/loss for the period}}{\text{Share issue-adjusted average number of outstanding shares during the period}}$$

$$\text{Equity per share (EUR)} = \frac{\text{Shareholders' equity - own shares}}{\text{Share issue-adjusted number of outstanding shares at December 31}}$$

$$\text{Share issue-adjusted dividend per share (EUR)} = \frac{\text{Dividend for the period per share}}{\text{Adjustment ratios of share issues during the period and afterwards}}$$

$$\text{Dividend per earnings (\%)} = \frac{\text{Dividend per share}}{\text{Earnings per share}} \times 100$$

$$\text{Effective dividendyield (\%)} = \frac{\text{Share issue-adjusted dividend per share}}{\text{Share issue-adjusted share price at December 31}} \times 100$$

$$\text{Price/Earnings (=P/E ratio)} = \frac{\text{Share issue-adjusted share price at December 31}}{\text{Share issue-adjusted earnings per share}}$$

$$\text{Market capitalization} = \text{(Number of shares - own shares) x share price at December 31}$$

$$\text{Share turnover (\%)} = \frac{\text{Shares traded (number of shares)}}{\text{Total number of outstanding shares (average during the period)}} \times 100$$

Risk management

Risk management policy

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

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

Strategic risks

Profitable growth

The management of risks related to strategy choices is based on anticipating changes in the business environment and markets and on agility in reacting to them. YIT's main strategy is profitable growth. YIT promotes profitable growth and reduces its total exposure to risks by lessening its dependence on the ups and downs of the business cycle through a diverse service and expertise structure, increasing the share of business operations accounted for by the maintenance and servicing business and geographical expansion.

Managing growth and risks related to acquisitions

YIT's objective is to grow by 5-10 per cent annually, exceeding the rate of market growth. The basics of the growth strategy are to focus on the selected business segment structure, controlled geographical expansion in Northern Europe and increasing the share of operations accounted for by the maintenance and servicing business. Growth is sought both organically and through acquisitions. The risks related to acquisitions are managed by means of the stringent strategic and financial screening of acquirees and especially through the efficient implementation of a post-acquisition integration programme. Good examples from the past few years are the acquisition of Calor, Primatel and Building Systems and their successful integration processes.

Over the next few years, YIT's growth will focus especially on the Nordic building systems market and the residential markets of Estonia, Latvia, Lithuania and Russia. YIT has 44 years of experience in the Russian market. Our local employees are well-versed in the markets and their mechanisms.

Capital management

During the present year, YIT amended its strategic financial target levels for the 2005-2007 strategic period. The target level for YIT's return on investment was raised from 18 to 20 per cent and the target level for the equity ratio was lowered from 40 to 35 per cent. The new target levels are a better fit for YIT's current risk level and optimal capital structure. The development of the capital structure is actively guided into the right direction by means of the target levels and by setting the generation of cash flow as one of YIT's strategic focus areas.

Availability of competent employees

YIT's business operations are labour intensive. Moreover, increasingly complex technical equipment is being used more widely, and the company's business has become highly service oriented – and this further highlights the importance of competent personnel. The company's strategic objectives are so demanding that it must be ensured that it has access to the best possible employees. YIT seeks to maintain its good image as an employer and to hold on to its position as a pioneer in its field. YIT makes outlays on continuous on-the-job learning, internal training, job rotation and the transfer of expertise between the business segments. In addition, YIT has prioritized active hiring and cooperation with universities and educational institutions.

Large projects

In the next few years, major industrial, energy and traffic infrastructure projects in which optimal resource management and scheduling are required will be started up. It is ensured in advance that the company has the expertise required to manage large projects. The share of the entire Group's net sales accounted for by large projects will be kept at a controlled level.

Financial development

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

YIT's structure, both in terms of its business segments and geographical reach, balances out the impact of cyclical fluctuations on the trend in consolidated net sales and earnings, because business cycles do not have a simultaneous effect in all of YIT's territories and business segments. Fifty-six per cent of the net sales of Building Systems and over 69 per cent of those of Services for Industry and Data Network Services are generated by the maintenance and servicing business, which enjoys stable development in spite of cyclical fluctuations. The company seeks to increase the share of its operations accounted for by this business.

For example, the currently high price of oil slows down economic growth in most countries, but supports the economies of Russia and Norway. Another major factor disturbing the global economy is the weakening of the US dollar, which affects foreign trade. YIT's business operations are based on local market demand in all of its business countries, and thus the impact of exchange rates is only indirectly reflected mainly in changes in investment demand by sectors that are dependent on exports and imports.

A significant share of the earnings of Construction Services has come from market-financed residential production. In addition to the population shift, the level of demand for housing purchases is affected by the interest rate level, household incomes and consumers' confidence in the development of their own finances. As the fastest growth stage in residential sales is levelling off in Finland – although it will remain at a high level – residential production is being started up in Russia and YIT's business premise and infrastructure construction are growing at a rapid clip in Finland. At the same time, large industrial and energy sector investments are being initiated in the Nordic countries, and they will be ongoing over the next few years.

Administrative risks

Functionality of management, monitoring and supervision systems

In YIT's management by objectives system, the effectiveness of operational development and financial monitoring is ensured by safeguarding the continuity of the corporate culture – this is achieved by selecting the right persons and offering employees opportunities for job rotation and career development within the Group. The regular monitoring of profitability extends throughout the entire line organization, from the project level to the Group level, thanks to a purpose-designed operating and reporting system and an active approach to management.

Corporate Governance

A top-notch corporate governance system plays a key role in the company's success. The specification of rights and obligations, compliance with rules, the setting of objectives for the company and supervising their realization increases the efficiency and transparency of the company's operations and confidence in the company. YIT complies with the recommendations on the Corporate Governance of listed companies that were released by HEX Ltd, the Central Chamber of Commerce and the Finnish Confederation of Industry and Employers TT in December 2003.

Risk management organization and reporting

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

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

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

Key financial indicators, 1995-2004

		1995	1996	1997	1998	1999	2000	2001	2002	2003	**2004**
CONSOLIDATED INCOME STATEMENT											
Net sales	MEUR	660.0	876.3	941.4	1,167.7	1,222.1	1,235.4	1,623.1	1,763.0	2,389.7	**3,033.4**
Change in net sales	%	21.0	32.8	7.4	24.1	4.7	1.1	31.4	8.6	35.5	**26.9**
Net sales outside Finland	MEUR	156.2	157.4	171.1	200.0	165.3	146.4	330.5	386.9	672.5	**1,212.7**
Operating income and expenses	MEUR	-630.4	-818.2	-871.4	-1,095.7	-1,141.2	-1,126.8	-1,497.2	-1,643.5	-2,253.3	**-2,850.6**
Depreciation and value adjustments	MEUR	-10.2	-12.9	-13.4	-14.2	-12.9	-13.9	-16.8	-16.9	-23.4	**-35.4**
Amortization of goodwill on consolidation	MEUR	-0.4	-3.0	-2.6	-3.3	-5.7	-5.0	-9.4	-12.8	-14.4	**-12.3**
Operating profit	MEUR	19.0	42.2	54.0	54.5	62.3	89.7	99.7	89.8	98.6	**135.1**
as percentage of net sales	%	2.9	4.8	5.7	4.7	5.1	7.3	6.1	5.1	4.1	**4.5**
Financial income and expenses, net	MEUR	-16.8	-13.6	-10.8	-8.5	-7.1	-10.2	-10.9	-12.2	-14.2	**-16.8**
Profit before extraordinary items	MEUR	2.2	28.6	43.2	46.0	55.2	79.5	88.8	77.6	84.4	**118.2**
as percentage of net sales	%	0.3	3.2	4.6	3.9	4.5	6.4	5.5	4.4	3.5	**3.9**
Extraordinary income	MEUR	0.1	1.6	10.8	0.1	18.5					
Extraordinary expenses	MEUR	0.2	2.2	1.2	0.3		-0.1				
Profit before taxes	MEUR	2.1	28.0	52.8	45.8	73.7	79.4	88.8	77.6	84.4	**118.2**
as percentage of net sales	%	0.3	3.2	5.6	3.9	6.0	6.4	5.5	4.4	3.5	**3.9**
Profit for the financial year	MEUR	0.1	20.7	40.9	28.4	60.7	54.7	61.6	43.0	48.4	**84.0**
as percentage of net sales	%		2.4	4.3	2.4	5.0	4.4	3.8	2.4	2.0	**2.8**

		1995	1996	1997	1998	1999	2000	2001	2002	2003	**2004**
CONSOLIDATED BALANCE SHEET											
ASSETS											
Intangible assets	MEUR	1.4	2.3	4.1	5.4	8.3	10.1	7.7	9.7	180.7	**164.4**
Goodwill on consolidation	MEUR	17.4	15.2	11.6	12.1	12.3	13.7	46.9	71.8	78.0	**72.1**
Tangible assets	MEUR	96.5	93.8	78.6	88.1	78.3	85.2	69.7	61.9	66.8	**68.4**
Investments											
Own shares	MEUR					4.2	7.8	6.5	7.2		
Other investments	MEUR	17.3	10.8	10.5	13.8	11.4	11.0	6.3	7.1	7.9	**6.8**
Inventories	MEUR	205.1	181.3	217.5	222.2	175.4	249.4	259.3	338.1	380.8	**421.6**
Receivables	MEUR	257.8	259.7	300.9	320.1	389.2	411.0	483.0	503.5	781.0	**822.1**
Marketable securities	MEUR	12.1	9.9	3.7	5.1	13.4	1.4	18.6	10.7	11.9	**0.7**
Cash in hand and at bank	MEUR	17.9	8.8	16.4	10.5	10.2	11.2	18.4	28.2	48.4	**34.2**
Total assets	MEUR	625.5	581.8	643.3	677.3	702.7	800.8	916.4	1 038.2	1 555.5	**1 590.3**
SHAREHOLDERS' EQUITY AND LIABILITIES											
Share capital	MEUR	41.0	41.0	49.3	49.3	58.8	58.8	58.8	59.5	61.0	**61.3**
Other shareholders' equity	MEUR	63.9	82.4	157.6	176.3	212.7	250.2	291.6	313.7	347.3	**395.9**
Minority interests	MEUR	6.7	7.6	10.1	11.1	6.7	1.6	3.2	2.9	3.4	**3.6**
Provisions	MEUR	8.4	4.2	4.4	3.2	6.7	6.9	10.1	14.2	27.3	**26.0**
Non-current liabilities											
Interest-bearing	MEUR	184.5	166.5	120.9	128.4	125.2	89.2	133.5	130.4	202.6	**214.0**
Non interest-bearing	MEUR	20.9	18.2	7.1	9.3	4.8	3.3	7.7	7.8	8.3	**15.7**
Current liabilities											
Interest-bearing	MEUR	110.0	82.6	69.1	44.7	15.5	38.9	14.2	12.6	62.2	**47.5**
Advances received	MEUR	46.6	37.0	41.2	42.4	43.7	47.1	54.5	71.8	100.6	**106.7**
Other non interest-bearing	MEUR	143.5	142.3	183.6	212.6	228.6	304.8	342.8	425.3	742.8	**719.6**
Total shareholders' equity and liabilities	MEUR	625.5	581.8	643.3	677.3	702.7	800.8	916.4	1 038.2	1 555.5	**1 590.3**

		1995	1996	1997	1998	1999	2000	2001	2002	2003	**2004**
OTHER KEY FIGURES											
Cash flow from operating activities	MEUR	-102.3	46.1	15.9	53.6	64.4	47.3	40.3	76.7	97.6	**35.4**
Return on equity	%	neg.	19.0	21.7	13.9	18.3	19.1	19.1	12.2	12.5	**19.6**
Return on investment	%	6.0	11.8	14.5	13.7	15.5	21.2	21.6	17.8	16.8	**19.6**
Equity ratio	%	19.3	24.0	36.0	37.3	41.6	40.2	40.3	38.2	28.3	**31.1**
Net interest-bearing debt	MEUR					117.1	115.4	110.7	104.1	204.4	**226.6**
Gearing ratio	%	237.1	175.9	78.4	66.6	42.8	38.1	31.9	28.2	49.6	**49.2**
Gross capital expenditure on non-current assets	MEUR	18.2	15.5	24.7	35.9	35.6	34.3	75.1	60.6	232.9	**31.0**
as percentage of net sales	%	2.8	1.8	2.4	3.1	2.9	2.8	4.6	3.4	9.7	**1.0**
Expenditure for research and development	MEUR				6.7	8.4	10.0	12.0	13.0	16.0	**18.0**
as percentage of net sales	%				0.6	0.7	0.8	0.7	0.7	0.7	**0.6**
Backlog of orders at December 31	MEUR	346.1	319.7	411.7	477.5	479.1	574.7	735.8	938.8	1,490.1	**1,604.9**
of which orders from abroad	MEUR	76.9	57.7	91.8	89.2	46.8	57.3	180.2	255.0	569.5	**621.0**
Number of employees at December 31		7,655	6,421	7,116	7,536	8,282	8,605	10,264	12,633	21,939	**21,680**
Average number of employees		5,661	7,184	6,531	7,340	8,721	8,189	10,118	11,990	16,212	**21,884**

		1995	1996	1997	1998	1999	2000	2001	2002	2003	**2004**
PER-SHARE KEY FIGURES											
Earnings/share	EUR	-0.03	0.44	0.62	0.49	0.80	0.95	1.07	0.75	0.82	**1.37**
Earnings/share, diluted	EUR								0.74	0.82	**1.36**
Equity/share	EUR	2.15	2.53	3.53	3.85	4.63	5.26	5.96	6.27	6.69	**7.46**
Dividend/share	EUR	0.04	0.13	0.17	0.21	0.30	0.38	0.43	0.45	0.60	**0.70*)**
Dividend/earnings	%	neg.	28.8	27.4	43.0	37.7	39.5	39.7	60.4	73.2	**51.1*)**
Effective dividend yield	%	1.6	2.8	3.3	5.7	5.5	5.5	6.3	5.4	4.5	**3.8**
Price/earnings multiple (P/E)		neg.	10.3	8.4	7.6	6.9	7.2	6.3	11.3	16.4	**13.4**
Share price trend											
Average price	EUR	3.22	4.02	5.53	5.38	4.39	6.37	6.33	8.20	10.35	**15.92**
Low	EUR	2.36	2.19	4.63	3.28	3.25	5.20	5.21	6.60	7.01	**13.51**
High	EUR	4.46	4.96	6.10	8.08	5.50	7.10	6.98	9.83	13.85	**18.84**
Price at December 31	EUR	2.61	4.54	5.17	3.70	5.45	6.80	6.75	8.40	13.45	**18.36**
Market capitalization at December 31	MEUR	127.3	221.4	303.1	217.1	315.0	389.3	389.7	489.9	821.1	**1,125.3**
Share turnover trend											
Share turnover	1,000	4,720	17,452	32,012	23,662	18,132	21,650	8,896	19,824	29,279	**45,580**
Share turnover as percentage of shares outstanding	%	9.7	35.7	57.1	40.4	31.4	37.6	15.5	34.2	49.5	**74.6**
Weighted average share-issue adjusted number of shares outstanding	1,000	48,842	48,846	56,084	58,616	57,742	57,524	57,494	57,940	59,104	**61,123**
Weighted average share-issue adjusted number of shares outstanding, diluted	1,000								58,514	59,248	**61,823**
Share-issue adjusted number of shares outstanding at December 31	1,000	48,846	48,846	58,606	58,676	57,794	57,252	57,736	58,358	61,046	**61,293**

*) Proposal of Board of Directors

YIT Corporation's Annual General Meeting held on March 18, 2004, decided to change the nominal value of the share from two euros to one euro, thereby doubling the number of shares. The comparison figures for 1995-2003 have been adjusted to be comparable with the figures for 2004.

Notes to the income statement

(EUR thousands)

	Consolidated		Parent Company	
	2004	2003	**2004**	2003
1. NET SALES				
Net sales by business segment				
Building Systems	**1,331,457**	681,029		
Construction Services	**1,427,260**	1,398,544		
Services for Industry	**195,052**	209,670		
Data Network Services	**126,981**	129,954		
Other items	**-47,319**	-29,530	**751**	1 338
Total	**3,033,431**	2,389,667	**751**	1,338
Net sales include:				
Sale of company-built condominium shares	**203,083**	243,056		
Net sales by geographical area				
Finland	**1,820,719**	1,717,145	**751**	1,338
Nordic Countries	**908,855**	446,370		
Russia	**101,312**	78,876		
Baltic countries	**166,614**	111,873		
Other Europe	**14,016**	20,455		
Asia	**16,827**	9,490		
Africa	**2,881**	225		
USA	**2,207**	5,233		
Total	**3,033,431**	2,389,667	**751**	1,338
2. Other operating income				
Capital gains on disposal of fixed assets	**1,575**	29,470	**771**	941
Others	**2,894**	2,931	**6,007**	5,346
Total	**4,469**	32,401	**6,778**	6,287
3. Materials and services				
Raw materials, consumables and goods				
Purchases during the period	**1,041,027**	852,199		
Change in inventories	**-35,105**	3,506		
	1,005,922	855,705		
External services	**633,658**	529,961		
Total	**1,639,580**	1,385,666		
4. Information concerning personnel and members of administrative bodies				
Personnel expenses				
Wages, salaries and fees	**694,250**	465,179	**4,239**	3,567
Pension expenses	**87,496**	66,282	**651**	889
Other indirect employee costs	**79,499**	71,373	**508**	335
Total	**861,245**	602,834	**5,398**	4,791

	Consolidated		Parent Company	
	2004	2003	**2004**	2003
Salaries and fees to the management				
Presidents and Executive Vice Presidents	**4,782**	4,406	**889**	806
Members of the Board of Directors, money	**129**	93	**129**	93
Members of the Board of Directors, shares 3,870 x 16,00	**62**		**62**	
Total	**4,973**	4,499	**1,080**	899
Average number of personnel by business segment				
Building Systems	**12,417**	6,036		
Construction Services	**4,926**	5,069		
Services for Industry	**2,889**	3,324		
Data Network Services	**1,362**	1,507		
Others	**290**	276		
Total	**21,884**	16,212		
Personnel at December 31, total	**21,680**	21,939		
Pension commitments to members of the Board of Directors and Presidents It has been agreed that the President and CEO of the parent company and the deputy to the President and CEO will retire at the age of 62. One of the Presidents of the Group's business sectors will retire at the age of 60				
5. Depreciation and value adjustments				
Depreciation on intangible rights	**2,266**	228		
Amortization of goodwill	**18,333**	6,070		
Depreciation on other capitalized expenditure	**562**	2,848	**49**	30
Depreciation on buildings and structures	**832**	926	**162**	137
Depreciation on machinery and equipment	**13,101**	12,933	**377**	346
Depreciation on other tangible assets	**344**	404	**43**	35
Amortization of goodwill on consolidation	**12,297**	14,370		
Total	**47,735**	37,779	**631**	548
6. Operating profit by business segment				
Building Systems	**8,983**	-19,707		
Construction Services	**109,416**	107,782		
Services for Industry	**6,287**	8,797		
Data Network Services	**16,384**	10,663		
Other items	**-6,008**	-8,994		
Total	**135,062**	98,541		

	Consolidated		Parent Company	
	2004	2003	**2004**	2003
7. Financial income and expenses				
Dividend income				
From Group companies			**3,280**	2,175
From other companies	**35**	59	**24**	54
Total	**35**	59	**3,304**	2,229
Interest income from investments held as non-current assets				
From Group companies			**6,596**	7,464
From other companies	**57**	208	**55**	55
Total	**57**	208	**6,651**	7,519
Other interest and financial income				
From Group companies			**1,380**	2,015
From other companies	**1,719**	1,447	**321**	1,142
Total	**1,719**	1,447	**1,701**	3,157
Value adjustments of investments				
Value adjustments of non-current assets		279		
Total		279		
Interest expenses and other financial expenses				
To Group companies			**-2,945**	-4,051
To other companies	**-18,643**	-16,195	**-10,749**	-9,323
Total	**-18,643**	-16,195	**-13,694**	-13,374
Total financial income and expenses	**-16,832**	-14,202	**-2,038**	-469
Exchange rate differences (net) included in financial income and expenses	**-1,074**	-858	**-67**	26
8. Extraordinary items				
Extraordinary income				
Group contribution			**80,322**	82,758
Merger profits				105
Total			**80,322**	82,863
Total extraordinary items			**80,322**	82,863
9. Income taxes				
Income taxes on extraordinary items			**-23,293**	-24,030
Income taxes on operating activities	**-32,173**	-35,020	**5,151**	3,604
Income taxes from previous years	**3**	308	**-791**	
Change in deferred tax liability	**-627**	-748		
Total	**-32,797**	-35,460	**-18,933**	-20,426

Notes to the balance sheet

(EUR thousands)

	Consolidated		Parent Company	
	2004	2003	**2004**	2003
10.Changes in fixed assets				
Intangible assets				
Intangible rights				
Acquisition cost at January 1	**2,615**	1,246	**144**	113
Translation differences	**31**			
Increases	**1,585**	2,115		
Assets transferred in merger				30
Transfers from another balance sheet item	**14,668**	1		1
Decreases	**1**	747		
Acquisition cost at December 31	**18,898**	2,615	**144**	144
Accumulated depreciation and value adjustments at January 1	**485**	301		
Accumulated depreciation on decreases and transfers	**6,328**	44		
Depreciation for the period	**2,266**	228		
Accumulated depreciation and value adjustments at December 31	**9,079**	485		
Book value at December 31	**9,819**	2,130	**144**	144
Goodwill				
Acquisition cost at January 1	**178,591**	3,828		
Translation differences	**1,513**			
Increases	**80**	174,763		
Decreases	**26**			
Acquisition cost at December 31	**180,158**	178,591		
Accumulated depreciation and value adjustments at January 1	**9,737**	3,667		
Depreciation for the period	**18,333**	6,070		
Accumulated depreciation and value adjustments at December 31	**28,070**	9,737		
Book value at December 31	**152,088**	168,854		
Other capitalized expenditure				
Acquisition cost at January 1	**23,409**	19,470	**5,492**	5,473
Translation differences	**11**			
Increases	**1,137**	4,794	**637**	19
Decreases	**117**	855		
Transfers to another balance sheet item	**14,326**			
Acquisition cost at December 31	**10,114**	23,409	**6,129**	5,492
Accumulated depreciation and value adjustments at January 1	**13,723**	10,915	**5,376**	5,346
Accumulated depreciation on decreases and transfers	**6,325**	40		
Depreciation for the period	**562**	2,848	**49**	30
Accumulated depreciation and value adjustments at December 31	**7,960**	13,723	**5,425**	5,376
Book value at December 31	**2,154**	9,686	**704**	116

	Consolidated		Parent Company	
	2004	2003	**2004**	2003
Advance payments				
Acquisition cost at January 1	**16**	22		
Increases	**570**	818		
Decreases		824		
Transfers to another balance sheet item	**234**			
Book value at December 31	**352**	16		
Total intangible assets	**164,413**	180,686	**848**	260
Goodwill on consolidation				
Acquisition cost at January 1	**143,385**	122,759		
Translation differences	**3**			
Increases	**6,405**	20,626		
Decreases	**10**			
Acquisition cost at December 31	**149,783**	143,385		
Accumulated depreciation and value adjustments at January 1	**65,361**	50,991		
Depreciation for the period	**12,297**	14,370		
Accumulated depreciation and value adjustments at December 31	**77,658**	65,361		
Book value at December 31	**72,125**	78,024		
Tangible assets				
Land and water areas				
Acquisition cost at January 1	**2,948**	3,056	**1,024**	682
Translation differences	**3**			
Increases		112		
Assets transferred in merger				357
Decreases	**58**	220	**5**	15
Transfers to another balance sheet item	**4**			
Acquisition cost at December 31	**2,889**	2,948	**1,019**	1,024
Book value at December 31	**2,889**	2,948	**1,019**	1,024
Buildings and structures				
Acquisition cost at January 1	**26,300**	29,357	**5,047**	3,861
Translation differences	**14**			
Increases	**1,578**	1,559	**620**	399
Assets transferred in merger				787
Decreases	**1,006**	4,616		
Transfers to another balance sheet item	**122**			
Acquisition cost at December 31	**26,764**	26,300	**5,667**	5,047
Accumulated depreciation and value adjustments at January 1	**13,671**	13,651	**2,881**	2,744
Accumulated depreciation on decreases and transfers	**3**	906		
Depreciation for the period	**832**	926	**162**	137
Accumulated depreciation and value adjustments at December 31	**14,500**	13,671	**3,043**	2,881
Book value at December 31	**12,264**	12,629	**2,624**	2,166

	Consolidated		Parent Company	
	2004	2003	**2004**	2003
Machinery and equipment				
Acquisition cost at January 1	**89,141**	73,229	**5,291**	4,820
Translation differences	**47**	59		
Increases	**16,157**	23,169	**339**	469
Assets transferred in merger				2
Transfers from another balance sheet item	**8**	43		
Decreases	**2,031**	7,359	**5**	
Acquisition cost at December 31	**103,322**	89,141	**5,625**	5,291
Accumulated depreciation and value adjustments at January 1	**42,537**	32,371	**4,284**	3,938
Accumulated depreciation on decreases and transfers		2,767		
Depreciation for the period	**13,101**	12,933	**377**	346
Accumulated depreciation and value adjustments at December 31	**55,638**	42,537	**4,661**	4,284
Book value at December 31	**47,684**	46,604	**964**	1,007
Other tangible assets				
Acquisition cost at January 1	**3,549**	3,105	**839**	747
Increases	**371**	920	**9**	53
Assets transferred in merger				40
Transfers from another balance sheet item	**36**			
Decreases	**20**	476		1
Acquisition cost at December 31	**3,936**	3,549	**848**	839
Accumulated depreciation and value adjustments at January 1	**2,061**	1,836	**522**	487
Accumulated depreciation on decreases and transfers		179		
Depreciation for the period	**344**	404	**43**	35
Accumulated depreciation and value adjustments at December 31	**2,405**	2,061	**565**	522
Book value at December 31	**1,531**	1,488	**283**	317
Advance payments				
Acquisition cost at January 1	**3,062**	1,058		
Increases	**3,108**	2,306		
Decreases	**9**	200		
Transfers to another balance sheet item	**2,160**	102		
Book value at December 31	**4,001**	3,062		
Total balance sheet value of construction machinery and equipment at December 31	**34,624**	28,532		
Total tangible assets	**68,369**	66,731	**4,890**	4,514

	Consolidated		Parent Company	
	2004	2003	**2004**	2003
11. Investments held as non-current assets				
Shares in Group companies				
Acquisition cost at January 1			**417,593**	326,555
Increases				92,849
Decreases			**57,885**	1,811
Acquisition cost at December 31			**359,708**	417,593
Shares in associated companies				
Acquisition cost at January 1	**3,224**	3,448		
Increases	**910**	76		
Decreases	**322**	300		
Acquisition cost at December 31	**3,812**	3,224		
Other shares and holdings				
Acquisition cost at January 1	**3,014**	3,533	**284**	1,057
Increases	**2**	454		
Decreases	**95**	973	**29**	773
Acquisition cost at December 31	**2,921**	3,014	**255**	284
Own shares				
Acquisition cost at January 1		7,173		7,173
Decreases		7,173		7,173
Acquisition cost at December 31				
Other investments				
Acquisition cost at January 1	**1,688**	142		
Increases		1,583		
Decreases	**1,623**	37		
Acquisition cost at December 31	**65**	1,688		
Total investments	**6,798**	7,926	**359,963**	417,877
12. Inventories				
Other inventories				
Land areas and plot-owning companies	**127,627**	126,679		
Shares in housing and real estate corporations under construction	**117,394**	106,033		
Shares in completed housing corporations	**18,872**	9,849		
Shares in completed real estate corporations	**14,074**	10,005		
Others	**9,202**	4,289		
Total	**287,169**	256,855		

	Consolidated		Parent Company	
	2004	2003	**2004**	2003
13. Receivables				
Long-term receivables				
Trade receivables	**833**	634		
Receivables from Group companies				
Loan receivables			**181,362**	138,270
Total			**181,362**	138,270
Loan receivables	**511**	2,634	**54**	1 833
Other receivables	**6,361**	742		
Prepaid expenses and accrued income		1,501		
Total long-term receivables	**7,705**	5,511	**181,416**	140,103
Deferred tax assets				
From timing differences	**11,657**	6,416		
From consolidation eliminations	**499**	606		
Total	**12,156**	7,022		
Short-term receivables				
Trade receivables	**458,257**	426,357	**1**	1
Receivables from Group companies				
Trade receivables			**529**	484
Loan receivables			**76,171**	145,335
Other receivables			**138,143**	84,358
Prepaid expenses and accrued income			**744**	2 020
Total			**215,587**	232,197
Receivables from associated companies				
Trade receivables	**12**	34	**2**	
Loan receivables	**1,868**	130		
Total	**1,880**	164	**2**	
Loan receivables	**206,588**	193,570		461
Other receivables	**21,423**	30,692	**298**	3,688
Prepaid expenses and accrued income	**114,106**	117,624	**117**	1,104
Total short-term receivables	**802,254**	768,407	**216,005**	237,451
Total receivables	**822,115**	780,940	**397,421**	377,554
Loan receivables from limited companies held in other inventories, total	**156,541**	189,287		
Prepaid expenses and accrued income				
Periodization difference caused by partial recognition of income	**69,214**	80,196		
Other items	**44,892**	38,929	**861**	3,124
Total	**114,106**	119,125	**861**	3,124

In accordance with the principle of conservatism, deferred tax assets do not account for tax assets arising from confirmed losses in Sweden, which will come into effect after 2007.

	Consolidated		Parent Company	
	2004	2003	**2004**	2003
14. Liquid assets				
Marketable securities				
Repurchase price	**700**	11,923	**24**	11,039
Book value	**700**	11,923	**24**	11,039
Difference				
15. Shareholders' equity				
Share capital at January 1	**61,047**	59,493	**61,047**	59,493
Subscriptions with share options	**246**	1,554	**246**	1,554
Share capital at December 31	**61,293**	61,047	**61,293**	61,047
Share premium reseve at January 1	**70,184**	58,478	**70,184**	58,478
Issue premium from share options	**1,365**	7,961	**1,365**	7,961
Capital gain from disposal of own shares		3,745		3,745
Share premium reserve at December 31	**71,549**	70,184	**71,549**	70,184
Reserve for own shares at January 1		7,173		7,173
Transfer to retained earnings		-7,173		-7,173
Reserve for own shares at December 31				
Legal reserve at January 1	**689**	482		
Transfer from retained earnings	**391**	297		
Change in Group structure		-90		
Translation differences	**1**			
Legal reserve at December 31	**1,081**	689		
Retained earnings at January 1	**276,408**	247,573	**200,327**	169,442
Dividends paid	**-36,628**	-26,261	**-36,628**	-26,261
Transfer to legal reserve	**-391**	-297		
Change in translation differences	**-138**	-172		
Other changes	**-37**	8		
Transfer from reserve for own shares		7,173		7,173
Retained earnings at December 31	**239,214**	228,024	**163,699**	150,354
Profit for the financial year	**84,015**	48,384	**46,920**	49,973
	323,229	276,408	**210,619**	200,327
Total shareholders' equity	**457,152**	408,328	**343,461**	331,558
Distributable funds at December 31				
Retained earnings	**239,214**	228,024	**163,699**	150,354
Profit for the financial year	**84,015**	48,384	**46,920**	49,973
Increase in share capital	**-109**	-109		
Transfer to legal reserve in Sweden	**-1,778**	-1,735		
Portion of accumulated depreciation difference and untaxed reserves transferred to shareholders' equity	**-7,518**	-6,368		
Distributable funds from shareholders' equity	**313,824**	268,196	**210,619**	200,327

	Consolidated		Parent Company	
	2004	2003	**2004**	2003
16. Provisions				
Provisions for pensions	**8,399**	4,281		
Provisions for construction contracts				
Guarantee provisions	**8,640**	5,058		
Provisions for loss-making projects	**2,752**	702		
Other provisions				
Provision for rental guarantees	**2,264**	3,603		
Provision for restructuring expenses	**2,430**	12,121		
Other provisions	**1,516**	1,530		
Total	**26,001**	27,295		
Change in provisions				
Provisions for pensions	**4,118**	1,574		
Change in provisions for construction contracts	**5,632**	-912		
Provisions for rental gurantee	**-1,339**	888		
Provision for restructuring expenses	**-9,691**	10,937		
Change in other provisions	**-14**	630		
Total	**-1,294**	13,117		
17. Non-current liabilities				
Deferred tax liability				
From timing differences	**10,254**	4,392		
From appropriations	**2,641**	2,718		
Total	**12,895**	7,110		
Liabilities falling due after five years				
Bonds		50,000		50,000
Loans from credit institutions	**35,500**	7,012	**35,500**	7,000
Pension loans		445		420
Other loans		1,472		
Total	**35,500**	58,929	**35,500**	57,420
Bonds				
Fixed-rate bond 1/2001 2001-2006, interest 5,75%	**40,000**	40,000	**40,000**	40,000
Fixed-rate bond 1/2003 2003-2005, interest 3,75%		15,000		15,000
Variable-rate bond 2/2003 2003-2007, interest three-month Euribor + 0,65%	**50,000**	50,000	**50,000**	50,000
Fixed-rate bond 3/2003 2003-2009, interest 4,75%	**50,000**	50,000	**50,000**	50,000
Total	**140,000**	155,000	**140,000**	155,000

	Consolidated		Parent Company	
	2004	2003	**2004**	2003
18. Current liabilities				
Liabilities to Group companies				
Trade payables			**602**	433
Other liabilities			**150,937**	213,548
Accrued expenses and deferred income			**136**	231
Total			**151,675**	214,212
Accrued expenses and deferred income				
Periodization differences caused by partial recognition of income	**82,651**	80,131		
Periodization differences in recognition of personnel expenses	**128,728**	130,458	**1,120**	822
Other items	**65,736**	69,901	**5,361**	8,131
Total	**277,115**	280,490	**6,481**	8,953
19. Effect of partial recognition of projects on balance sheet items				
Inventories/Work in progress	**900,747**	780,514		
./. Partial recognition of income	**790,642**	685,543		
Work in progress entered in the balance sheet	**110,105**	94,971		
Liabilities/Advances received	**1,042,780**	908,961		
./. Partial recognition of income	**936,044**	808,330		
Advances received entered in the balance sheet	**106,736**	100,631		

	Consolidated		Parent Company	
	2004	2003	**2004**	2003
20. Contingent liabilities				
Mortgages given as security for loans, total	**29,272**	29,812	**29,265**	29,265
Mortgages given for own commitments are mainly given as security of pension loans.				
Other collateral given for own commitments				
Others		192		
Pension liabilities are entered in the balance sheet under long-term pension loans.				
Leasing commitments				
Payable during the current financial year	**17,006**	22,423	**21**	196
Payable in subsequent years	**23,235**	28,312	**2**	263
Total	**40,241**	50,735	**23**	459
Other commitments				
Purchase commitments	**176,792**	7,327		
Rental guarantees	**7,148**			
The Group's share of external debts of companies held in inventories	**55,179**	44,512		
Mortgages given by companies held in inventories	**4,599**	2,120	**1,850**	1,850
Liquid assets include the collateral given to the homebuyers	**295**	654		
Other contingent liabilities	**595**	566	**266**	214
Total	**244,608**	55,179	**2,116**	2,064
Guarantees				
On behalf of Group companies			**468,457**	377,213
On behalf of associated companies	**717**	729	**717**	729
On behalf of other companies	**2,518**	8,971	**2,518**	8,971
Total	**3,235**	9,700	**471,692**	386,913
Derivative contracts				
Foreign currency forward contracts				
Market value	**54,434**	72,075	**54,434**	72,075
Value of underlying instruments	**56,730**	70,826	**56,730**	70,826
Interest rate swaps				
Market value	**69,201**	19,716	**69,201**	19,716
Value of underlying instruments	**70,000**	20,000	**70,000**	20,000

21. Shares and holdings

Name	Holding %	Number of shares	Nominal value	Book value 1,000 EUR
Shares in subsidiaries, owned by the parent company				
YIT Construction Ltd, Helsinki	100.00	5,000,000	EUR 50,000	193,140
YIT Building Systems Ltd, Helsinki	100.00	7,300,000	EUR 73,000	81,290
YIT Industry Ltd, Vantaa	100.00	700,000	EUR 7,000	14,969
YIT Primatel Ltd, Helsinki	100.00	50,000	EUR 5,000	37,336
YIT Kalusto Oy, Urjala	100.00	25,000	EUR 5,000	5,170
YIT Information Technology Ltd, Helsinki	100.00	2,500,000	EUR 5,000	5,018
YIT Building Systems AB, Västerås	100.00	2,050,000	SEK 205,000	22,785
Total				**359,708**

Name	Holding %	Number of shares		Nominal value	Book value 1,000 EUR	
Shares in subsidiaries, owned by YIT Construction Ltd						
YIT Tolonen Oy, Hämeenlinna	100.00	800	EUR	720	6,365	
YIT Concept Project Management Services Ltd, Helsinki	100.00	40	EUR	8	8	
AS FKSM, Tallinn (Group)	93.40	3,197,780	EEK	31,978	15,508	
AS Keskkonnaehitus, Tallinn	100.00	80	EEK	800	148	*)
AS Koidu Kinnisvara, Tallinn	100.00	265	EEK	2 650	169	*)
OÜ FKSM Haldus, Tallinn	100.00	1	EEK	40	3	*)
OÜ Plasma Project, Tallinn	100.00	1	EEK	40	3	*)
OÜ Voorepuu, Tallinn	100.00	1	EEK	40	3	*)
OÜ FKSM KE, Tallinn	100.00	1	EEK	100	6	*)
OÜ Raudalu Väikemaja, Tallinn	100.00	1	EEK	100	6	*)
OÜ Polaron Holding, Tallinn	100.00	1	EEK	1,870	120	*)
SIA YIT Celtnieciba, Riga	100.00	4,335	LVL	434	710	*)
SIA Ebelmuiza Ligzda, Riga	100.00	10	LVL	31	2	*)
YIT Vatten & Miljöteknik AB, Landskrona	100.00	5,000	SEK	500	68	
ZAO YIT-Genstroi, Moscow	100.00	2,500	RUB	887	127	
YIT Invest Export Oy, Helsinki	100.00	2,000	EUR	1,700	1,701	
ZAO YIT Ramenje, Moscow	51.00	51,000	RUB	45,900	2,884	*)
YIT Environment Oy, Helsinki	100.00	500,000	EUR	1,000	1,001	
YIT Project Invest Oy, Helsinki	100.00	60,000	EUR	1,830	1,830	
ZAO YIT Lentek, St. Petersburg	96.00	960,000	RUB	9,600	1,802	*)
Urepol Oy, Helsinki	100.00	3,000	EUR	51	51	
YIT Polska Sp zo.o, Cracow	100.00	100	PLN	100	27	
AB YIT Kausta, Kaunas (Group)	85.71	8,571,425	LTL	8,571	2,372	
UAB Kausta Guder, Kaunas	51.00	16,830	LTL	168	49	*)
UAB YIT Bustas, Kaunas	100.00	380	LTL	38	29	*)
UAB Kausta Guder, Kaunas	20.00	6,600	LTL	66	72	
YIT Salym Development Oy, Helsinki	100.00	500	EUR	8	9	
Oy Tortum Ab, Helsinki	100.00	150	EUR	3	3	
Finn-Stroi Oy	100.00	3,200	EUR	5	15	
ZAO TPK Strojmaterialy, Moscow	100.00	1,000	RUB			
SWTP Construction Oy, Helsinki	33.33	30	EUR	3	3	
Total					**29,160**	

*) The figures of the subgroup are not included in the sum total.

Name	Holding %	Number of shares	Nominal value		Book value 1,000 EUR
Shares in subsidiaries, owned by YIT Building Systems Ltd					
YIT Sverige AB, Solna (Group)	100.00	30,000	SEK	3,000	57,821
E. Berglunds Värme AB, Solna	100.00	1,000	SEK	100	213 *)
H.Bergström Rör & Svets i Falmark AB,Solna	100.00	1,000	SEK	100	13 *)
Calor Göteborg AB, Solna	100.00	1,000	SEK	100	10 *)
Calor Ingenjörer AB, Solna	100.00	2,000	SEK	200	22 *)
Calor Fastigheter AB, Solna	100.00	1,000	SEK	100	12 *)
Calor Lidköping AB, Solna	100.00	3,500	SEK	350	58 *)
Calor Sölvesborg AB,Solna	100.00	1,000	SEK	100	13 *)
Calor Mora AB, Solna	100.00	1,100	SEK	110	15 *)
Calor Tank AB, Solna	100.00	10,000	SEK	1,000	111 *)
Carlsson & Myrberg AB, Solna	100.00	1,500	SEK	150	25 *)
Calor Stockholm AB, Solna	100.00	20,000	SEK	2,000	218 *)
Calor Västra Förlunda AB, Solna	100.00	1,000	SEK	100	13 *)
Nässjö Värmebolag AB, Solna	100.00	1,000	SEK	100	14 *)
Calor AB, Solna	100.00	5,000	SEK	100	55 *)
Calor Leksand AB, Solna	100.00	1,000	SEK	100	12 *)
Calor Umeå AB, Solna	100.00	1,600	SEK	160	21 *)
Calor nr 1 AB, Solna	100.00	6,000	SEK	600	382 *)
Calor Kristinehamn AB, Solna	100.00	1,000	SEK	100	13 *)
Calor Rättvik AB, Solna	100.00	1,000	SEK	100	7 *)
Rörgillet i Göteborg AB, Solna	100.00	1,000	SEK	100	13 *)
Calor Sandviken AB, Solna	100.00	3,000	SEK	300	40 *)
AB Joh. Sjöström, Solna	100.00	1,000	SEK	100	11 *)
Strömbergs Rostfria & Industrimontage AB, Solna	100.00	1,000	SEK	100	13 *)
Calor Kiruna AB, Solna	100.00	1,000	SEK	100	14 *)
Sören Nilssons Industrirör AB, Solna	100.00	1,000	SEK	100	14 *)
Ulf Martinsson Rör & Svets AB, Solna	100.00	1,000	SEK	100	14 *)
Värmebolaget i Västerås AB, Solna	100.00	1,000	SEK	100	67 *)
Västsprinkler AB, Solna	100.00	1,000	SEK	100	12 *)
AC Luft AB, Solna	100.00	5,100	SEK	510	207 *)
Calor Lycksele AB, Solna	100.00	1,500	SEK	150	504 *)
Calor Vännäs AB, Solna	100.00	1,000	SEK	100	186 *)
Umeå Rör & Fastighetsservice, Umeå	100.00	1,000	SEK	100	11 *)
YIT Kiinteistötekniikka Oy, Helsinki	100.00	3,000	EUR	30,000	35,759
YIT Shipins Oy, Turku	100.00	30	EUR	505	2,111 *)
YIT-Huber East Oy, Helsinki	100.00	500	EUR	8	8
YIT-Huber Invest Oy, Helsinki	100.00	2,000	EUR	34	34
ZAO YIT-Peter, St. Petersburg	100.00	1,000	RUB	1,000	*)
YIT Elmek Ltd, Moscow	100.00	1	RUB	3,232	413 *)
YIT Building Systems AS, Austrheim	100.00	2,601	NOK	245,000	30,098
YIT BS Estonia AS, Tallinn	100.00	700	EEK	700	649
YIT BS Latvia SIA, Riga	100.00	10	LVL	7	10
YIT A/S, Fredericia	100.00	37,000	DKK	37,000	4,983
YIT Technika UAB, Vilnius	100.00	120	LTL	600	2,574
Total					**131,936**

*) The figures of the subgroup are not included in the sum total.

Name	Holding %	Number of shares	Nominal value	Book value 1,000 EUR
Shares in subsidiaries, owned by YIT Industry Ltd				
YIT Service Oy, Helsinki	100.00	10,000	EUR 850	1,358
YIT Industria Oy, Helsinki	100.00	145,000	EUR 2,565	11,878
Total				**13,236**
Shares in associated companies, owned by subsidiaries				
Kiinteistö Oy Juronaki, Rovaniemi	24.18	304	EUR	130
Arabian Finnish Contracting and Maintenance Co Ltd, Saudi Arabia	49.00	2,450	SAR 2,450	571
Haapaveden Puhdistamo Oy, Haapavesi	40.50	405	EUR 4	4
Kiinteistö Oy Leppävirran Teollisuustie 1, Leppävirta	40.00	20	EUR	336
Oy Botnia Mill Service Ab, Kemi	49.83	6,000	EUR 1,020	553
Arandur Oy, Vantaa	33.30	210	EUR 7	21
AS Normanni Linnagrupp, Tallinn	50.00	1,000	EEK 500	32
AS Tartu Maja Betoontooted, Dorpat	25.00	400	EEK 100	6
OÜ Hermastu Kinnisvara, Tallinn	50.00	1	EEK 20	1
OOO Euroeni, St. Petersburg	25.00		RUB 2,500	1
OOO Eurostroi, St. Petersburg	25.00		RUB 2,500	1
Total				**1,655**
Shares and holdings in other companies, owned by the parent company				
Shares in housing and real estate corporations				20
Shares and holdings in telephone companies				145
Other shares and holdings, total				90
Total				**255**
Shares and holdings in other companies, owned by subsidiaries				
LLC Nordvod, St. Petersburg	13.67		RUB 4,903	157
Shares in housing and real estate corporations				1,709
Shares and holdings in telephone companies				77
Other shares and holdings, total				361
Total				**2,304**

Share and shareholders



YIT's share

YIT Corporation's share is quoted on the Main List of the Helsinki Stock Exchange under the Other Services business sector. The company has one series of shares (YTY1V). Each share carries one vote and confers an equal right to a dividend. The size of a trading lot is 50 shares. The nominal value of the share is one euro. The Finnish taxation value of YIT's share confirmed for 2004 is EUR 12.81 per share.

At the beginning of 2004, the total number of shares issued by the company amounted to 30,523,375. The Annual General Meeting held on March 18, 2004, resolved to change the nominal value of the share from two euros to one euro (split), doubling the number of shares to 61,046,750. During the report year, the number of shares grew further by 246,104 due to share subscriptions carried out on the basis of the Series C share options from 2002. At the end of 2004, the number of shares was 61,292,854.

The shares are included in the book-entry system maintained by Finnish Central Securities Depository Ltd. For additional information on YIT's share (including the share history), see the company's Internet site.

Share capital

At the beginning of 2004, YIT Corporation's share capital amounted to EUR 61,046,750 and at the end of the year to EUR 61,292,854. According to the Articles of Association, the company's minimum share capital is EUR 50 million and the maximum share capital is EUR 200 million. Within these limits the share capital can be increased or decreased without amending the Articles of Association.

Increases in share capital, 2000-2004

Registration date	New shares, no.	New share capital, EUR
May 6, 2002	125,100	59,017,570
June 27, 2002	124,900	59,267,370
August 26, 2002	1,400	59,270,170
December 5, 2002	111,250	59,492,670
May 8, 2003	2,600	59,497,870
June 26, 2003	57,751	59,613,372
August 21, 2003	311,160	60,235,692
October 31, 2003	285,350	60,806,392
December 4, 2003	120,179	61,046,750
March 26, 2004	30,523,375	61,046,750
May 6, 2004	35,130	61,081,880
June 28, 2004	78,060	61,159,940
August 23, 2004	18,780	61,178,720
December 9, 2004	114,134	61,292,854

The increases in the share capital in 2002 and 2003 resulted from share subscriptions carried out on the basis of the 1998 share options.

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

Board authorizations

The company did not own any of its own shares in 2004. At the end of the year, the Board of Directors did not have valid authorizations to buy back or convey its own shares.

No share issues were organized in 2004 and the company did not float convertible bonds or bonds with warrants. At the end of the year the Board of Directors did not have

valid share issue authorizations or authorizations to issue convertible bonds or bonds with warrants.

Purchase obligation clause

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

Share price trend and turnover

At the end of 2004, the closing rate of YIT's share was EUR 18.36 (2003: EUR 13.45), up 36.5 per cent during the report year. Including the dividend paid in spring 2004, the share yield was 41.0 per cent (65.6%). The share price trend was significantly better than the general share price trends on the Helsinki Stock Exchange, because, as measured by the HEX All-share Index, share prices were 3.3 per cent higher at the end of 2004 than at the turn of the previous year. The increase in share prices, as measured by the weight-limited HEX Portfolio Index, was 14.6 per cent during the report year.

The highest price of YIT's share during 2004 was EUR 18.84 (EUR 13.85) and the lowest was EUR 13.51 (EUR 7.01). The average price was EUR 15.92 (EUR 10.35). YIT Corporation's market capitalization at the end of the year was EUR 1,125.3 million (EUR 821.1 million), representing an increase of 37.0 per cent on the previous year.

Share turnover also grew significantly compared with the previous year. Share turnover on the Helsinki Stock Exchange amounted to 45,579,537 shares in 2004 (29,279,338). The value of share turnover was EUR 725.8 million (EUR 303.0 million). The average daily turnover was 180,156 shares (117,117). The figures have been adjusted to correspond to the number of shares after the halving of the nominal value of the share (split).

Dividend payout

YIT's goal is to achieve a steady flow of dividends for shareholders. The company has set itself the strategic goal of paying out as dividends 30-50 per cent of annual earnings after taxes and minority interest.

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 0.70 per share be paid for the 2004 financial year, representing 51.1 per cent of earnings per share.

	2000	2001	2002	2003	**2004**
Dividend/share, EUR*)	0.38	0.43	0.45	0.60	**0.70****)**
Dividend/per-share earnings, %	39.5	39.7	60.4	73.2	**51.1****)**
Dividends paid, EUR million	22.0	24.5	26.3	36.6	**42.9****)**

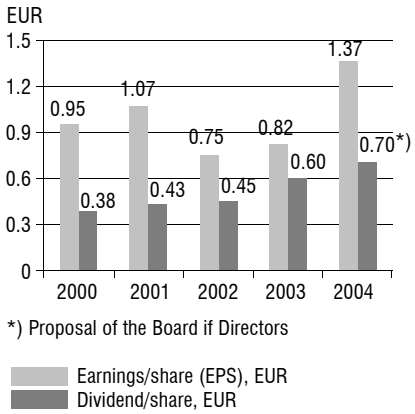
*) the halving of the nominal value of the share, registered on March 26, 2004, has been taken into account

**) Proposal of the Board of Directors

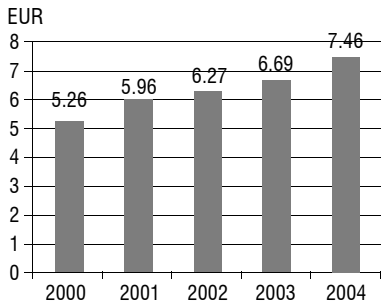
Ten-year per-share key figures are presented on page 75.



Earnings/share and dividend/share



Equity per share



YIT's operations were presented at the Sijoitus-Invest Fair in Helsinki.



Share option programmes

Share option programme from 2002

As part of the company's incentive scheme, the Annual General Meeting held in March 2002 decided to grant a maximum total of 450,000 Series C share options and a maximum total of 950,000 Series D share options for subscription without consideration. About 210 members of the Group's management and key employees named by the Board of Directors subscribed for Series C share options in 2002. The subsidiary YIT Construction Ltd subscribed for all of the Series D share options; it is intended that they will be distributed to the Group's management and key employees in 2003-2005, provided the profitability and growth targets laid out in the option programme are met.

Option criteria

Programme	Maximum number of options	Criterion	Benchmark / Threshold values
D1	600,000	Profitability	Annual return on investment / 14–21%
D2	350,000	Growth	Net sales in 2004 / EUR 1,950-2,300 million

By the end of 2004, a total of 211,740 D1 options had been granted to the Group's management and key employees.

Due to the halving of the nominal value of the share (split) in March 2004, the terms of the share option programme were amended such that each option entitles its bearer to subscribe for two YIT shares having a nominal value of EUR 1.00. A maximum total of 2,800,000 shares can be subscribed for, which on December 31, 2004, would have represented 4.6 per cent of the company's shares outstanding in their entirety. On the basis of the subscriptions, the company's share capital may be raised by a maximum amount of EUR 2,800,000. The shares can be subscribed for annually during the period from April 1 – November 30. The subscription period for the Series C share options began on April 1, 2004, and for the Series D share options it will begin on April 1, 2005. Both subscription periods end on November 30, 2006.

The subscription price of the share is EUR 7.595/share, minus the per-share dividends that will be paid out after January 1, 2003, by the beginning of the share subscription period. The subscription price with the Series C options is EUR 6.545 per share.

During the period from April 1, 2004 to November 30, 2004, a total of 246,104 shares were subscribed for on the basis of the Series C share options. The resulting increases in the share capital, totalling EUR 246,104, were entered in the trade register in four instalments. A maximum of 653,896 shares can still be subscribed for with the Series C share options. During the report year, 382,435 Series C share options were traded at an average price of EUR 19.48.

Share option programme from 2004

The Annual General Meeting held on March 18, 2004, decided that a maximum of 180,000 Series E share options and a maximum of 420,000 Series F share options be granted for subscription without consideration for the management and key employees of the new YIT Building Systems business segment. The share option programme covers about 65 people who are not part of the 2002 share option programme. The options are part of YIT's incentive scheme and aim to strengthen post-acquisition integration, improve profitability and promote the commitment of the employees to the YIT Group.

The Series E options were issued in summer 2004. YIT Construction Ltd subscribed for the Series F share options and will distribute them to the management and key employees of the Building Systems business segment in 2005-2007 if the objectives set for the business segment's result (EBITA-%) are achieved. The full terms and conditions of the share options are available on the company's Internet site at www.yit.fi/investors > YIT's share.

Each share option entitles its holder to subscribe for one share with a nominal value of EUR 1.00. A maximum total of 600,000 shares can be subscribed for, which on December 31, 2004, would have represented 1.0 per cent of the company's shares outstanding in their entirety. As a consequence of the subscriptions, the company's share capital can be increased by a maximum of EUR 600,000. The shares can be subscribed for during the period from April 1 – November 30, 2006, and from April 1 – November 30, 2007, with the Series E share options and during the period from April 1 – November 30, 2007, with the Series F share options.

The subscription price of the share is EUR 15.40. The subscription price will be reduced after January 1, 2005, by the amount of dividends per share distributed by the date when the share subscription period begins.

Management's share and share option ownership

On December 31, 2004, the members of YIT Corporation's Board of Directors as well as the president and CEO and the executive vice president owned a total of 2,328,204 YIT shares (December 31, 2003: 436,942), corresponding to 3.8 per cent (1.4) of the company's shares and the votes conferred by them. These figures included their own holdings and those of their underage children and corporations in which they have a controlling interest.

On December 31, 2004, the president and CEO and the executive vice president had a total of 31,901 (30,546) Series C and D share options from 2002. If these options were to be exercised in full, YIT Corporation's number of shares would increase by 63,802 on the basis of the subscriptions, increasing the share capital by EUR 63,802; on December 31, 2004, this amount would have represented 0.1 per cent of the company's number of votes and share capital. Members of the Board of Directors who are not employed by the company are not covered by the share option programmes.

Management's share ownership is presented in detail on pages 103 - 104.

Significant increase in the number of shareholders

In 2004, the number of registered shareholders rose from 4,928 to 7,456, that is, by 51.3 per cent. The number of private investors increased by more than 2,200.

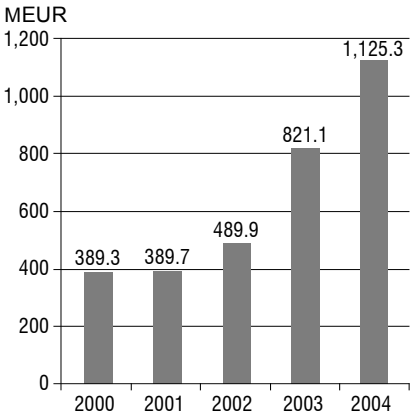
At the beginning of the year, a total of 22.1 per cent of the shares were owned by international investors, while this figure was 27.9 per cent at year's end.

Flagging announcements in 2004

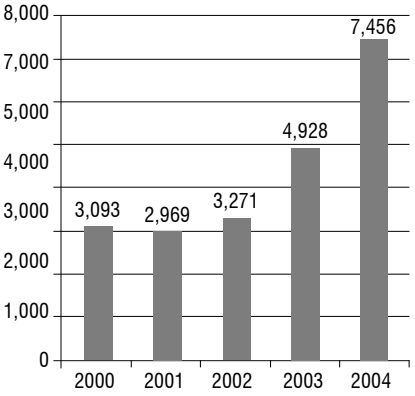
On May 3, 2004, YIT was notified that Fidelity International Limited's and its subsidiaries' holding in YIT had declined to 4.92 per cent on April 28.

The Tapiola Insurance Group announced on June 23, 2004, that the Group's holding in YIT had declined to 4.98 per cent on June 22. The Tapiola Insurance Group includes Tapiola General Mutual Pension Insurance Company (3.43%), Tapiola Mutual Life Insurance Company (1.21%) and Tapiola Corporate Life Insurance Company (0.34%).

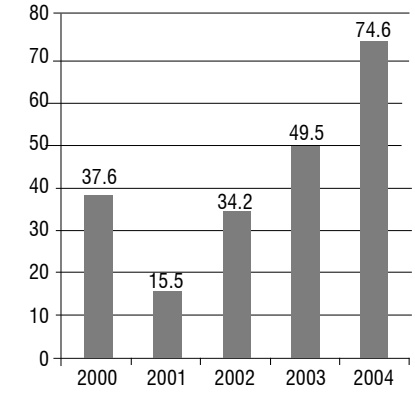
Market capitalization



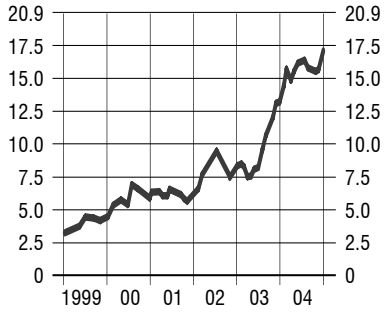
Number of shareholders



Share turnover as percentage of shares outstanding

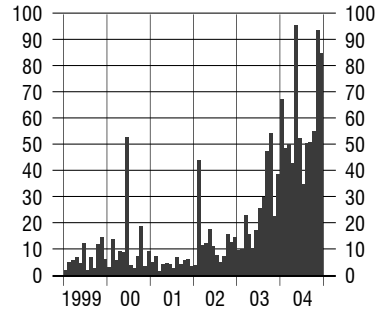


Development of YIT share price 1999-2004 EUR



Source: HEX

Monthly share turnover of YIT share, 1999-2004 MEUR



Source: HEX

Principal shareholders at December 31, 2004

		Shares, no.	% of shares and votes
Sampo Life Insurance Company Ltd		5,654,560	9.2
Suomi Mutual Life Assurance Company		4,285,590	7.0
Varma Mutual Pension Insurance Company		3,906,604	6.4
Ilmarinen Mutual Pension Insurance Company		2,011,531	3.3
Tapiola Group			
Tapiola General Mutual Insurance Company	994,960		
Tapiola Mutual Life Assurance Company	669,250		
Tapiola Corporate Life Insurance Company	200,980	1,865,190	3.0
Pohjola Group			
Pohjola Group	700,566		
Insurance Company Pohjola Ltd.	685,034		
A-Insurance Ltd	10,081	1,395,681	2.3
Security Trading Oy		1,360,000	2.2
Etera Mutual Pension Insurance Company		877,200	1.4
State Pension Fund		800,000	1.3
Kaleva Mutual Insurance Company		738,700	1.2
Nominee-registered		15,606,228	25.5
Other shareholders, total		22,791,570	37.2
Total		**61,292,854**	**100.0**

This information is based on the shareholder list maintained by Finnish Central Securities Depository Ltd. A list of the 30 largest shareholders is posted and updated monthly on YIT's Internet site.

Nominee-registration

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

Distribution by groups of shareholders, Dec. 31, 2004

	No. of shareholders	Proportion of shareholders	Shares, no.	Proportion of shares
Companies	676	9.1	4,320,864	7.0
Financial and insurance institutions	82	1.1	19,563,532	32.0
Public sector entities	62	0.8	9,441,926	15.4
Non-profit institutions	288	3.9	4,015,606	6.6
Households	6,285	84.3	6,842,929	11.1
Foreign owners	63	0.8	17,107,997	27.9
(of which nominee-registered)	(10)	(0.1)	(15,606,228)	(25.5)
Total	**7,456**	**100.0**	**61,292,854**	**100.0**

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

Distribution of shareholdings by size class, Dec. 31, 2004

Shares, no.	No. of shareholders	Proportion of shareholders	Shares, no.	Proportion of shares
1-100	1,111	14.9	81,499	0.1
101-1,000	4,545	61.0	2,020,860	3.3
1,001-10,000	1,530	20.5	4,436,749	7.2
10,001-100,000	211	2.8	6,698,988	11.0
100,001-1,000,000	51	0.7	17,429,854	28,.4
1,000,001-10,000,000	7	0.1	30,624,904	50.0
Total	**7,455**	**100.0**	**61,292,854**	**100.0**

Board of Directors' proposal for the distribution of profit

According to the Consolidated Balance Sheet at 31 December 2004, the Group's distributable equity is EUR 313,824,000. The distributable equity of the parent company, YIT Corporation, shown in the balance sheet at 31 December 2004, is EUR 210,619,012.02, which is made up as follows:

- retained earnings	163,698,861.34
- profit for the financial period	46,920,150.68
	210,619,012.02

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

- Payment of a dividend of 70% of the nominal value or EUR 0.70 per share to shareholders	42,904,997.80
- Transfer to retained earnings	167,714,014.22
	210,619,012.02

Helsinki, February 14, 2005

Ilkka Brotherus
Chairman
Antti Herlin
Teuvo Salminen
Eino Halonen
Vice Chairman
Asmo Kalpala
Reino Hanhinen
President and CEO

Auditor's report

To the shareholders of YIT Corporation

We have audited the accounting, the financial statements and the corporate governance of YIT Corporation for the financial period from 1 January to 31 December 2004. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets and notes to the financial statements, have been prepared by the Board of Directors and the President and CEO. Based on our audit, we express an opinion on these financial statements and on corporate governance.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to examine that the members of the Board of Directors and the President and CEO have legally complied with the rules of the Finnish Companies Act.

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

Helsinki, February 16, 2005
PricewaterhouseCoopers Oy
Authorized Public Accountants
Pekka Nikula
Authorized Public Accountant

Corporate Governance

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

Annual General Meeting

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

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

Annual General Meetings are convened by the company's Board of Directors, which proposes the matters to be included in the agenda of the meeting. Extraordinary general meetings are held when the Board of Directors considers it advisable to do so or when demanded by a shareholder or shareholders owning at least 10 per cent of the shares outstanding in the company or by the company's auditor. Shareholders have the right to have items included in the agenda of the general meeting, provided they demand, in writing, the Board of Directors to do so early enough that the item can be included in the Notice of Meeting.

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

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

Board of Directors

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

Tasks of the Board of Directors

The key tasks and working principles of the Board of Directors are defined in the standing orders that were reviewed in February 2004. The Board of Directors takes decisions on matters that are of far-reaching significance to the Group and which are significant in principle, such as:



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

Composition and term of office of the Board of Directors

According to the Articles of Association, the Board of Directors shall include a minimum of five and a maximum of seven members who are elected by the Annual General Meeting for a term of one year. At the Annual General Meeting held on March 18, 2004, six members were elected:

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

The Board members are presented on pages 102-103 of the Annual Report and the company's Internet site. The members' term of office begins at the Annual General Meeting which elected them and ends at the conclusion of the next Annual General Meeting. Decisions at the Board of Directors are taken by majority vote. If voting is split, then the chairman has the decisive vote. A person who is 67 years old or over cannot be elected as a member.

The Board of Directors elects a chairman and vice chairman from amongst its members. At its organization meeting on March 24, 2004, the Board of Directors elected Ilkka Brotherus as its chairman and Eino Halonen as its vice chairman. The Board of Directors convened 11 times in 2004. One of these meetings was held over the telephone. The average attendance rate at meetings was 92.4 per cent.

With the exception of Reino Hanhinen, none of the Board members are dependent on YIT. All members are independent of major YIT shareholders. The Board members represent a wide range of expertise and experience in different fields that complement each other.

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

Committees of the Board of Directors

On March 24, 2004, the Board of Directors elected an Audit Committee with three members from amongst its number. The members of the Audit Committee are Ilkka Brotherus (chairman), Eino Halonen and Teuvo Salminen. None of these Board members are dependent on YIT.

The Board of Directors has confirmed written standing orders for the Audit Committee. It is the task of the Audit Committee to assist the Board of Directors in supervisory duties related to the YIT Group's reporting and accounting processes, including internal monitoring, risk management, internal auditing and both guiding and supervising the audit.

The Audit Committee convened three times in 2004. The Board of Directors does not have other committees.

Remuneration of Board members

The Annual General Meeting held on March 18, 2004, decided to pay those members of the Board of Directors who are not in the employ of the Group remuneration for the entire term of office as follows:

chairman	**EUR 36,000 (= EUR 3,000/month)**
vice chairman	**EUR 32,400 (= EUR 2,700/month)**
members	**EUR 28,800 (= EUR 2,400/month)**

It was decided that the remuneration would be paid in its entirety as one sum such that about 40 per cent of the remuneration will be used to acquire YIT Corporation shares on the Helsinki Stock Exchange on behalf and in the name of each Board member, with the remainder being paid in cash and used for withholding tax. Furthermore, a meeting fee of EUR 250 per meeting will be paid to the members of the Board of Directors and the Audit Committee. Per diems for their trips will be paid in accordance with the State's travelling compensation regulations.

On May 4, 2004, YIT shares were purchased for the Board members at a price of EUR 16.00 each as follows:

chairman	**900**
vice chairman	**810**
members	**720**

In 2004, YIT Corporation's Board members were paid a total of EUR 190,920 in remuneration. Members of the Board of Directors who are not employed by YIT are not covered by the share option programmes.

President and CEO

The president and CEO attends to the day-to-day administration of the company in accordance with the instructions and regulations laid down by the Board of Directors. He also ensures that the company's accounting is lawful and asset management is organized reliably. The president and CEO of the parent company, whose title is Group CEO, serves as the chairman of the Group's Management Board and as the chairman of the Boards of the parent companies of the Group's four business segments.

Since 1987, YIT Corporation's president and CEO has been Reino Hanhinen (born 1943), M.Sc. (Eng.), who was also appointed as Group CEO on June 1, 2000. The deputy to the president and CEO is Executive Vice President Esko Mäkelä (born 1943), M.Sc. (Eng.). Detailed information on them and their YIT share and share option holdings is presented on page 103 of the Annual Report.

Remuneration paid to and the terms of the employment of the president and CEO and the executive vice president

The Board of Directors decides on the president's and executive vice president's salary, remuneration and other terms of employment. In 2004, the regular salary paid to the president and CEO, inclusive of fringe benefits, amounted to EUR 438,012, and the bonuses paid to him amounted to 164,328; his salary and bonuses totalled EUR 602,340. In 2004, 3,570 Series D share options from the 2002 share option programme were granted to the president and CEO. In 2004, the regular salary paid to the executive vice president, inclusive of fringe benefits, amounted to EUR 243,142, and the bonuses paid to him amounted to 53,000; his salary and bonuses totalled EUR 287,142. 1,785 Series D share options

were granted to him. On the basis of the share options, the executive vice president subscribed for 8,000 YIT shares in 2004. The bonuses paid to management are determined on the basis of the realization of the Group's strategic profitability and growth objectives and personal objectives.

The retirement age of President and CEO Reino Hanhinen has been set at 62. His pension will amount to 60 per cent of the pension income calculated in accordance with employment pension legislation. In the employment contract made in November 2001, it was agreed that his period of notice is 12 months, with the provision that if the company dismisses the president and CEO after he reaches his originally agreed retirement age of 60, the company remains obligated to pay his salary until his agreed date of retirement, that is, until December 31, 2005. The retirement age of Executive Vice President Esko Mäkelä has also been set at 62. The amount of his pension is 60 per cent of the pension income. His period of notice is 12 months.

The president and CEO, the executive vice president and the members of the Board of Directors did not have cash loans from the company or its subsidiaries on December 31, 2004.

The Group's Management Board

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

The YIT Group's Management Board comprises:

YIT Corporation's President and CEO, the Group CEO (Chairman)
YIT Corporation's Executive Vice President (Vice Chairman)
President and Vice President of YIT Building Systems Ltd
President of YIT Construction Ltd
President of YIT Industry Ltd
President of YIT Primatel Ltd
Vice President, Corporate Communications
Vice President, Corporate Planning

Information on the members of the Management Board and their YIT share and share option holdings is presented on pages 103-104 of the Annual Report and the company's Internet site.

Remuneration paid to the Group's Management Board

The Board of Directors decides on the salary and remuneration of the members of the Group's Management Board. In 2004, the regular salary and fringe benefits paid to the members of the Management Board, excluding the president and CEO and the executive vice president, amounted to EUR 918,366, and the bonuses paid to them amounted to 152,982; their salary and bonuses totalled EUR 1,071,348. In 2004, a total of 8,420 Series D share options from the 2002 share option programme were granted to them. On the basis of the share options, the members of the Management Board, excluding the president and CEO and executive vice president, subscribed for 3,660 YIT shares in 2004.

The retirement age of the president and CEO and the executive vice president has been set at 62. The contractual retirement age of one of the members of the Group's Management Board is 60. In other respects, the statutory retirement age applies to the members of the Management Group.

Insider administration

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

The members of the parent company's Board of Directors, the president and CEO and the executive vice president as well as the chief auditor are permanent insiders by virtue of their positions. The other permanent insiders, who are defined as such due to their duties, are the members of the Group's Management Board, persons responsible for administration, personnel, legal services, accounting, finance, communications and investor relations at the Group level and the secretaries of the senior management. In addition, the permanent insiders include the members of the Boards of the parent companies of the Group's four business segments as well as the secretaries of the presidents of the business segments and their financial managers. The Group has a total of about 50 permanent insiders.

Permanent insiders may not buy or sell securities issued by YIT Corporation in the 14-day period preceding the publication of the financial statement bulletin or interim reports ("closed window"). Project-specific insider registers are set up when necessary. Persons recorded in a project-spe-

Shares and options owned by the Board of Directors, president and CEO and the Group's Management Board, December 31, 2004

	Shares	C options	D options
Board of Directors (excl. President and CEO)	**2,190,720**	**-**	**-**
President and CEO *)	**77,384**	**16,080**	**7,854**
Executive Vice President **)	**60,100**	**4,040**	**3,927**
Group's Management Board (excl. President and CEO and the Executive Vice President)	**8,860**	**14,800**	**23,243**

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

**) The executive vice president is a member of the Group's Management Board.

cific insider register are barred from buying or selling YIT securities until the project is made public or lapses.

The YIT Group's Guidelines for Insiders and information on the share and option ownership of permanent insiders can be read on the company's Internet site. The information is updated monthly.

Audit

According to the Articles of Association, the company shall have one auditor that must be a firm of auditors approved by the Central Chamber of Commerce. The auditor's term of office is the financial period at the time of election and ends at the conclusion of the next Annual General Meeting. The Annual General Meeting in the spring of 2004 elected PricewaterhouseCoopers Oy (PwC), Authorized Public Accountants, to audit the administration and accounts in 2004. The chief auditor is Pekka Nikula, Authorized Public Accountant, M.Sc. (Econ.).

In 2004, the auditor (PwC) was paid EUR 1.0 million in remuneration for the audit. In addition, the auditor (PwC) was paid EUR 0.3 million in remuneration for non-audit services.

Organization and internal supervision of business operations

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

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

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

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

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

Internal audit

The company has not organized a separate internal auditing function. The management, supervision and reporting systems used in business operations and asset management are described above. The Group's auditor assesses the functionality of the company's internal monitoring system as part of his supervision of the lawfulness of operations. The internal audit is also supervised by the Audit Committee of the Board of Directors.

Risk management

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

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

Integrated risk management hinges on the management of the company's total risk exposure from the entire Group's perspective, and not just the management of individual risk factors. Efficient risk management seeks to minimize the total risk the company is exposed to and thereby increase the company's value. A more detailed description of YIT's risk management policy is provided on page 72 of the Annual Report and the company's Internet site.

Board of Directors

Chairman



Ilkka Brotherus

born 1951, M.Sc. (Econ.), Managing Director of Sinituote Oy since 1989. YIT, member of the Supervisory Board, 1998–2000, member of the Board of Directors since 2000 and Chairman since 2002. Chairman of the Audit Committee since 2004. Independent Board member.

Primary working experience:

Hackman Housewares Oy, Managing Director, 1987–1988, Havi Oy, Managing Director, 1981–1986, Mestarikustannus Oy, Managing Director, 1979–1981.

Other positions of trust:

Tapiola Mutual Pension Insurance Company, Chairman of the Supervisory Board since 1996, Amer Group, member and Vice Chairman of the Board of Directors since 2000, Veho Group Oy Ab, member of the Board of Directors since 2003.

Shareholding:

738,500 YIT shares.

Vice Chairman



Eino Halonen

born 1949, M.Sc. (Econ.), Managing Director of Suomi Mutual Life Assurance Company since 2000. YIT, member of the Board of Directors since 2000 and Vice Chairman since 2003. Member of the Audit Committee since 2004. Independent Board member.

Primary working experience:

Pohjola Life Assurance Company Ltd, Managing Director, 1998–1999, Merita Nordbanken, Executive Vice President, 1998, Merita Bank Ltd, Director, 1995–1997, Regional Bank Manager, 1988–1995 and member of the Management Board 1996–1997, Kansallis-Osake-Pankki, 1971–1995.

Other positions of trust:

Ilmarinen Mutual Pension Insurance Company, member of the Board of Directors since 2000, Pohjola Group Insurance Corporation, Chairman of the Board of Directors since 2003, Pohjola Non-Life Insurance Company Ltd, Chairman of the Board of Directors since 2003, Rakentajain Konevuokraamo Oyj, member of the Board of Directors since 2003.

Shareholding:

810 YIT shares.

MEMBERS



Reino Hanhinen

born 1943, M.Sc. (Eng.), D.Sc. (Tech.) h.c., President and CEO of YIT Corporation since 1987 and Group CEO since 2000. Member of YIT's Board of Directors since 1988 and Chairman, 1989–2000.

Primary working experience:

Perusyhtymä Oy, Managing Director, 1986–1987, YIT Oy Yleinen Insinööritoimisto, Managing Director, 1985–1986, Oy PPTH-Norden Ab, Managing Director, 1976–1985, YIT Oy Yleinen Insinööritoimisto, Division Manager, 1974–1976, and Work Supervisor, 1968–1974.

Share and share option ownership:

77,384 YIT shares. 16,080 Series C and 7,854 Series D share options from the option programme of the year 2002.

Antti Herlin



born 1956, D.Sc. (Econ.) h.c., Chairman of KONE Corporation's Board of Directors since 2003. YIT, member of the Board of Directors since 2004. Independent Board member.

Primary working experience:

KONE Corporation, CEO since 1996, Deputy Chairman of the Board of Directors, 1996–2003, and member of the Board of Directors since 1991.

Other positions of trust:

Confederation of Finnish Industries EK, member of the Board of Directors since 2004 and its vice chairman since 2005, Technology Industries of Finland, member of the Board of Directors since 1996 and its chairman since 2005, Ilmarinen Mutual pension Insurance Company, member of the Supervisory Board since 2001 and Vice Chairman since 2004.

Shareholding:

1,441,420 YIT shares.

Asmo Kalpala



born 1950, M.Sc. (Econ.), President of the Tapiola Insurance Group since 1994 and Chairman of its Boards since 1987. YIT, member of the Board of Directors, 1984–1990, Chairman and member of the Supervisory Board, 1990–2000, Vice Chairman of the Board of Directors, 2000–2003, and member since 2003. Independent Board member.

Primary working experience:

Tapiola Pension, Managing Director, 1987–1997, Tapiola Life, Managing Director, 1987–1994, Tapiola General, Managing Director, 1987–1994, Metsäliitto Group, Financial Director, 1984–1986, Tapiola Insurance Group, Credit Manager, 1983–1984, Aura Group, Investment Manager, 1980-1983, and Deputy Manager, 1979–1980, Salmi, Virkkunen & Helenius, Accountants, Auditor, 1973–1978.

Other positions of trust:

Federation of Finnish Insurance Companies, member of the Board of Directors since 1988, Insurance Employers' Association, member of the Board of Directors since 1988, LTT Research Ltd, member of the Board of Directors since 1988, M-real Corporation, member of the Board of Directors since 1990, Finnish Business and Policy Forum EVA, member of the Board of Directors since 2000, Finnish Cultural Foundation, member of the Board of Directors since 2001.

Shareholding:

720 YIT shares.

The Group's Management Board



Teuvo Salminen

born 1954, M.Sc. (Econ.), Deputy CEO of Jaakko Pöyry Group Oyj since 1999.

YIT, member of the Board of Directors since 2001. Member of the Audit Committee since 2004. Independent Board member.

Primary working experience:

Jaakko Pöyry Group Oyj, Division Manager, 1997–1999, CFO, 1988–1997, and Financial Manager, 1985–1988, Partner in an accounting firm, 1978–1984.

Other positions of trust:

Tapiola General Mutual Insurance Company, member of the Supervisory Board since 1999, Capman plc, member of the Board of Directors since 2001.

Shareholding:

9,270 YIT shares.

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

The information on share and share option ownership is valid as at December 30, 2004. These figures include their own holdings and those of their underage children and corporations in which they have a controlling interest. Information on ownership is available at YIT's site and updated monthly.

Chairman



Reino Hanhinen

born 1943, M.Sc. (Eng.), D.Sc. (Tech.) h.c., President and CEO of YIT Corporation since 1987 and Group CEO since 2000. In the Group's employ since 1968.

Primary working experience:

Perusyhtymä Oy, Managing Director, 1986–1987, YIT Oy Yleinen Insinööritoimisto, Managing Director, 1985–1986, Oy PPTH-Norden Ab, Managing Director, 1976–1985, YIT Oy Yleinen Insinööritoimisto, Division Manager, 1974–1976, and Work Supervisor, 1968–1974.

Other positions of trust:

Member of YIT's Board of Directors since 1988 and Chairman, 1989–2000.

Share and share option ownership:

77,384 YIT shares. 16,080 Series C and 7,854 Series D share options from 2002.

Vice Chairman



Esko Mäkelä

born 1943, M.Sc. (Eng.), MBA Executive Vice President of YIT Corporation since 1987, in charge of the Group's administration and finance. In the Group's employ since 1965.

Primary working experience:

YIT Oy Yleinen Insinööritoimisto, Managing Director, 1986–1987, Perusyhtymä Oy, Administrative Director, 1982–1986, and Assistant Manager, 1981–1982, YIT Oy Yleinen Insinööritoimisto, Regional Manager (Saudi Arabia), 1977–1980, Assistant Manager, 1972–1977, and Development Manager, 1970–1972.

Other positions of trust:

Etera Mutual Pension Insurance Company (LEL), member of the Board of Directors since 1992 and Chairman since 2003, PPTH-Norden Oy, member of the Board of Directors since 2000, Air-Ix Oy, member of the Board of Directors since 2004.

Share and share option ownership:

60,100 YIT shares. 4,040 Series C and 3,927 Series D share options from 2002.

MEMBERS



Ilpo Jalasjoki

born 1951, M.Sc. (Eng.) President of YIT Construction Ltd since 2000. In the Group's employ since 1987.

Primary working experience:

Head of YIT Building Construction division, 1999–2000, YIT Tolonen Oy, Managing Director, 1987–1999, Kummila Oy, Residential Construction Manager, 1981–1987, Rakennusliike Eero Keränen Oy, Technical Manager, 1979–1981, National Housing Board, Office Engineer, 1977–1979, VTT, Researcher, 1975–1977.

Other positions of trust:

Confederation of Finnish Construction Industries RT, Chairman of the Board of Directors since 2005, Confederation of Finnish Industries EK, member of the Board of Directors and executive committee since 2005, Ilmarinen Mutual Pension Insurance Company, member of the Supervisory Board since 2004.

Share and share option ownership:

Does not own YIT shares.

3,927 Series D share options from 2002.



Juha Kostiainen

born 1965, M.Sc. (Eng.), Ph.D. (Adm.) YIT Corporation, Vice President, Corporate Planning, since 2003. In the Group's employ since 2001.

Primary working experience:

YIT Construction Ltd, Development Manager, 2001–2003, City of Tampere, Business Sector Manager, 1997–2001, FinnMedi Tutkimus Oy, Managing Director, 1995–1997, Prizztech Oy, Managing Director, 1992–1995.

Share and share option ownership:

Does not own YIT shares. 1,254 Series D share options from 2002.

Auditor

Hannu Leinonen



born 1962, M.Sc. (Eng.) Managing Director of YIT Primatel Ltd since 2001. In the Group's employ since 2002.

Primary working experience:

Sonera Telecom, Director, 1999–2001, Sonera Corporation, Network Services, Director, 1996–1999, Skanska Oy, Procurement Manager, 1994-96, Haka Oy, Procurement Manager, 1992–1994, Research Engineer, 1989–1992.

Share and share option ownership:

Does not own YIT shares. 3,927 Series D share options from 2002.

Veikko Myllyperkiö



born 1946, M.Sc. (Pol. Sc.) YIT Corporation, Vice President, Corporate Communications, since 2001. In the Group's employ since 2001.

Primary working experience:

The Confederation of Finnish Construction Industries, Director, 1991–2000, The Federation of the Finnish Building Industry, Ombudsman, 1984–1991, VTT, Construction Economy Researcher, 1971–1984.

Share and share option ownership:

3,200 YIT shares. 2,430 Series C and 2,354 Series D share options from 2002.

Juhani Pitkäkoski



born 1958, LL.M. President of YIT Building Systems Ltd since 2003. In the Group's employ since 1988.

Primary working experience:

YYIT Installation Ltd, President, 2002–2003, YIT Industry Ltd, Executive Vice President, 2000–2002, YIT Service Ltd, Managing Director, 1998–2000, YIT Corporation, Unit Manager, 1997–1998, Oy Huber Teollisuus Ab, Managing Director, 1994-1996, Oy Huber Ab, Director of the Factory Service unit, 1991–1994, and Attorney-at-Law, 1988–1991, The Electrical Contractors' Association of Finland, Attorney-at-Law, 1986–1988.

Positions of trust:

Tapiola Mutual Pension Insurance Company, member of the Supervisory Board since 2004.

Share and share option ownership:

2,000 YIT shares. 8,040 Series C and 3,927 Series D share options from 2002.

Raimo Poutiainen



born 1954, M.Sc. (Eng.) Managing Director of YIT Industry Ltd since 2003. In the Group's employ since 1988.

Primary working experience:

YIT Industria Ltd, Managing Director since 2002, YIT Power Oy, Managing Director, 1988–2002, Oy Wärtsilä Ab, Ylivieska plant's Technical Department Director, 1980–1987.

Share and share option ownership:

2,660 YIT shares. 3,927 Series D share options from 2002.

Sakari Toikkanen



born 1967, Lic. (Tech.) Executive Vice President of YIT Building Systems Oy since 2003. In the Group's employ since 1997.

Primary working experience:

YIT Corporation, Vice President, Corporate Planning, 2001–2003, YIT Construction Ltd, Development Manager,1999-2000, and Quality Manager, 1997–1998, TKK, Researcher, 1993–1996.

Share and share option ownership:

1,000 YIT shares. 4,330 Series C and 3,927 Series D share options from 2002.

Antero Saarilahti, M.Sc. (Eng.), Vice President, Administration, serves as the secretary of the Group's Management Board.

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

The information on share and share option ownership is valid as at December 30, 2004. These figures include their own holdings and those of their underage children and corporations in which they have a controlling interest. Information on ownership is available at YIT's site and updated monthly.

IR policy

The aim of YIT's Investor Relations is to communicate all the essential information on YIT to all the market parties, and to do so continuously, consistently and equitably, so that the value of YIT's share reflects its fair value. We seek to provide the market with highly accurate information and to maintain openness and transparency.

One of our operating principles is the commitment of the Group's senior management and IR personnel to serving the capital markets. A service-minded attitude in all investor relations is also part of these principles. We seek to maintain the confidence and interest of all investors towards YIT's share.

YIT has a two-week closed period before the publication of each of its earnings bulletins. During that period, the company's representatives do not provide comments or meet capital market representatives. Closed periods are shown in the "IR Calendar" section of YIT's Internet site.

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In 2004, YIT was ranked for the second time running as the Finnish listed company with the best management of investor relations. In a study carried out by Regi Research & Strategy, slightly over 200 analysts and portfolio managers were asked about their experiences of how listed companies communicate with the capital markets. Shown accepting the award: Petra Thorén, manager, investor relations, and Esko Mäkelä, executive vice president.

Analysts coverage



At least the following analysts make investment analyses on YIT Corporation:

Company/analyst	Tel.	E-mail
Alfred Berg Finland Oyj Abp		
Tuomas Ratilainen	+358 9 2283 2738	tuomas.ratilainen@alfredberg.fi
Carnegie Investment Bank AB, Finland		
Miikka Kinnunen	+358 9 6187 1241	miikka.kinnunen@carnegie.fi
Credit Agricole Cheuvreux Nordic AB		
David Halldén	+46 8 723 5170	dhallden@cheuvreux.com
Deutsche Bank AG, Helsinki Branch Global Equities		
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Main stock exchange releases in 2004

Jan. 14, 2004 Action programme to improve the profitability of YIT Building Systems Sweden progressed as planned.

Feb. 5, 2004 YIT announced that it will build a high-quality residential area on VR's former engineering works area in Vallila.

Feb. 20, 2004 YIT's net sales for 2003 rose to EUR 2.4 billion and operating profit to EUR 98.6 million. The acquisition of the Building Systems business turned YIT into the leading company offering building system services in the Nordic countries.

Mar. 18, 2004 The Annual General Meeting adopted the 2003 financial statements and discharged the accountable parties from liability. A dividend of EUR 1.20 per share was decided on. Antti Herlin, chairman of the Board of Directors of Kone Corporation, was elected as a new member of the Board, replacing Mikko Kivimäki, the president and CEO of Rautaruukki Corporation. A decision was made to amend the Articles of Association such that the nominal value of the share was changed from two euros to one euro (split). The terms of the 2002 share option programme were amended correspondingly. In addition, a decision was made to grant new share options to managers and key employees who are either in the employ of or will be hired into the employ of the new Building Systems business segment.

Mar. 24, 2004 From amongst its number, the Board of Directors elected Ilkka Brotherus as chairman and Eino Halonen as vice chairman. Ilkka Brotherus was elected as chairman and Eino Halonen and Teuvo Salminen were elected as members of the Audit Committee.

May 4, 2004 In the January-March period, YIT's net sales grew by 65 per cent compared with the previous year and amounted to EUR 713.1 million. Operating profit rose to EUR 28.0 million.

June 1, 2004 The Administrative Court ruled that YIT is to pay the residual taxes for 1997 that were levied from the company, along with the consequences for delay. YIT has sought a leave to appeal the decision from the Supreme Administrative Court.

June 23, 2004 YIT Shipins Oy became a fully owned subsidiary of YIT when YIT Kiinteistötekniikka Oy acquired from Kvaerner Masa-Yards Oy its 40 per cent holding in the company.

June 30, 2004 YIT announced that the Sweden-based YIT Building Systems AB and YIT Calor AB will merge and form a company named YIT AB effective October 1, 2004.

Aug. 5, 2004 In the January-June period, YIT's net sales amounted to EUR 1.5 billion and its operating result to EUR 60.2 million.

Aug. 20, 2004 YIT landed one of the largest industrial investment contracts in its history – mechanical installation works on a production line as part of Fortum's Diesel project.

Sept. 23, 2004 YIT amended its strategic target levels to better match the Group's present structure. The target level for return on investment was raised from 18 to 20 per cent. The target level for the equity ratio was lowered from 40 to 35 per cent. The growth target for net sales remained set at average annual growth of 5-10 per cent. The target for dividends remained at 30-50 per cent of profit after taxes and minority interest.

Nov. 2, 2004 In the January-September period, YIT's net sales amounted to EUR 2,223.9 million and the operating profit to EUR 97.2 million.

Dec. 16, 2004 YIT acquired a plot in western Moscow and announced that the company will now begin residential production in the City of Moscow as well.

Dec. 22, 2004 YIT announced that it will start up the building of a logistics centre valued at about EUR 50 million in the vicinity of the Helsinki-Vantaa Airport area in Vantaa.



The additional building of the Finnish Parliament was formally inaugurated in September 2004.

Glossary



The terraced house- and apartment building area of Kartanonpuisto in Espoo.

Regional development project

In regional development projects, YIT works with the landowner as the city's strategic partner in regional or district development, teaming up to develop the themes and identity of the area, eco-efficient implementation and maintenance during the entire life cycle, ensuring that the interests and viewpoints of all the parties are accounted for in the practical implementation of the project.

Design & Build

In a Design & Build model, the customer specifies the basics of the project, such as delivery requirements, material solutions, the schedule and financial framework. YIT takes on responsibility for project design, implementation and, if necessary, for maintenance services as well at a fixed price.

Life-cycle service, life-cycle delivery, life-cycle responsibility

In life-cycle projects, the party implementing the investment takes on responsibility for its design, implementation, maintenance, usability and life-cycle costs for a certain period of time, such as 15-30 years. A life-cycle responsibility project may also include organizing private financing and the services provided in the operating environment.

Maintenance shutdown

A shutdown means stopping a plant for a certain period of time for a thorough inspection, repairs, maintenance, modernization or production conversion works. Usually, there is no opportunity to carry out extensive rebuilds due to production pressures.

Helpdesk services

In data network services, helpdesk services include the installation of workstation software, updates and patches, and user supports. In addition, helpdesk services handle the warranty-period repair and maintenance of workstations as well as move them from one location to another.

Developer contracting

In developer contracting, the contractor acquires a plot, establishes a company, designs the site that will be built and then sees it to completion for use by the shareholders in the housing corporation. The contractor is also responsible for sales.

PPP model, public-private-partnership

PPP models, carried out as cooperation between the public and private sectors, can include life-cycle responsibility, arranging financing and the utilization of different project company models. In this model, it can be agreed, for example, that the financing company that owns the building will rent the premises to the public sector body for an agreed period of time and the builder will take on responsibility for the maintenance of the building and the organization of services over its life-cycle.

Total technical solution

Building systems – that is, building equipment systems – include heating, plumbing, ventilation, electrical and automation systems, sprinklers, access control and security systems and property data networks for residences, business premises and industrial facilities. A total technical solution comprises the design and implementation of numerous systems. The compatibility and cost-effective implementation of the systems are ensured in the solution.

YIT Group's organization

YIT Corporation

President and CEO *Reino Hanhinen*

Corporate Communications
Veikko Myllyperkiö

Corporate Planning
Juha Kostiainen

Corporate Services
Executive Vice President *Esko Mäkelä*

Corporate Finance
Jaakko Mäkynen

Corporate Operational Accounting
Leila Vanhanen
Simo-Pekka Niemi (Starting May 1, 2005)

Investor Relations
Petra Thorén

Administrative Services
Administrative Services *Antero Saarilahti*

Personnel
Leena Lomakka

Premises
Sanna Sianoja
Oiva Siltanen

Legal Services
Jorma Liisanantti

Insurance Services
Hannu Hakkarainen

Logistics
Tutu Wegelius-Lehtonen

YIT Equipment Ltd
Kimmo Karppanen

Data Administration
Reino Myllymäki

YIT Information Technology Ltd
Jari Virsunen

Building Systems

YIT Building Systems Oy President *Juhani Pitkäkoski*

Executive Vice President
Sakari Toikkanen

Development
Kalle-Pekka Sävelkoski

Financial Administration
Tuula Haataja

YIT Kiinteistötekniikka Oy
Finland
Baltic Countries
Russia
President
Antti Rantanen
Executive Vice President
Pekka Hämäläinen

YIT Sverige AB
Sweden
President
Kari Kallio

YIT Building Systems AS
Norway
President
Arne Malonæs

YIT A/S
Denmark
President
Leo G Sørensen

Construction Services

YIT Construction Ltd President *Ilpo Jalasjoki*

Development and Marketing
Tom Sandvik

Financial Administration
Tenho Nissinen

Residential Construction
Jouko Kemppinen

Building Construction
Pasi Suutari

Business Premises
Saku Sipola

Infraservices
Juhani Kuusisto

International Operations
Timo Lehmus
Mikko Rekola
(Until March 4, 2005)

Services for Industry

YIT Industry Ltd President *Raimo Poutiainen*

Administration and Development
Executive Vice President
Christer Nyström

Financial Administration
Taina Heikkilä

YIT Service Ltd
Juha Moisio

YIT Industria Ltd
Raimo Poutiainen

Data Network Services

YIT Primatel Ltd President *Hannu Leinonen*

Support Functions and Development
Antti Nurminen

Financial Administration
Tiina Salmi

Customer Solutions
Hannu Lehtinen

Customer Service
Matti Kärkkäinen

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