

**HUNDRED
YEARS OF
EXPERIENCE**

Timo Herranen

HUNDRED YEARS OF EXPERIENCE

YIT 1912–



EDITA • HELSINKI



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Design: Edita Publishing Ltd.

ISBN: 978-951-37-6191-2

Bookwell Oy

Helsinki 2012

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This issue of YIT's *Together* personnel magazine was published in seven countries and in seven languages. The cover of the Swedish edition is shown here. Although this magazine was written in Swedish, the company's slogan is printed in English.



YIT, THEN AND NOW →

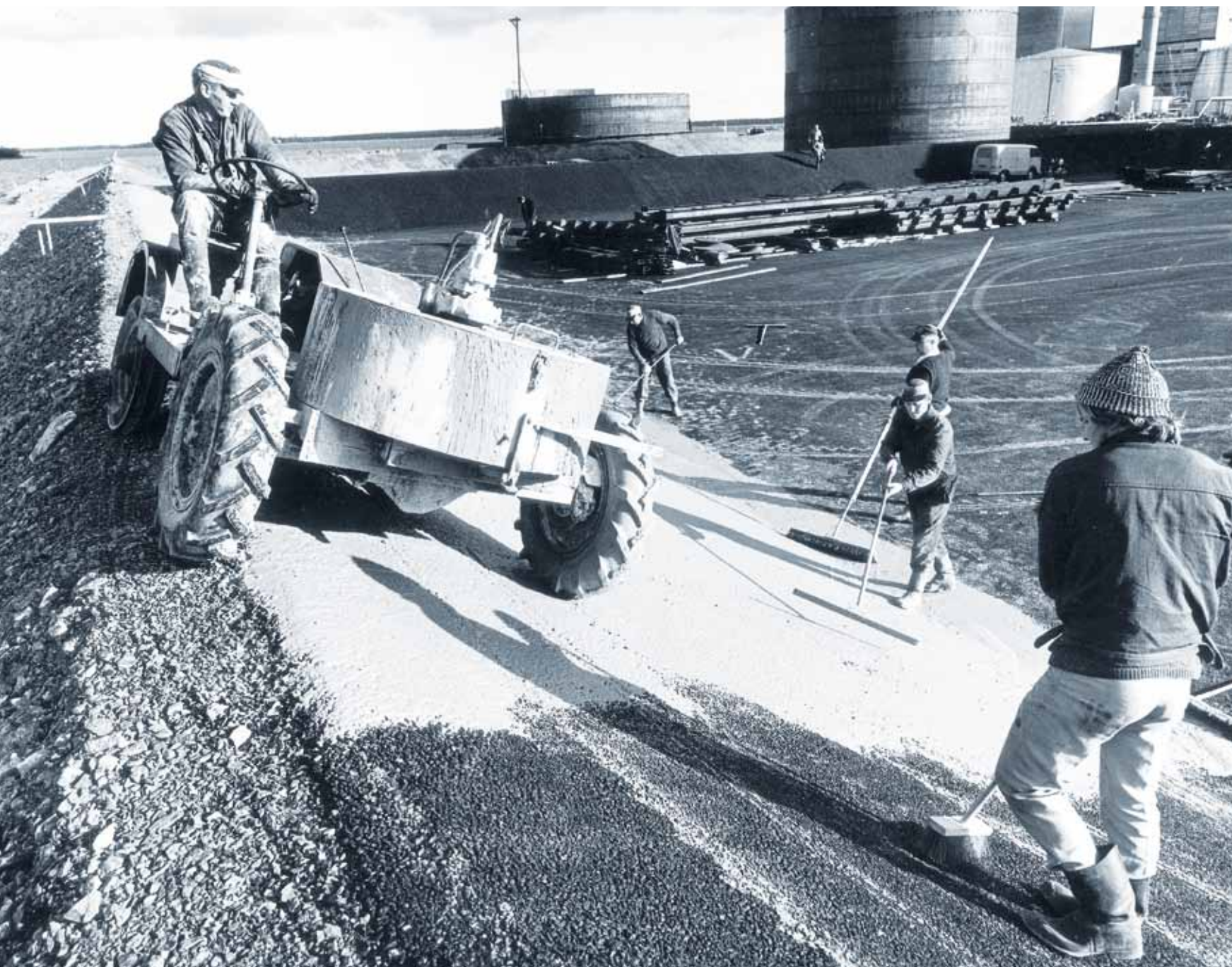
YIT – a European company

YIT is a Finnish construction company and provider of building system services. The company grew at a rapid clip in the first decade of the 21st century, burgeoning into a truly international player. YIT now operates in 14 European countries and two-thirds of its 26,000 employees work outside Finland.

The growth in YIT's foreign revenue shows just how fast the company expanded its international presence. At the beginning of the millennium, only 12% of its revenue was generated abroad – but in 2010 international operations already accounted for 62%. In euro-denominated terms, YIT's international operations grew 16-fold in a decade.

YIT's internationalisation was driven by a strategy of seeking growth on two fronts. The company stepped up its housing development activities, particularly in Russia, and expanded its building systems services in the Nordic countries and Central Europe.

Back in the late 1990s, YIT had acquired the St Petersburg-based construction company Lentek, which started up housing development at the beginning of the 2000s. YIT then established five other subsidiaries in Russian metropolises.



YIT's predecessor Yleinen Insinööritoimisto carried out many different types of contracts at power plant sites, such as earthmoving, rock excavation and building construction.

YIT's building systems business grew thanks to acquisitions in the 2000s. The first acquiree was Calor Ab in Sweden. The most significant step was the acquisition of ABB's Building Systems operations in 2003.

In 2008, YIT expanded its geographical reach to continental Europe by acquiring MCE AG's business operations in six countries. The fourth acquiree was the German company Caverion, bought in 2010.

As the 2010s dawned, YIT was in a strong position against its competitors both in Finland and abroad. The company announced that its strategic aim is to be a leader and pioneer in its fields of business. In addition to growing its market shares, the company will seek to achieve its goals by providing higher-quality products and services than its competitors.

An eventful century

We will face more challenges in the future and have plenty of work ahead of us. Let us now briefly turn our thoughts to the past. This is an apt moment for a historical review – after all, YIT turned 100 in 2012. The company established in 1912 was not YIT as we now know it, but one of its Finnish predecessors.

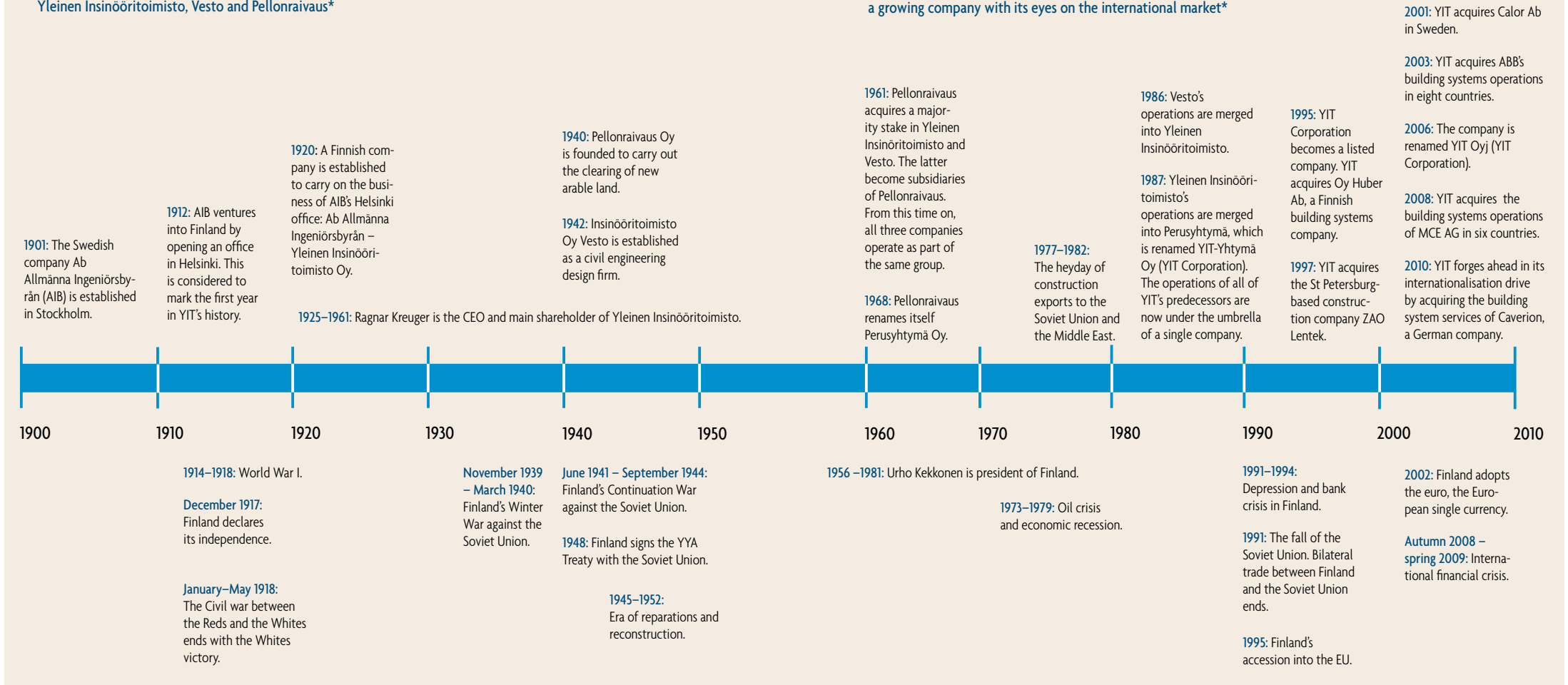
This book focuses on the history of YIT and its major predecessors. YIT assumed its current form in 1987 and has lived through diverse and eventful times. We contextualise YIT's business milestones

THE FIRST 50 YEARS

– YIT's predecessors: Allmänna Ingeniörsbyrån, Yleinen Insinööritoimisto, Vesto and Pellonraivaus*

THE SECOND 50 YEARS

– the Perusyhtymä group becomes YIT, a growing company with its eyes on the international market*



by presenting a historical overview of Finnish society in the 20th century.

During the 20th century, Finland evolved from an agrarian nation to a Western welfare society. Neither the country's northern location nor wars could halt progress. Finland weathered the ups and downs of economic cycles. As the standard of education in Finland was on a par with Western Europe, the Finns were able to adopt technological innovations – and in time produce them, too.

By the end of the 1980s, Finland had developed into one of the world's most affluent countries. When globalisation led to the lifting of restrictions on the internationalisation of business, Finnish companies – YIT among them – were able to leverage these new opportunities. Setting up abroad, first in close-by markets and then further afield, turned YIT into a European company in the 2000s.

1912–1919

HOW IT ALL BEGAN →

A Swedish engineering firm in the Grand Duchy of Finland

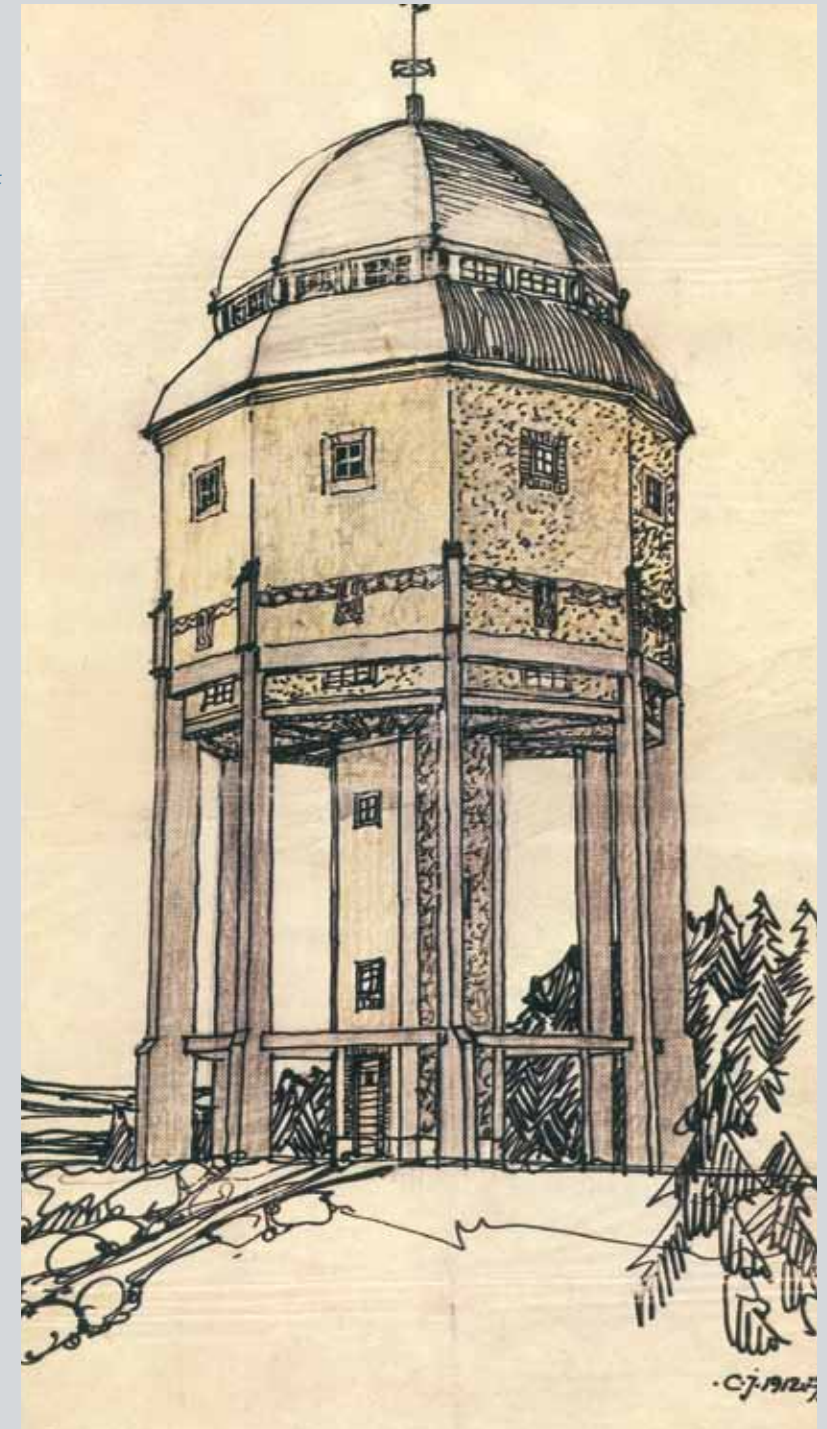
The YIT story began in 1912, when the Swedish company Allmänna Ingeniörsbyrå (AIB) opened an office in Helsinki. At that time, Helsinki was the capital of the Grand Duchy of Finland, a part of the Russian Empire.

AIB was led by Helge Gustaf Torulf, a Swedish businessman and reserve officer. At the end of the 19th century and in the early 20th century, people, capital and information flowed freely. Torulf tapped into these new opportunities. Before establishing his own company, he studied and worked in many countries. Once AIB was up and running successfully in Sweden, Torulf wanted to expand his business to neighbouring countries, namely Norway and Russia. At that time, the leading European industrialised nations showed great interest in the Russian market.

The logical first step in AIB's expansion into Russia was to set up shop in Finland, which in many respects resembled Sweden. For instance, many Finns spoke Swedish. Furthermore, because Finland lagged behind Sweden in urbanisation and industrialisation, AIB expected that there would be demand for the expertise of a Swedish engineering firm.

In European terms, Helsinki was the only major city in this agrarian country. AIB's Helsinki office gave the company access to the entire Finnish mar-

An artist's rendition of a water tower built in the small town of Porvoo in 1912 by YIT's oldest predecessor, the Swedish company Allmänna Ingeniörsbyrå.



ket. A while later, AIB took the next step in its expansion to Russia by opening an office in St Petersburg.

AIB's Helsinki office drummed up business by advertising in technical trade journals. In addition to the company's official Swedish name, the adverts featured the Finnish name "Yleinen Insinööritoimisto", a word-for-word translation from Swedish. It meant: "General Engineering Company".

In Finland, AIB aimed to focus on urban water supply construction. The company also marketed itself as an expert in reinforced concrete construction, a technique that was gaining ground at that time. In Sweden, AIB had built structures such as large water towers for municipal waterworks. However, in Finland the company was only commissioned to build one small water tower. It was completed in the small town of Porvoo in 1912.

World War I broke out in 1914, leading Finnish cities to put their water supply projects on hold. AIB received work from the Russian Army, which commissioned groundwater studies for fortification works. In addition, the Swedish army ordered fortification plans for the Stockholm archipelago.

In 1917, the Germans routed the Russian Army, and the Bolsheviks soon claimed power in Russia. Minorities and border territories sought to break free from Russia. Finland declared its independence in December 1917. In January 1918, internal political differences in Finland came to a head, and a civil war erupted between the non-socialist Whites and the socialist Reds. The Whites won in May.

The staff of AIB's Helsinki office had returned to Sweden in 1917. When peace was declared, Finland was in a recession, and AIB was not interested in reopening the office.

FROM SMALL BEGINNINGS TO A LARGE CONSTRUCTION COMPANY →

Ragnar Kreuger's Yleinen Insinööritoimisto

In 1920, businessmen from Helsinki set up a Finnish company as the successor of Allmänna Ingeniörsbyrån's Finnish operations. The official name of the company name was in both Swedish and Finnish: "Ab Allmänna Ingeniörsbyrån – Oy Yleinen Insinööritoimisto". In time, the Finnish name was abbreviated to YIT in conversation and many decades later this would be adopted as the company's official name.

After a few good years, Yleinen Insinööritoimisto ran into difficulties. Its problems stemmed both from internal factors and the troubled Finnish economy. The new senior executives that took the helm in 1923 were not up to the task, and at the same time a rise in interest rates paralysed investments in Finland. The next year, Yleinen Insinööritoimisto ended up in liquidation – and that was almost the end of its story. However, a young engineer named Ragnar Kreuger stepped up to develop the company.

Ragnar Kreuger graduated from Svenska Realluceum, a Swedish-language upper secondary school in Helsinki. He then went to Germany to study engineering at Polytechnisches Institut und Ingenieurakademie in Strelitz. In



In the 1930s, Yleinen Insinööritoimisto built wooden water intake pipes for companies in the forest industry. These pipes provided factories with the utility water they required for their production processes from the closest lake or river.

his studies, Kreuger concentrated on reinforced concrete structures and civil engineering. He graduated in 1921.

In 1924, Ragnar Kreuger joined Yleinen Insinööritoimisto. He became its

THE YOUNG REPUBLIC OF FINLAND

The first decades of the newly independent nation of Finland were a time of political crises and dramatic booms and busts. When the economy was down, unemployment was high. Finland's development was driven by conflicting trends. For instance, the number of farms grew on the heels of land reforms, while industrialisation and urbanisation gathered steam. In spite of internal political discord, Finland retained its multiparty parliamentary system.

Before World War II, Finnish industry and exports relied solely on the forest industry. At first, the sawmill industry was the major sector, but in the latter half of the 1930s, it was overtaken by the paper industry. The metal industry and other sectors catered to the domestic market. Due to war reparations made to the Soviet Union after World War II, the metal industry emerged as Finland's second industrial cornerstone alongside the forest industry.

It was not easy for businesses to reap success in Finland. Recessions hindered development in the first decades of independence, and World War II cut short the boom of the 1930s. After the war, the bulk of resources were consumed by reconstruction efforts and the construction of power plants to develop the country's energy supply. In the next phase, from the mid-1950s on, Finland set its sights on becoming an industrialised welfare society.

Even in tough times, some Finnish companies managed to remain viable. And when times were good again, they were able to rise to the occasion and thrive. One of these companies was Yleinen Insinööritoimisto, which started small but set out on the road to growth. No one could have predicted that in the 1960s Yleinen Insinööritoimisto would be acquired by a very different company. This other company was Pellonraivaus Oy, which in the 1940s had focused on the clearing of new arable land, but in the next decade grew into a large civil engineering company.

the mid-1950s, he stepped down to serve as the Chairman of the Board. As from 1944, Ragnar Kreuger owned a majority holding in Yleinen Insinööritoimisto. Thanks to Kreuger's skill, the company thrived when times were good, and weathered both the depression of the 1930s and the war years in the next decade.

At first, it was important for Ragnar Kreuger to find business partners to finance his company. A partnership with a larger construction company also

played a major role. This other company provided water supply construction projects to Yleinen Insinööritoimisto.

At the end of the 1920s, Yleinen Insinööritoimisto made a breakthrough as a designer and builder of municipal waterworks. Its first clients were mainly coastal towns in Swedish-speaking regions of Finland that were either building their first plant or expanding their now inadequate facilities.

Yleinen Insinööritoimisto was renowned as a reliable builder that outperformed its competitors. The company survived the depression of the 1930s. In the boom that followed in the latter half of the decade, its revenue surged. In addition to waterworks, the company started building wastewater treatment plants.

Industrial companies joined its client list. For them, Yleinen Insinööritoimisto installed utility water plants and wooden water intake pipes connected to the closest body of water. These pipes had a diameter of up to two metres and were used for sourcing raw water for production processes.

Yleinen Insinööritoimisto's relations with continental European manufacturers of water plant and treatment equipment contributed to its success. In the early 1930s, Ragnar Kreuger visited many countries in search of equipment manufacturers. For instance, in Copenhagen he negotiated with the local office of Wallace & Tiernan Company, an American manufacturer, on the acquisition of a pumping station and chlorine gas equipment.

New challenges in Finland

The start of World War II put an end to the favourable trends in Yleinen Insinööritoimisto's operations. Engineers and other male staff were drafted by the army. No work was available during Finland's Winter War against the Soviet Union (November 1939 – March 1940), but there was plenty on offer during the next stage of the hostilities, the Continuation War (June 1941 – September 1944). As his engineers were fighting on the front, Ragnar Kreuger had to both design the contracts and oversee them on his own.

The Finnish Defence Forces were not his only clients. German Army units stationed in Finland also commissioned work. Yleinen Insinööritoimisto built

The population of Helsinki surged in the 1950s. The city's water supply was upgraded to meet its growing requirements. Yleinen Insinööritoimisto built this water tower in a suburb in 1958. It was the first mushroom-shaped tower in Finland.



a concrete runway at the Pori Airport, which the Luftwaffe used for stop-overs. The most important German military base in northern Finland was located in the town of Rovaniemi, where the company led the construction of barracks and storage buildings.

Yleinen Insinööritoimisto also built a waterworks in Rovaniemi. However, the Germans destroyed the facility when they razed the town at the beginning of the Lapland War (September 1944 – April 1945). These hostilities broke out because Finland signed an armistice with the Soviet Union and the Soviets demanded that the Finns must drive the Germans out of northern Finland. And so Finnish and German troops waged war against each other. Once the fighting had subsided, Yleinen Insinööritoimisto rebuilt the waterworks.

After the war years, Yleinen Insinööritoimisto landed many contracts. From the late 1940s on, the company started once again to build waterworks, wastewater treatment plants and water supply networks. Small towns joined its client list. Industrial plants also ordered work from the company.

One of the drivers of Yleinen Insinööritoimisto's success was its tap water treatment equipment, developed in-house. The company installed this equipment in Finnish waterworks and exported it to the Soviet Union. Another major factor was that the company had a representation agreement to import foreign technology in this field. One example was Waco filters, made by the Wennberg engineering works in Sweden. Yleinen Insinööritoimisto installed these filters in factory water plants.

Yleinen Insinööritoimisto's workforce surged in the 1950s thanks to the expansion of contracting into civil engineering.

Heading to faraway Iraq

In the mid-1950s, Ragnar Kreuger went on a safari in East Africa. The impending independence of the colonies inspired Kreuger to think about expanding his business to faraway countries. Yleinen Insinööritoimisto first tried to venture into Tunisia, but without success – the company found that the French still wielded too much influence there. On the recommendation of the Finnish Export Association, the company next turned its attention to Iraq.

In July 1958, Yleinen Insinööritoimisto acquired a contract for the construction of a waterworks in Karbala, a town to the southeast of Baghdad.



At the end of the 1950s, Yleinen Insinööritoimisto set off to the Middle East to build water supply systems. In 1960, the company completed a waterworks in Karbala, Iraq. The facility treated raw water from the Euphrat river for the inhabitants of the city.

Only a few days after the contract was signed, the Iraqi military staged a coup. Once the situation stabilised, the company started up construction, and the plant was completed in July 1960.

Profits from the Karbala contract were weak. However, the contract served a more important purpose. It gave the company valuable experience that

1920–1967

Ragnar Kreuger had a decisive influence on the development of Yleinen Insinööritoimisto for decades. Kreuger sought to turn it into the field's leading company in Finland. And he succeeded.



would come in useful when carrying out other construction projects overseas. Later in the 1960s, Yleinen Insinööritoimisto became the first Finnish construction company to start contracting in Saudi Arabia.

New ownership

At around the time of the Karbala contract, Yleinen Insinööritoimisto was in a tight spot in Finland. After Ragnar Kreuger had stepped down from operational management duties, the new executives pursued rapid expansion in civil engineering contracting. However,

this expansion came at the expense of profitability, and the company posted substantial losses on some of these contracts.

In spring 1961, the company's financing bank became concerned and demanded that steps be taken to safeguard Yleinen Insinööritoimisto's financial position. Ragnar Kreuger could only see one way out – to sell his stake in the company to a competitor. And so Pellonraivaus Oy bought Ragnar Kreuger's shares in December 1961.

The company carried out a share issue, after which Pellonraivaus' stake in Yleinen Insinööritoimisto rose to more than two thirds. This marked the beginning of a new phase in Yleinen Insinööritoimisto's history.

Pellonraivaus – a land-clearing company

The new main owner of Yleinen Insinööritoimisto did not start out as a civil engineering firm. Pellonraivaus had been in another field of business entirely. It was established in 1940 after Finland's Winter War against the Soviet Union in order to clear arable land.

Having lost the war, Finland was forced to cede large tracts of land to the Soviet Union. The residents of these territories, more than 400,000 people, were resettled in Finland. As half of them were farmers, providing new arable land for the resettlers was a major national mission.

One option would have been to parcel out arable land from existing farms.

However, an interest association of large farm owners proposed that land should be cleared to create new fields. The association felt that this would be a better solution from the standpoint of both farm profitability and maintaining social order.

And thus a land-clearing company was established in August 1940. Appropriately, it was named Pellonraivaus Oy – that is, Land Clearing Ltd. It intended to acquire efficient earthmoving and land-clearing machines from the United States. This was a major national project. Large commercial



Caterpillar earthmoving tractors were highly efficient at clearing new arable land.

banks, insurance institutions, co-operative federations and industrial companies came on board as shareholders in the new company. Private individuals also subscribed for shares. (The Finnish state became a shareholder in 1945.)

However, the escalation of World War II threatened the acquisition of the clearing equipment. Germany invaded Denmark and Norway in spring 1940, cutting off shipping to Finland via the Baltic Sea. Fortunately, Finland had a usable harbour in Petsamo, on the shores of the Arctic Ocean. Some of the Caterpillar track tractors ordered from the United States arrived in the harbour in early June 1941.

These tractors arrived in the nick of time. Only a few weeks later, the British navy blockaded shipping to the harbour due to the arrival of German troops in Lapland, Finland having allied itself with Germany.

When Germany attacked the Soviet Union, Finnish troops also advanced into Soviet territory. The Finnish army requisitioned Pellonraivaus' Caterpillar tractors before the company had even had the chance to use them for clearing land. Not that this was even necessary at the time. When the Finns reinvaded the territories lost in the Winter War, the evacuees returned home.

However, the tide turned against the Axis forces, and Finland withdrew from the war in September 1944. As before, the price Finland paid for peace was the ceding of territory to the Soviet Union. The inhabitants of the lost territories were resettled in Finland – and creating new arable land once again became a timely issue.

On the basis of an act ratified in May 1945, the evacuees from the areas ceded to the Soviet Union, frontline veterans and certain other groups were entitled to homesteads. Most of the required land would be cleared with Pellonraivaus' earthmoving machines. However, when the army returned the tractors to the company, they were in poor shape – and in any case there were too few of them to get the job done.

In order to finance the acquisition of new machines, the Finnish State loaned a considerable sum to Pellonraivaus and also subscribed for shares in the company. From 1946 onwards, the company was able to buy land-clearing tractors from US Army surplus stocks in France.

Nevertheless, the tractor fleet grew slowly, and much of the land had to be cleared by man and horse. Most of the clearing work was carried out in the late 1940s, but in northern Finland the effort continued into the 50s.



In Finland, the dredger Pera I was acquired in 1957 with funding from the World Bank. The dredger deepened ship channels to serve marine transport of imports and exports.

Pellonraivaus expands

As the amount of land clearing work declined at the beginning of the 1950s, Pellonraivaus focused its operations on other fields of business. Basic improvements in agriculture and forestry (such as field drainage) and civil engineering emerged as its major business areas.

Pellonraivaus established two brick factories to manufacture brick pipes for use in drainage. These factories were run by a separate subsidiary. The company's two other subsidiaries focused on building water supply networks and civil engineering.

The founding of subsidiaries expanded Pellonraivaus into a group of companies. The company continued to expand by carrying out acquisi-

tions in the 1960s – including its majority stake in Yleinen Insinööritoimisto in 1961.

That same year, Pellonraivaus also acquired a majority holding in another engineering firm, Insinööritoimisto Oy Vesto. This company had been in business for two decades in civil engineering and the contracting of water supply plants and networks. Vesto also had a dredger that it used to recondition harbours and marine channels in northern Finland. The dredger was acquired with a loan from the World Bank and went into service in the 1950s.

Pellonraivaus seized the opportunity to acquire shares in both Yleinen Insinööritoimisto and Vesto when the main owners of these financially beleaguered companies were willing to sell. Thanks to its shareholders' resources, Pellonraivaus could easily raise the required funds.

These transactions gave Pellonraivaus a controlling interest in two companies in the same field of business. However, the new subsidiaries continued to operate independently. In fact, within the group, they were not referred to as subsidiaries, but sister companies. Pellonraivaus, Yleinen Insinööritoimisto and Vesto were still in competition with each other, unaffected by their ownership ties.

On the other hand, Pellonraivaus' two wholly-owned subsidiaries in the earthworking business and its brick factory company operated under the direct control of the parent. Pellonraivaus acquired a fourth subsidiary in 1966, the engineering works Auran Rautateollisuus. This transaction aimed to improve the profitability of Pellonraivaus' own repair workshop. It was thought that Auran Rautateollisuus would serve as a source of subcontracting work for the repair workshop.

By the mid-1960s, Pellonraivaus had become a diversified group of companies led by several separate management clusters. This situation was not considered to be problematic, as Pellonraivaus felt that internal competition improved both profitability and the efficiency of operations in growing markets.

Basic improvements in agriculture and forestry

After World War II, Finland was still a largely agrarian nation. The resettlement of the population of the territories ceded to the Soviet Union had further increased the country's reliance on agriculture. In 1950, almost half of all Finns earned their daily bread from agriculture and forestry – a decade later, this figure stood at over one third. Finnish agriculture was based on family



Bogs were encroaching on woodlands. Drainage was required to turn these areas into productive forests. In the 1950s, the Pellonraivaus company developed a tractor-pulled plough that was an excellent tool for this purpose.

farms that supplemented their income by felling trees in the winter, either in their own forests or those owned by forest companies.

As the amount of new clearing work decreased, Pellonraivaus focused on increasing per-hectare yields by means such as ditches and removing stones from fields. This type of work had traditionally been done by man and horse. Pellonraivaus' machines achieved far better results. The company developed its own machine to dig drainage, securing a loan from the World Bank in 1953 for its serial production.

Pellonraivaus continued to carry out drainage works well into the 1960s.

However, the profitability of this business began to decline as competing small entrepreneurs came on the scene.

Pellonraivaus also contributed to the development of Finnish forestry. The major types of work launched in the 1950s were the construction of forest vehicle roads and mechanised forest drainage. New equipment was also developed for digging drainage.

Stepping up the efficiency of drainage was vital for improving forestry productivity. A third of Finland was covered by bogland – and in the 1940s, bogs were encroaching on forests. This stunted forest growth, posing a threat to the economic development of northern Finland in particular.

Mechanised forest drainage was the answer to this problem. Pellonraivaus' machines could dig ditches up to 200 times faster than a man with a shovel. The company's annual volume of drainage work rose until the mid-1960s. There was plenty of work on offer later, too, as the state provided generous funding for basic forestry improvements.

Civil engineering in the 1950s and 1960s

In the earthwork sector, the Pellonraivaus group of companies sought to divide its assignments such that the parent company focused on mass works and its subsidiaries on special assignments. (There was no such division of labour with Yleinen Insinööritoimisto and Vesto.) Earthmoving for the



The Saimaa canal, which led from Finland to the Baltic Sea through the Soviet Union, was built in the 1960s. The stone banks of the canal were constructed using manual labour.

construction of new suburbs and large industrial plants kept Pellonraivaus particularly busy.

Pellonraivaus made a major contribution to the implementation of the nationwide road construction programme that began in the early 1950s. Finland's road network dated back to the era of horse traffic. Only one per cent of highways were paved. Spring thaws left roads in eastern and northern Finland in such poor condition that they could not be used for weeks.

New roads were built and existing roads reconditioned with government funding. The amount of kilometres of road built by Pellonraivaus grew rapidly in the first half of the 1950s. There was growing demand for other kinds of earthwork contracts at that time, too.

However, the deregulation of machinery imports heated up competition in the earthwork business. Pellonraivaus lost its virtual monopoly. Clients ordered contracts from its competitors. Furthermore, it was felt that the company no longer had a vital national mission to perform, unlike in its early years. The government's funding for Pellonraivaus and the company's tax-exempt status were roundly criticised by both left and right in Parliament, albeit on different grounds.

Pellonraivaus ventured into a new line of business in the latter half of the 1950s – the dredging of harbours and sea routes. In 1957, the company bought a dipper dredger from Scotland, the first of its kind in Finland. Barges were bought to serve as its support vessels.

In 1961, Pellonraivaus' operations expanded outside Finland to the Soviet Union. In cooperation with another company, Pellonraivaus built a highway to a hydropower plant that had been erected close to Murmansk by Imatran Voima, a Finnish company.

The operations of Pellonraivaus' subsidiaries in the 1960s included civil engineering, rock excavation, bridge building and the construction of waterworks, wastewater treatment plants and water supply networks. Pellonraivaus' own major business areas were foundation works at paper and pulp mills, regional construction projects in large cities, and the construction of highways, railways, harbours and channels.

Saimaa Canal

The Pellonraivaus group played a substantial role in the reconstruction of the Saimaa Canal in the 1960s. Its largest subsidiary, Pohjarakenne, and the

sister companies Yleinen Insinööritoimisto and Vesto were on board. In addition to other contracts, the companies built four of the eight canal locks.

The Saimaa Canal had been important to the Finnish economy for almost a century. However, after World War II, most of the canal was left behind in the territories ceded to the Soviet Union and was no longer in use. When President Urho Kekkonen proposed the reconditioning of the canal, the Soviet Union consented to renting the canal zone to Finland in 1960.

Although some Finns suspected that the canal project would be money down the drain, the contractors felt that this job would be of major importance to the nation. Thanks to skilled design and high-quality execution, the Saimaa Canal became a highly effective transportation route – it was particularly suitable to the shipping of fuels, raw wood and mining industry products.

The successful implementation of the canal project increased the Soviets' trust in Finland. This considerably brightened the prospects for Finnish construction companies, paving the way for the large-scale construction projects that they would carry out in the Soviet Union in the decades ahead.

PERUSYHTYMÄ GROUP

A loose group of companies or a unified group?

Pellonraivaus Oy renamed itself Perusyhtymä Oy in 1968 – translated word-for-word, from Field Clearing Ltd to General Group Ltd. The old name was no longer apt, as it was too closely tied to the company's original mission of clearing arable land, and the company was now mainly engaged in earthwork.

In addition, Pellonraivaus Oy feared that its agriculture-related name now had negative connotations. There was a widespread feeling that growth in the area of arable land was detrimental to society. The state had provided sizeable financial support to agriculture for political reasons, and this had led to overproduction. State support was required to eliminate oversupply.

In the company's view, the new name – Perusyhtymä – reflected its operations in earthwork contracting and basic improvements in agriculture and forestry, which were still its mainstays in the 1960s.

When the name was changed, three of the four subsidiaries were merged into Perusyhtymä. Only the engineering works company continued to operate as a separate entity for the time being. The major point in favour of the mergers was that the largest subsidiary, Pohjarakenne, had grown to almost the same size as the parent company and had overlapping operations in the earthwork business.

It was noteworthy that the merger of Yleinen Insinööritoimisto and Vesto into Perusyhtymä was not even considered. The three companies continued to

FINLAND ENJOYS A HIGH STANDARD OF LIVING

The Finnish economy soared after 1960. At its peak, annual GDP growth was a whopping seven per cent. Growth came to a standstill for a few years in the late 1970s but then surged once again.

For a long time, Finland's economy trailed behind the developed industrial countries. In 1960, Finland's per-capita GDP was only two-thirds of Sweden's, but Finland rapidly closed this gap and in the 1980s became one of the world's most affluent nations.

This success story was accompanied by a massive social transformation. Many of those previously employed in agriculture and forestry moved into cities in southern Finland – and in the 1960s, many also went to Sweden to work in factories. During the peak years of this migration, Finland's population decreased.

The population shift reflected a transition in the economic structure. By the beginning of the 1980s, the share of the population who earned their living from agriculture and forestry had declined to a tenth. Just two decades earlier, they had accounted for a third of Finns. Meanwhile, the share of Finns working in the service sector rose to more than half and that of those working in industry to slightly over a third. Thus, as the 1980s dawned, Finland had the economic structure of a developed nation.

Finland's economic growth depended on the success of the export sector (the forest and metal industries). The government devalued the Finnish mark whenever necessary in order to boost the competitiveness of export companies. The domestic market sector demanded compensation. The cycle of devaluations set the pace of the national economy. Companies sought to anticipate not only the ups and downs of the economy, but also devaluations.

Finland's trade relations with the Soviet Union had a major effect on the economy. The Soviet Union accounted for about a fifth of Finland's foreign trade at the end of the 1970s. During the recession, Finland benefited greatly from the stepping up of exports to the Soviet Union. Exports east of the border created many jobs in construction companies and in industries with weak international competitiveness, such as textiles.

The next chapters present the history of YIT's predecessor, the Perusyhtymä group of companies, from 1968 up to the mid-1980s. During this period, all sectors of the construction industry – from infrastructure to residential construction – provided plenty of work for the companies in this group.

However, dramatic swings in the economy hindered the operations of the companies from time to time and forced them to seek contracts in locations as far away as the Middle East. They landed large construction projects closer to home, too, over Finland's eastern border in the Soviet Union.



In the mid-1980s, the Perusyhtymä group, which comprised numerous construction companies, was the largest construction player in Finland. This photo shows the group's headquarters in Helsinki, completed in 1985.

compete against each other. Deliberations on clarifying their division of work and instituting more centralised management only began in the late 1970s.

The Perusyhtymä group of companies grew at a rapid clip, both in terms of revenue and personnel. From the mid-1960s to the mid-1980s, its revenue grew more than elevenfold (accounting for the change in the value of money), and its personnel strength rose sixfold. If the Perusyhtymä group of companies had been a single united entity, it would have been Finland's largest construction company.

Although the management of Perusyhtymä sought from time to time to increase the coherence of this group, mutual distrust among the three main companies thwarted almost all co-operation in both Finnish contracts and construction exports. Perusyhtymä and Yleinen Insinööritoimisto were head-to-head in terms of revenue. Vesto was smaller, but was also successful in its own fields of business.

In the first half of the 1980s, following acquisitions and the establishment of subsidiaries, the main companies of the Perusyhtymä group grew into subgroups. The group comprised dozens of companies both big and small, some of which were engaged in industrial operations, and it was difficult to see the big picture.

At that time, legislative changes forced the group of companies to publicly disclose its intra-group ownerships. As it was now a corporate group in legal terms, discussions about centralised group management gained new impetus. A management centre was set up for the group in 1983, but it had little authority. Proposals for tighter centralisation and division of labour were once again foiled by mutual distrust among the senior executives of the main companies.

From Finland to foreign shores and back

A recession hit construction in Finland in the latter half of the 1970s, spurring the Perusyhtymä group companies to expand their operations abroad. The other major Finnish construction companies did likewise. When demand fell in export markets and the Finnish market swung to growth again, the focus of operations was shifted back to Finland around the mid-1980s.

The peak years for construction exports were 1978–1982, an unusual period in the history of the Perusyhtymä group. However, the companies' drive to go international did not lead to lasting results.

Yleinen Insinööritoimisto had first ventured into Iraq in 1958 and expanded its business in the Middle East in the mid-1960s. Perusyhtymä and Yleinen Insinööritoimisto's construction exports (i.e. project exports) to the Soviet Union got underway in the early 1970s. Nevertheless, in the mid-70s, construction exports only generated a fifth of the revenue of the Perusyhtymä group.

The economic slowdown that followed on the heels of the oil crisis in the late 1970s forced all the major Finnish construction companies to head abroad. There were plenty of contracts on offer in the Soviet Union (in so-called border projects), the Middle East and certain African countries. Construction demand was driven by the rise in the price of crude oil, which benefited all oil producer countries, the Soviet Union among them.

The Perusyhtymä group of companies enjoyed an excellent position in Finland's construction exports. Yleinen Insinööritoimisto was in fact a trailblazer in this field. At the end of the 1970s, the share of its revenue generated by exports topped out at almost four-fifths. Projects abroad were also important to the other companies in the group. At the beginning of the 1980s, revenue from exports exceeded domestic revenue in the entire group of companies.

A decline in the price of crude oil led to a contraction in the Middle Eastern construction market after 1982. Furthermore, Asian builders had ventured into the region and were more competitive than the Europeans. Like other Finnish companies, the Perusyhtymä group beat a hasty retreat from the Middle East in the mid-1980s.

Cheaper oil also cut into Finland's construction exports to the Soviet Union, but only in the latter half of the 1980s due to the trade arrangements between the two countries. That said, Finnish construction companies had racked up sizeable profits from their large contracts in the Soviet Union and certain projects in the Middle East. They invested these profits in expanding their operations at home.

In the mid-1980s, the Perusyhtymä group had hundreds of millions of Finnish marks in foreign profits at its disposal, and ploughed these monies into acquiring building plots and other companies in Finland. However, the limits of the Finnish construction market were soon reached, setting the stage for severe competition for market share.

The companies that had first set out to expand their business in Finland had the edge on those that had been slower to act. The Perusyhtymä group

was among the latter. Its massive investments in expanding building construction were costly and haphazard – and thus did not yield the desired results. Consequently, the profitability of the group of companies weakened and it posted a loss in the mid-1980s.

Earthwork and rock excavation

The Perusyhtymä group of companies carried out a broad range of work in different sectors of construction. When it also started up residential construction at the beginning of the 1980s, its operations covered all fields of construction. As no mutual division of work had been agreed upon, the main companies in the group competed against each other in almost every field of business.

The first stage of implementing a road contract, industrial facility or residential construction site generally comprised earthmoving. Next came rock excavation and finally the erection of the building. Typical earthwork included earthmoving and piling.

In the late 1960s, road works were a major source of contracts for the Perusyhtymä group. At that time, the national road network was being modernised, and both multilane highways and bypasses for large cities were being built. The contracts included plenty of bridge and tunnel construction as well.

Vesto and its Swedish partner Skånska Cementgjuteriet carried out the largest motorway contract in Finland in this period. From today's perspective, these works were small in scale, measuring only 12 km. When the oil crisis hit in the mid-1970s, the development of the road network was put on hold for a long time, and was resumed only in the next decade.

The development of energy infrastructure also provided plenty of earthwork contracts. For example, the construction of hydropower plants began with large-scale earthmoving work.

A single site could provide long-term work. For instance, Yleinen Insinööritoimisto started building a road network at Neste Oy's oil refinery site in 1963. Upon the completion of the roads, the company continued to carry out rock engineering, industrial construction and industrial maintenance services. (YIT remains active at the refinery.)

In the Perusyhtymä group of companies, Yleinen Insinööritoimisto and Vesto both made major outlays on rock excavation. In the 1960s and 1970s,



Yleinen Insinööritoimisto's Bucyrus Erie digger from the 1960s. Sand was required as a base material in highway construction.

they were responsible for the majority of such works implemented in Finland. They carried out particularly large contracts in the construction of underground oil storage facilities and both raw water and wastewater tunnels.

For example, the third underground tank that Yleinen Insinööritoimisto built in Sköldvik at the beginning of the 1970s was the largest of its kind in the world. It had a capacity of one million cubic metres. Vesto's rock excavation contracts were at the construction sites of the Naantali and Inkoo steam power plants and the Olkiluoto nuclear power plant.

In addition to Vesto and Yleinen Insinööritoimisto, Perusyhtymä also took part in the rock excavation of the Päijänne tunnel in the mid-1970. This 120-km tunnel serving water supply in the Helsinki metropolitan area was completed in 1982. It was used to transport high-quality raw water to a treatment facility for close to one million inhabitants.

Bridges, dredging and harbour projects

Until the 1960s, the Road and Waterways Administration implemented most of Finland's bridge projects. When this state agency downscaled its bridge-building operations, private companies stepped up their operations in this field. And thus Perusyhtymä, Vesto and Yleinen Insinööritoimisto started taking bridge contracts.

In the 1970s, Vesto emerged as a leading bridge builder, erecting a great number of highway, railway

and waterway bridges around the country. In 1976, for instance, the company completed 20 bridges. Neither Yleinen Insinööritoimisto nor Perusyhtymä could match Vesto's figures, but they also built a number of waterway bridges that were notably large in Finnish terms.

In addition to road and bridge construction, the dredging of waterways and harbours played an important role in the reconditioning of Finland's traffic network. Perusyhtymä and Vesto had acquired a dredging fleet in the 1950s and 1960s. The fleet comprised dipper and suction dredgers and support vessels. At the beginning of the 1960s, Vesto rounded out its fleet by purchasing a new bucket chain dredger from England.

When the Saimaa Canal was built, dredgers deepened the ship channels leading to the canal in Soviet waters. Next, in the latter half of the 1960s, channels between the southern coast of Finland and Stockholm were dredged. In 1971, this work was assigned to a consortium formed by Perusyhtymä, Vesto and Skånska Cementgjuteriet.

Yleinen Insinööritoimisto erected steel beacons on shipping routes. In 1979, the company launched a spring-equipped steel lighthouse, developed in-house, that could withstand harsh icy conditions. Lighthouses were installed on the routes in locations specified by the Finnish Maritime Administration.

Harbour renovation also improved the viability of Finnish shipping. The channels leading to harbours were deepened and harbour functions were upgraded. In addition to deepwater harbours in the cities, new industrial harbours were built.

Harbour projects were a key element of Vesto's operations in the 1960s and 70s. The company's turnkey projects were designed in-house and comprised the construction of not only harbour areas and piers, but also roads and railway connections. Yleinen Insinööritoimisto and Perusyhtymä also engaged in harbour and pier construction. The latter company carried out its largest deepwater harbour contract in the mid-1980s.

Water supply sector

Water supply systems were built up at a brisk pace in the 1960s and 70s. Urban population growth required towns to invest in tap water treatment. In addition, the government obligated municipalities and industrial companies to treat their wastewater. Even sparsely populated areas in the countryside were linked to the water networks in order to ensure the good quality of drinking water.

The construction of water supply systems was an important part of the business operations of the Perusyhtymä group of companies. For decades, Yleinen Insinööritoimisto had been the leading company in this field in Finland. Perusyhtymä and Vesto started building plants and networks in the 1960s. The companies adapted foreign technology to Finnish conditions. Their development efforts also yielded in-house innovations.

In the 1960s, Yleinen Insinööritoimisto introduced ozonation in the treatment of tap water in Finland. Until then, chlorination had generally been used. Vesto in turn erected waterworks under licence from the Franco-Belgian company Degrémont for both municipalities and industrial plants.

Starting in the late 1960s, a new tap water treatment method, flotation, became common in Finland. Yleinen Insinööritoimisto and Vesto built flotation plants for cities and industry. Perusyhtymä in turn built small rural waterworks, water intake plants and pumping stations. All three companies included water towers in their programme of works.

In the 1970s, the focus of water supply investments shifted to the construction of wastewater treatment plants. Legislation now obligated municipalities and industry to treat their wastewater even more efficiently. All three main companies of the Perusyhtymä group built treatment plants. The largest projects were carried out by Yleinen Insinööritoimisto.

The City of Helsinki pioneered wastewater treatment in Finland. Back in the 1960s, the city had decided to build more treatment plants to prevent the pollution of its coastal waters. Yleinen Insinööritoimisto was the contractor responsible for most of the ten new treatment plants built for the capital. One of these was the largest such plant in the country at the time of its completion in 1970. It could treat the wastewater of 300,000 inhabitants.

Yleinen Insinööritoimisto also built treatment plants for industrial facilities. The largest such plants were installed for the wood-processing industry. Tighter emissions limits in the 1980s led industry to increase investments in treatment plants. In the middle of the decade, Yleinen Insinööritoimisto completed the first biological treatment plants for paper mills.

Vesto and Perusyhtymä in turn mainly built wastewater treatment plants in small towns and rural communities. Nuclear power plants also became Vesto customers in the 1970s. Treatment plants were completed for Imatran Voima's Loviisa nuclear power plant and Teollisuuden Voima's Olkiluoto plant in 1975.



Construction of energy supply facilities

In the late 1940s, Finland started a brisk programme of power plant construction that lasted for decades. First, hydropower plants were built in Northern Finland, followed by coal-fired power plants in the 1960s, and then nuclear power plants in the next decade.

The construction of energy supply facilities proceeded on a vast scale. In 1972, for example, Yleinen Insinööritoimisto was building a hydropower plant, steam power plant and nuclear power plant at the same time. Perusyhtymä in turn had two hydropower plants under construction. The power plant contracts carried out by the companies comprised earthmoving, excavation and plant building erection.

Thermal power overtook hydropower in importance as a basic source of energy in the 1960s. The largest new coal-fired power plant was implemented for Imatran Voima in Inkoo in the 1970s. Its major contractor was Vesto, which erected three of the four power plant units. The fourth was built by Yleinen Insinööritoimisto.

Two nuclear power projects were also started up in Finland. The Perusyhtymä group participated in both, carrying out a wide range of contracts. None of its companies worked on reactor installation.

The construction of the Loviisa nuclear power plant began in 1971. It was the largest construction project in Finland at that time. Yleinen Insinööritoimisto built the containment building of the first reactor unit and Perusyhtymä that of the second unit. Yleinen Insinööritoimisto carried out the interior works for both containment buildings. The units were hooked up to the national grid in 1977 and 1980, respectively.

Vesto was part of the consortium that worked on the Olkiluoto nuclear power plant under the leadership of Skånska Cementgjuteriet. The first phase was completed in 1978.

No further nuclear power plants were built in Finland in the 1980s. However, other types of power plant projects continued, providing plenty of contracts for the Perusyhtymä group.

The construction site of the Kyläsaari wastewater treatment plant in Helsinki. It was completed in 1970 and could treat the wastewater of 300,000 urban residents

Construction of industrial facilities and business premises

In the 1960s, Yleinen Insinööritoimisto had successfully expanded into industrial construction. When the boom in the sector peaked at the beginning of the next decade, the company had many large projects under construction around Finland. In the late 1970s, the recession reduced the number of in-



In the 1970s, nuclear power plants were the largest construction projects in Finland. Vesto Oy was involved in the implementation of the first phase of the Olkiluoto nuclear power plant in 1974–1978.

dustrial contracts on offer, and the company plugged the gap with contracts for business premises and renovation for the public sector.

Perusyhtymä was also highly successful in the construction of industrial facilities and buildings in the 1970s. At the beginning of the next decade, Vesto also expanded into this field. Competition tightened in the early 1980s as companies that had earlier focused solely on housing construction sought to venture into this sector as well.

As time went on, the construction of industrial facilities and business premises became an increasingly important source of work for the Perusyhtymä group. In the strategy the group ratified in 1982, this field of business was designated as a growth area. Competition heated up and acquisitions had to be carried out to achieve sufficient growth momentum. The group companies acquired local construction firms.

Housing construction overheats

Residential construction also became a core part of the Perusyhtymä group's strategy at the beginning of the early 1980s. Perusyhtymä carried out contracts for developers and started up developer contracting. Yleinen Insinööritoimisto and Vesto also acquired residential construction companies.

At that time, other construction companies were also stepping up their housing production. They sought to increase their market shares by acquiring smaller players in this field. In addition, companies were competing to snap up zoned plots.

The Perusyhtymä group of companies was the last of the large construction players to enter the battle for market share. As prices had already risen, it had to pay dearly for land. Furthermore, the group's expertise in developer contracting was not on a par with that of its competitors. Decision-making concerning residential and other types of building construction was transferred to the local level. The senior executives of the group companies could no longer keep themselves informed of the situation.



This ad shows the Haapaniemi district, which was built in the city of Kuopio by Yleinen Insinööritoimisto (YIT) and Lujabetoni Oy. The lower edge of the ad displays the logos of banks offering mortgages to homebuyers.

Nevertheless, by the mid-1980s, the group had become a major nationwide builder of housing. Steps were taken to boost operational efficiency by eliminating regional overlaps between the main companies and the construction firms they had acquired as subsidiaries.

Industrial production

In the mid-1980s, the Perusyhtymä group was no longer just a builder. The share of the group's operations accounted for by industrial activities had grown, and now made up about a fifth of total revenue. Its industrial operations comprised brick factories, a prefabricated element factory and engineering works. Existing production had been expanded and new subsidiaries acquired.

Perusyhtymä Oy had been in the brick business for many decades. In 1985, the company had five brick factories, and had earmarked considerable sums for their development. The factories were upgraded with the latest technology, and next the company intended to beef up product quality and marketing. The cartel that had regulated the brick industry had now been dissolved, and enhancing competitiveness across the board was vital.

Perusyhtymä acquired Makrotalo Oy as a subsidiary in 1975. In just a few years, Makrotalo became Finland's leading producer of low-rise houses and prefabricated elements for them. The transfer of brick element production from Perusyhtymä's brick factories to Makrotalo expanded its operations.

A key part of Makrotalo's output comprised housing for workers. Buildings for workers' communities were assembled from Makrotalo's prefabricated elements, and these were primarily exported for use in the projects of the Perusyhtymä group in the Soviet Union and Middle East.

Another product group comprised Makroflex polyurethane seaming foam and insulation sheets. Makrotalo developed new ways of using polyurethane. The company soon became the leading exponent of urethane technology in the Nordic countries.

Makrotalo's operations grew by leaps and bounds in the early 1980s. It made a new breakthrough in its exports to the Soviet Union when it received orders for modular elements for refrigerated and frozen storage facilities.

At the beginning of the 1970s, the Perusyhtymä group had only one engineering works: the ARA works, owned by Perusyhtymä Oy. The works manufactured asphalt mixing plants and diggers for both the domestic market and



In the 1980s, the Perusyhtymä group engaged not only in construction, but also in large-scale industrial production. The Toro mining loader was the most notable product manufactured by the group's engineering workshops.

export. Starting up the manufacture of Toro mining loaders had a decisive impact on ARA's future success – Toro was ARA's main product in the 1980s.

Mining loaders were exported primarily to Sweden and the Soviet Union. For instance, half of the 80 Toros made in 1980 went to the Soviet Union. Thanks to its exports, the ARA works rose to the ranks of the four largest manufacturers of mining loaders and ore transport vehicles in the world.

By the mid-1980s, Perusyhtymä's central repair facility had evolved into an engineering works for exports. It was assigned the task of manufacturing ARA's older products as well as subcontracting of Toro manufacture. The en-

gineering works' other export products were gas heating plants for Sweden and chipping machines for the Soviet Union.

Perusyhtymä also expanded its engineering works operations by means of acquisitions in the mid-1980s. The company considered it important to target its acquisitions by focusing on the kinds of workshop manufacturing that would round out its own production. Furthermore, Perusyhtymä had to be in a position to support the exports of the acquiree. The output of the three acquired engineering works was mainly exported.

Construction exports to the Soviet Union

In the decades after World War II, Finland did not join any military alliances and pursued an unusual policy of impartiality. In 1948, Finland and the Soviet Union signed the Agreement of Friendship, Co-operation and Mutual Assistance (the YYA Treaty), which laid the foundations for economic and other relations between the two nations.

As from 1951, bilateral trade between Finland and the Soviet Union was steered with five-year framework agreements. Trade was priced in roubles and the principle was to keep imports and exports in balance. Due to this principle, trade no longer saw growth in the late 1960s, as Finland could not increase its imports from the Soviet Union.

The oil crisis changed the situation. As Finland bought much of its oil from the Soviet Union, the rising price of oil increased the value of imports from the Soviet Union. Exports could now be stepped up accordingly. In the decade following the oil crisis (1973–1982), Finland's trade with the Soviet Union trebled, rising in its heyday to a fifth of all foreign trade. At the same time, Finland's construction exports to the Soviet Union quintupled.

The implementation of Finnish construction projects in the Soviet Union had first been floated as a business opportunity at the end of the 1960s. Large construction projects were included in commercial framework agreements in the 1970s. The realisation of these projects required President Kekkonen to maintain active contact with decision-makers in the Soviet Union.

The first project to get under way was the construction of a forestry centre at Pääjärvi in 1971. This contract was mainly carried out by Perusyhtymä Oy and was much smaller in scale than the next two projects, which were implemented in Svetogorsk and Kostamus. The former comprised the construction of a pulp and paper mill, and the latter an iron mine, ore processing



Finns built a wood processing facility in Svetogorsk in the Soviet Union. In the foreground of the photo, you can see the factory wastewater treatment plant that Yleinen Insinööritoimisto erected in 1972–1975.

plant and mining town. Finns worked in Svetogorsk from 1972–1988, and in Kostamus from 1974–1985.

The main contractor of large-scale projects was Finn-Stroi Oy, a consortium of Finnish construction companies. Perusyhtymä Oy and Yleinen Insinööritoimisto were both shareholders in Finn-Stroi and operated under its aegis. Perusyhtymä Oy worked in Kostamus, Yleinen Insinööritoimisto in both Svetogorsk and Kostamus.

As Finland's leading water supply construction company, Yleinen Insinööritoimisto was given the job of building an industrial wastewater treatment plant in Svetogorsk, a utility water plant for the pulp mill and machinery works for the wastewater treatment plant of the city. In Kostamus, the company built water supply systems and also participated in the implementation of the largest contract in the region, an iron ore concentrating plant.

In cooperation with other companies, Perusyhtymä Oy in turn built a railway and highway linking Finland with Kostamus. In the implementation

phase, Perusyhtymä completed a contract for an iron ore processing plant and carried out earthworks for the urban community in Kostamus.

These border projects turned out to be highly profitable for Finnish builders, as the value of the Soviet rouble was tied to the US dollar. The value of the dollar (and thus the rouble) against the Finnish currency doubled during the contracts.

Another important project for Finns in the 1970s was the Norilsk mine and industrial centre in Northern Siberia. One of the Perusyhtymä group companies participated in it –Vesto delivered equipment to Norilsk as a subcontractor. Much closer to Finland, the construction of a pulp mill in Vyborg continued into the 1980s. This project was headed up by Finn-Stroi, with Yleinen Insinööri-toimisto as a subcontractor.

Competition for Soviet projects tightens

At the beginning of the 1980s, Finnish construction companies had close to thirty projects in progress in the Soviet Union. The companies were no longer working harmoniously under Finn-Stroi. Instead, they were competing for contracts against each other.

Companies from many other Western European countries had also entered the Soviet construction market, building mine and metal facilities, chemical plants, paper mills, car factories as well as textile and clothing factories. These Western companies were highly competitive and could have pushed the Finns out of the Soviet market. However, the Soviet Union considered it important to maintain the special relationship it had established with Finland under the YYA Treaty, and sought to protect their bilateral trade against competition.

However, when the price of oil slumped in the early 1980s, Finland's trade with the Soviet Union contracted. In addition, the Soviet Union was now aiming to trade in convertible currencies, which also limited regulated trade with Finland. Construction exports suffered greatly from this. The share of Finland's trade with the Soviet Union accounted for by construction declined after the mid-1980s.

This drawing depicts the Tallinn grain harbour built in the Estonian Soviet Socialist Republic between 1984 and 1986. The contractors were the Perusyhtymä group and several other Finnish companies.



As competition heated up, Yleinen Insinööritoimisto and Perusyhtymä Oy had to revise their strategies. The former sought to upgrade the technological calibre of its exports to the Soviet Union, and to shift from traditional construction contracting to deliveries of mechanical, electrical and process technology. The latter in turn intended to sharpen its competitiveness by combining equipment deliveries from its own engineering works with construction projects for the food industry.

In the latter half of the 1980s, Perusyhtymä Oy and Yleinen Insinööritoimisto enjoyed a stronger position in the Soviet Union than other Finnish companies. Both had numerous projects on the go. Notably, all three main companies of the Perusyhtymä group participated in the construction of the Tallinn grain harbour in the Estonian Soviet Socialist Republic between 1984 and 1986.

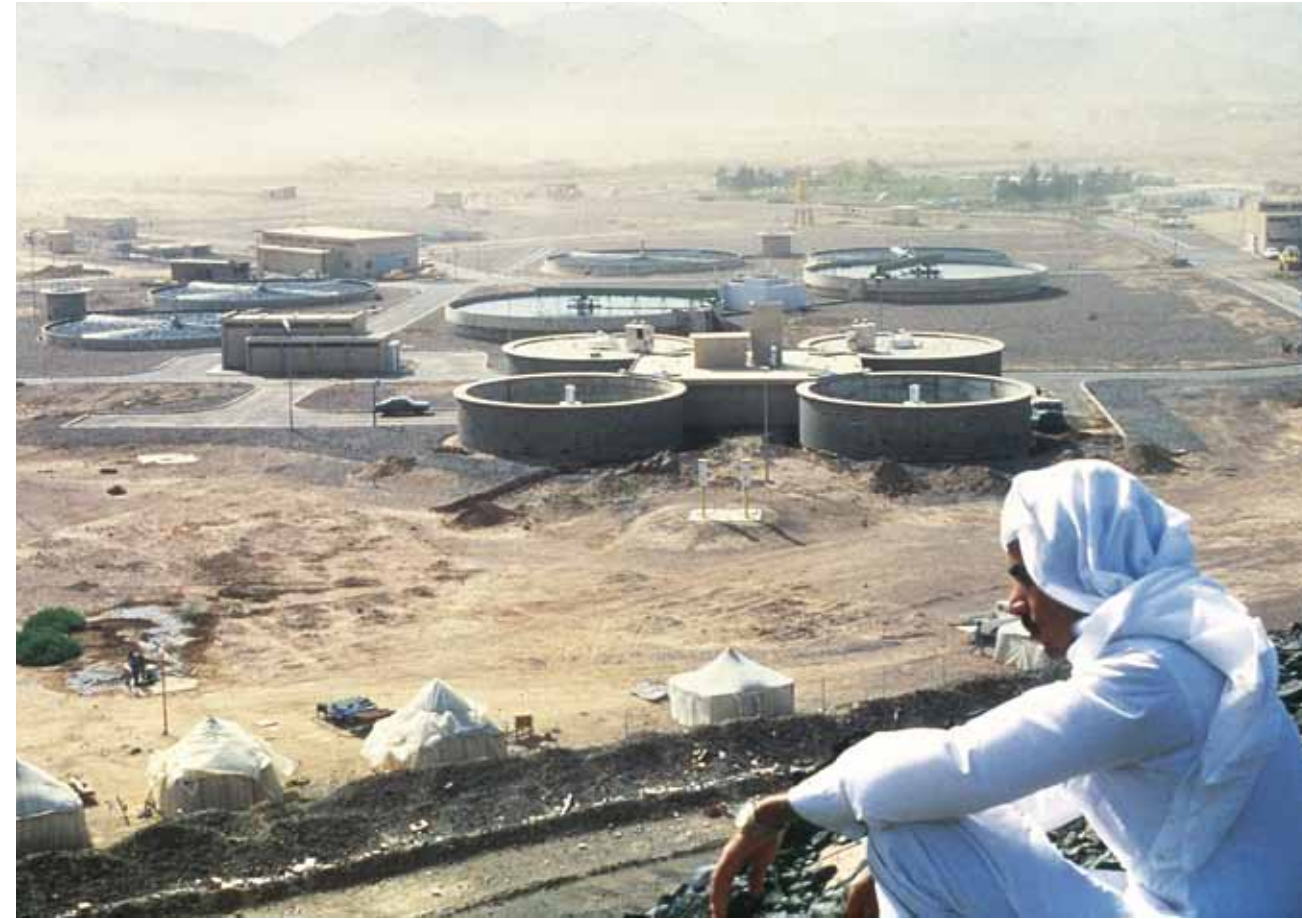
In addition to the harbour project, Perusyhtymä Oy engaged in the contracting of hotels and industrial buildings in the Soviet Union. One of Yleinen Insinööritoimisto's major projects was the design of a large spare parts warehouse for a Lada car factory, its material and equipment deliveries, and installation supervision. Another large contract was the construction of the Yamburg community to house thousands of Gasprom gas field workers in the tundra of Western Siberia.

During the era of Perestroika, Finns carried out projects covered by regulated bilateral trade and non-regulated projects in hard currency in the Soviet Union. However, the economic troubles of the Soviet Union in the late 1980s meant that all types of contracting tailed off.

Construction in distant countries

The rising price of crude oil facilitated the growth of Finnish construction exports to the Soviet Union. After the mid-1970s, the trend in the price of oil also opened up markets further afield, most notably in the Middle East. As construction investments in Finland were on the wane at that time, many Finnish construction companies decided to venture into distant markets.

Doing business in the Soviet Union was quite safe for Finnish companies – after all, they carried out their projects in the framework of trade agreements and often under the aegis of Finn-Stroi, an influential consortium of construction companies. However, in more distant lands, companies faced great risks in unfamiliar and uncertain environments where they had to fend for themselves.



A view of the wastewater treatment plant of the holy city of Medina, Saudi Arabia. Yleinen Insinööritoimisto handled the operation and maintenance of the plant between 1974 and 1978.

Before the oil crisis, Yleinen Insinööritoimisto had been one of the few Finnish construction companies operating abroad. The company had been active since 1966 in Saudi Arabia, which later became a major business destination for Finns. Other Finnish builders, Perusyhtymä Oy among them, ventured there only after the mid-1970s. At that time, companies were showing great interest in Saudi Arabia. At the end of the decade, ten or so Finnish construction companies were already in business there.

Iraq was the second most important business country for Finns in that part of the world. The six Finnish companies that ventured into Iraq in the mid-1970s included the three main companies of the Perusyhtymä group. Finnish

builders also worked in Kuwait, Jordan, Yemen, United Arab Emirates, Egypt and Libya.

Outside the Middle East, Perusyhtymä Oy was engaged in major projects in Nigeria, Africa's largest producer of oil. Yleinen Insinööritoimisto in turn participated in water supply development co-operation in East Africa. In Asia, Vesto led a shipyard project in Vietnam, carried out under Finnish development co-operation.

In distant lands, Finns built water supply systems, industrial plants and housing. From the start, Yleinen Insinööritoimisto's water supply contracts also included design. Some projects involved the training of operating staff as well. Finns also provided this type of turnkey construction for industrial plants and public buildings.

At first, it was easy for Finnish companies to enter distant markets, as large Western construction companies were not interested in the projects sought by the Finns. However, the situation changed when the Koreans ventured into the Middle East in the late 1970s. With their cheaper labour, the Koreans nabbed many contracts from Finnish companies. The Finns responded by focusing on larger and more technically challenging projects.

Finnish contracting abroad peaked in the early 1980s. After that, construction began to wane rapidly, as the declining price of oil cut into the income of the producer countries, reducing their available funds for public investments. Just before the middle of the decade, the markets of Saudi Arabia, Libya, Iraq and Nigeria, all of which were important to Finnish companies, dried up rapidly.

In its largest business countries in the Middle East, the employees of the Perusyhtymä group had settled in their own separate communities. Many employees had taken their families with them. As no new large projects were acquired after 1982, the companies repatriated most of their personnel. Contracting continued on a far smaller scale.

Yleinen Insinööritoimisto in Saudi Arabia

Yleinen Insinööritoimisto had carried out contracts in the Middle East since 1958, first in Iraq and then in Jordan. In 1965, the company decided to venture into Saudi Arabia, taking its construction exports to the next level. There were enough projects on offer to last for two decades.

In the mid-1960s, Saudi Arabia abandoned its traditional isolationist

stance and started earmarking oil funds for modernisation. The country required the help of Western companies in this effort. Yleinen Insinööritoimisto was the only Finnish construction company bold enough to venture into Saudi Arabia at that time.

In 1967, Yleinen Insinööritoimisto started building waterworks in Riyadh, the capital of Saudi Arabia. The company won this job because none of the other bidders could carry it out on a turnkey basis, including machinery and electrical installation. These waterworks were completed in 1969 and produced clean tap water for 360,000 people. This was a major step forwards in the city's water supply.



Waterworks construction site signs in Riyadh, Saudi Arabia. Yleinen Insinööritoimisto (YIT) built the facility from 1967 to 1972.

Yleinen Insinööritoimisto continued carrying out operation and maintenance work for waterworks in Riyadh until 1972. Next, the company was granted the operation and maintenance agreement for the wastewater treatment plant of the holy city of Medina. This contract was carried out with Consolidated Contractors Company (CCC), the largest construction company in the Middle East.

Medina provided more work in the late 1970s. The rainwater sewers of the city were modernised and the expansion of its waterworks and water pipe network commenced in 1978. This was the company's largest contract in Saudi Arabia. Both contracts were carried out with CCC. Yleinen Insinööritoimisto built a waterworks in the harbour city of Jeddah on its own.

Another major contract was the construction of Riyadh's wastewater treatment plant and sewage network between 1980 and 1985, carried out in cooperation with CCC. In the first phase, the capacity of the existing treatment plant was raised. A second, larger plant was then built. In addition, the sewage network was expanded.

The personnel working on the Riyadh treatment plant project were well and truly international. In addition to the Finns, CCC's Lebanese and Palestinian supervisors led work on the site. The workforce was made up of 700 men from twenty countries. Dozens of subcontractors and equipment suppliers were on board.

In 1977–1979, Yleinen Insinööritoimisto also built, on behalf of Mabco, a factory in Riyadh to manufacture concrete elements for blocks of flats. In addition, YIT for some time became a shareholder in Mabco, which continued its operations as a construction company.

In the busiest phase of its operations in Saudi Arabia, 1976–1979, Yleinen Insinööritoimisto operated shipping to the country in order to ensure material deliveries for its construction projects. The company initially leased vessels, but from 1977, it sailed with ships commissioned by its own shipping company.

Yleinen Insinööritoimisto's ro-ro ships M/S Abha and M/S Buraidah were crewed by Finns. At first, the ships sailed from Malmö in Sweden to Jeddah in Saudi Arabia, and later from Helsinki to Hodeida in Yemen. The cargo of the ro-ro ships was unloaded through their stern doors, eliminating lengthy unloading delays that could last for several weeks. Other Finnish construction companies also used the ships for their material deliveries.

However, Jeddah harbour developed its operations and sold cheap fuel to ocean vessels. This changed the nature of shipping. The volume of transport

capacity on offer grew while cargo prices declined. In summer 1979, Yleinen Insinööritoimisto noted that it was taking heavy losses on its marine transport. The company ceased its shipping operations in the autumn and sold off its ships.

In Saudi Arabia, Yleinen Insinööritoimisto also operated through a company named Safinnco, established in the mid-1980s with local partners. It had been forecast that only companies with a majority Saudi holding would be offered work there in the future.

Safinnco landed two large grain silo contracts. The silos were completed in 1986. At that time, demand for construction had dried up in Saudi Arabia due to the declining price of oil, and Safinnco's operations waned.

Perusyhtymä Nigeria Ltd

Perusyhtymä Oy also sought to enter the Saudi Arabian construction market, but with limited success. Instead, Perusyhtymä Oy's major foreign business country in the late 1970s was Nigeria, the largest oil producer in Africa. Nige-



Perusyhtymä Nigeria Ltd built a high-rise community for army personnel in Lagos, the capital of Nigeria, in 1977–1979.

ria invested its oil income into building infrastructure and industrial facilities, and sought to attract Western companies.

With its Nigerian business partners, Perusyhtymä Oy set up a subsidiary named Perusyhtymä Nigeria Ltd (PYN) in 1975. The business partners had close relations with Nigeria's military government. Thanks to these vitally important contacts, PYN was given the job of building residential areas for civil servants and military personnel.

By the end of the 1970s, PYN had built more than 5000 residential units. However, operations became more difficult in the next decade. The military handed over the reins of power to a civilian government in 1979 and construction ground to a halt in Nigeria for several years. PYN did not have connections to the new government and was not granted special treatment.

Nevertheless, when the civilian government finally started up new projects, PYN gained two contracts to build residential areas in 1982. Soon after work started, it became clear that the clients would not be able to pay. Nigeria's oil income declined, and soon both the republic and its states ran into economic difficulties.

Dissatisfaction towards the government led to a military coup in 1983 and the new government halted publicly funded projects. Perusyhtymä evaluated that Nigeria would not offer business opportunities during the next few years. The incomplete sites were closed down in spring 1984 and the last Finns left the country.

In Yemen and Vietnam

Vesto was the last of the three main companies of the Perusyhtymä group to venture into the Middle East. The company only started up exports of construction to distant lands at the end of the 1970s. Vesto tried to gain a foothold in the sheikdoms of the Persian Gulf with Perusyhtymä Oy, but without success. On the other hand, the two companies' consortium, Perasto, acquired work in Iraq in the 1980s.

Vesto entered North Yemen solo. In spring 1978, the company started building a grain silo and bagging plant in Hodeidah, on the shores of the Red Sea. In addition to Vesto, Finnish subcontractors were on board the project. Construction materials were transported to North Yemen on Yleinen Insinööri-toimisto's ro-ro ships.

60 Unrest in North Yemen did not scare Vesto's personnel. After the Finns



Vesto Oy built a grain silo and bagging plant in Hodeidah, Yemen, on the shores of the Red Sea in 1978–1979.

arrived, the military staged a coup in North Yemen, and while the slip casting of the grain silo was in progress in 1979, North Yemen was engaged in a border war with South Yemen. The hostilities did not affect the silo construction site.

Once the silo project was wrapped up, Vesto won two new contracts in North Yemen in 1984. It subcontracted structural engineering work for an electrical power plant built by an Italian company. The other contract was for

the development of rural water supply in the proximity of the capital, Sana'a. Pump wells, water tanks and distribution points were built in villages.

Vesto's largest project abroad was in Vietnam. In 1978–1984, Vesto led the construction of a repair shipyard in the city of Haiphong as part of a Finnish development co-operation programme. Several other Finnish companies were also involved in the project.

The shipyard contract experienced many setbacks. Vietnam's border war against China in 1979 weakened the country's ability to take responsibility for the project, and the Finns had to step up their contributions, both in terms of work and materials. The construction work turned out to be far more expensive than originally estimated, but Vesto steered the project to a successful conclusion.

Projects in Libya

Alongside Saudi Arabia and Iraq, Libya was a key territory for Finnish construction exports to the Middle East. Libya's aggressive foreign policy meant that business in the country involved great risks, but the Finns were not scared off. The oil-wealthy country paid well for contracts and construction work was often very profitable for the Finns.

At this time, Libya had close ties to the Soviet Union, and Finns also gained contracts from Libya through their co-operation with Soviet foreign trade organisations.

Of the Perusyhtymä group companies, both Yleinen Insinööritoimisto and Perusyhtymä Oy ventured into Libya. Both companies opened a local office in the country in 1980. Yleinen Insinööritoimisto built a harbour in Libya and carried out contracts for liquid gas and storage terminals. The company also installed mechanical equipment and pipelines in oil fields.

Back in 1979, Perusyhtymä Oy's subsidiary Makrotalo had built residential communities for the employees of Soviet companies in Libya. In addition to housing, the company erected administrative, service, school and hospital buildings. When Perusyhtymä Oy started work on contracts for municipal technology in the city of El Khoms on the shores of the Mediterranean Sea in 1980, Makrotalo supplied the worksite lodging and service buildings.

Perusyhtymä Oy's and Makrotalo's largest contract in Libya was in the city of Bani Walid, southeast of Tripoli. There, the companies built a training centre, a large industrial building, residential area and mosque. Most of

the work was done under subcontract from the General Technical Department of the State Committee for Foreign Economic Relations (GKES) of the Soviet Union.

In Finland, Perusyhtymä Oy had to respond to a tabloid's allegations that this industrial building would be used for manufacturing weapons. YIT was thus involving Finland in military co-operation between Libya and the Soviet Union. Perusyhtymä Oy responded that the company did not know the intended purpose of the building, and that it was not responsible for the indoor facilities. Perusyhtymä Oy stated that the Finnish Ministry for Foreign Affairs was aware of the project and did not consider it problematic.

The Bani Walid project generated negative publicity for Perusyhtymä Oy. Luckily, this was the only risk that materialised in the company's Libyan contracts. The potential dangers could have been much worse – Libya and the United States were on the brink of war many times in the 1980s.

War did not break out. The Libyan projects generated considerable profits for Perusyhtymä Oy – hundreds of millions of Finnish marks. The company invested these sums into acquisitions and expanding its operations in Finland.

The group companies in Iraq

Iraq became the major destination for Finnish construction exports at the beginning of the 1980s. Operating in Iraq also involved a political risk. Unlike in Libya, this risk did materialise – war broke out between Iran and Iraq in 1980.

Iraq was flush with oil money. Finnish construction companies went there en masse. At the end of the 1970s, six Finnish companies entered the country, and at the beginning of the 80s they were joined by six more. The three main companies of the Perusyhtymä group were part of the latter wave. They arrived just before the war started.

Iraq had been chosen as the host of the upcoming 1982 Conference of the Non-Aligned Countries. Considerable sums were earmarked for the preparations. Finns carried out large projects for the upcoming conference. For instance, a consortium of four Finnish companies built a luxurious congress palace in Baghdad.

The companies of the Perusyhtymä group were not involved in the palace project, but Yleinen Insinööritoimisto erected a large recreation centre outside Baghdad, complete with its buildings and outdoor areas. The partner in

this project was another Finnish company. The recreation centre was also intended for the Conference of the Non-Aligned Countries.

Many other contracts were also on offer. Perasto, the consortium of Perusyhtymä Oy and Vesto, carried out municipal technology and foundation works for a large apartment building area in Mosul, northern Iraq. This contract, like Yleinen Insinööritoimisto's works in Baghdad, had just been started when war broke out between Iraq and Iran in September 1980.

Due to the air raids on Baghdad, Yleinen Insinööritoimisto's construction site was shut down, and its multinational employees were evacuated back to their home countries via Jordan. The city of Mosul was not bombed, and Perasto thus decided to keep on working. The contract was completed in December 1982.

Perasto's next stop was Baghdad, where it started building population shelters. As these shelters could also be used for other purposes, they were referred to as multifunctional premises. Once the fighting between Iran and Iraq settled into trench warfare, Yleinen Insinööritoimisto returned to Baghdad to resume the construction of the recreation centre.

The war caused nothing but harm to Iraq. India was chosen as the new host of the 1982 Conference of the Non-Aligned Countries in Iraq's place, and warfare drained Iraq's financial resources. With all that going on, Yleinen Insinööritoimisto completed the recreation centre. However, Perasto's contract for the multifunctional premises was hindered by the financial difficulties of the Iraqi government. Funding was eventually secured through the influence of a Finnish commercial bank and the Export Credit Agency.

At the beginning of 1983, the Finnish Export Credit Agency deemed that the political risks in Iraq had escalated to the point that guarantees would no longer be granted for exports to that country. Construction companies were not happy with this decision. In their view, the Export Credit Agency had denied guarantees for exports to the very countries (Iraq and Libya) where Finns had the best business opportunities. Because the Export Credit Agency did not change its position, Finnish construction contracting in Iraq came to the end of the line.

Project exports in the mid-1980s

Finnish companies' projects in distant countries decreased fast after 1982. As oil prices fell, producer countries could no longer fund construction invest-



Yleinen Insinööritoimisto erected a beautiful recreation centre in Baghdad, Iraq. The centre was intended for the Conference of the Non-Aligned Countries. The project was completed in 1982, during the peak era for Finnish construction exports. This photo is taken from a brochure for an export seminar held in Helsinki in 1987. However, the good years for construction exports were over, in spite of hopes to the contrary.

ments as they had in earlier years. Financing problems were exacerbated by the internal and external crises facing these countries. In the space of only a few years, Finnish companies withdrew almost completely from Iraq, Saudi Arabia, Libya, Nigeria and many other less important countries.

The peak era of project exports, from the mid-1970s to the early 1980s, did not lead to the permanent integration of Finnish construction companies in foreign markets. However, contracting in distant lands had provided employment for the personnel of the companies while the Finnish construction market was depressed in the latter half of the 1970s. In addition, these companies – at least those in the Perusyhtymä group – racked up considerable profits from their projects in Saudi Arabia and Libya, which they could then invest in expanding their operations in Finland.

ESTABLISHING YIT CORPORATION AND EARLY DIFFICULTIES

The Perusyhtymä group in rocky waters

The Perusyhtymä group had revised its strategy in 1982. The group sought to compensate for waning project exports to the Middle East by expanding operations in Finland. Profits from exports were invested in acquisitions and purchases of plots, with a particular focus on building construction and residential production. The group sought vigorously to increase its market share.

However, the group did not pursue this strategy on a centralised basis. The heads of the group companies were suspicious of each other, and thus the companies operated independently. They also competed with each other in the same way they did with non-group construction players.

When tenders for a construction project were requested, the Perusyhtymä group might send as many as four separate offers, if a subsidiary of one of the main companies took part in the bidding. In order to increase market share, project margins were slashed to the point that, when overhead was factored in, the contracts led to losses. To expand their business, the group companies hired new employees whose professional skills were not always up to par.

The profitability of the group's construction operations in Finland declined to breakeven in 1983. The weakest performers were civil engineering and

water supply construction. The group's parent company, Perusyhtymä Oy, was not concerned about this situation, as certain projects that were being wrapped up in the Soviet Union and Middle East had yielded excellent earnings. From then on, however, the problems spread in the group – and even to its main companies.

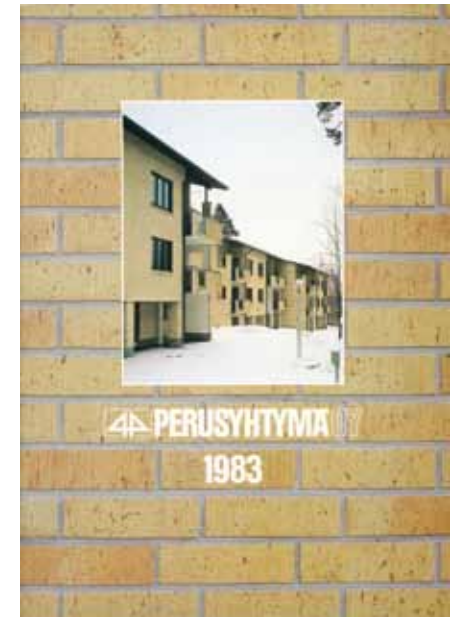
Yleinen Insinööri-toimisto's profitability began to weaken in spring 1984. The company had sought to step up its regional operations and had thus carried out acquisitions. However, this strategy led to both growth in overhead and lower profitability. Even ordinary building construction contracts resulted in losses.

At the beginning of 1985, the finances of Yleinen Insinööri-toimisto were in such poor shape that the company's Board of Directors decided to halt the implementation of the strategy. Its management was replaced. The new executives set out to revitalise the company in spring 1985. This was not a typical corporate overhaul, as practically no employees were made redundant. The company turned its operations around through management by results, cost monitoring and development measures.

Another of the Perusyhtymä group's main companies ran into trouble in 1985. Vesto's earnings plunged into the red, mainly due to two projects in Yemen. It had also carried out unprofitable projects in Finland. The reasons behind its losses in Finland were for the most part the same as in the case of Yleinen Insinööri-toimisto – the lack of skilled work supervision and the slashing of contract prices in the competition for market share.

It was thought that the best solution to Vesto's problems would be for the company to focus on its best competence areas. Its organisation was streamlined and a development programme was launched in an effort to step up site efficiency. However, Vesto's funds were running dry.

At the beginning of 1986, the Perusyhtymä group was substantially worse off financially than the other large Finnish construction companies. That



1983 was a great year for the Perusyhtymä group – and the company could not foresee the troubles that lay ahead. The Annual Report of the group's parent company, Perusyhtymä Oy, showcased residential buildings erected by the company. The building facades were made with yellow bricks produced by Perusyhtymä's brick factory.

said, the group hoped that the rising prices in the construction business would nevertheless mean that it would turn a profit. However, that spring, the group realised that its losses would amount to hundreds of millions of Finnish marks by year-end. Now the group had to think about means of revitalising its operations – and even structural changes.

Tentative organisational reform (1986)

In spring 1986, the planning body of the Perusyhtymä group set its sights on eliminating overlapping operations in its fields of business. In addition, the business operations of Vesto would be transferred to Yleinen Insinööritoimisto. However, this proposal sparked so much resistance that it was many months before any headway could be made on the reforms.

The pressure to institute changes mounted in August 1986 when it was noted that the group's parent company, Perusyhtymä Oy, was also in dire straits. The seriousness of the situation came as a surprise to the management and shareholders, as a share issue had been successfully carried out in April and a large new shareholder had come on board.

Auditors' warnings about the critical condition of Perusyhtymä Oy kick-started the reforms. From now on, the group would comprise three business segments. These segments would be led by Perusyhtymä Oy, Makrotalo (Perusyhtymä Oy's subsidiary) and Yleinen Insinööritoimisto. Makrotalo would be responsible not only for prefabricated elements and the construction of low-rise houses, but also for brick production. Vesto's operations would be transferred to Yleinen Insinööritoimisto, and a number of subsidiaries would be moved from one business segment to another.

However, these attempts to eliminate overlapping operations were not entirely successful. Perusyhtymä Oy and Yleinen Insinööritoimisto still competed in building construction, an important business for both companies. In addition, they both continued to engage in project exports to the Soviet Union.

Founding of YIT Corporation (1987)

The overhauled organisation did not improve the Perusyhtymä group's profitability. Yleinen Insinööritoimisto broke even, but the outlook for both Perusyhtymä Oy and Makrotalo became increasingly grim in the latter half of

1986. Even the group's engineering works business, which had previously been highly successful, went into the red.

Business newspapers and magazines reported that the Perusyhtymä group posted the second-biggest losses for 1986 among Finnish companies. Only a handful of medium-sized construction companies were even less profitable.

In spring 1987, the group tried to turn things around by merging the Makrotalo segment into Perusyhtymä Oy's segment. In addition, Perusyhtymä Oy and Yleinen Insinööritoimisto agreed that the latter would cease industrial and building construction in Finland, with the exception of the Helsinki area, in order to limit intra-group competition.

By May, the situation had already become so untenable that the only solution was to merge the two remaining segments to form a single company. This was a last ditch attempt to prevent bankruptcy, as the group had spent all its provisions.

On 17 June 1987, the decision-making bodies of Perusyhtymä Oy approved the merger of Yleinen Insinööritoimisto and Perusyhtymä. It would then be renamed YIT Corporation. Operations would be downscaled to a profitable level. The group would improve its competitiveness by focusing on its strengths, and internal development efforts would be stepped up. A considerable share of previous operations would be pruned.

YIT Corporation (hereinafter referred to as YIT) was launched on 1 September 1987. Revitalisation measures were implemented primarily in the autumn of that year and spring 1988. In order to put the company back on track for profitability, revenue was cut by a third. In particular, contracting abroad was downscaled. The personnel strength contracted by over a third from the peak figures for the Perusyhtymä group. At the end of 1988, YIT had slightly fewer than 9000 employees.

YIT made the strategic decision to focus on construction. This led to the divestment of subsidiaries and business operations in other fields of industry. For instance, YIT sold off all six of its engineering works and all five of its brick factories. The capital gains from their sale were used to pay back outstanding loans and substantially improve YIT's financing structure.

Revitalisation also involved development measures, the most important of which concerned the steel structure and industrial piping manufacturer PPTH, which had been designated as a growth unit. The unit's business also included industrial maintenance and servicing as well as corrosion protection and surface treatment. PPTH's operations were expanded by means of acqui-



YIT's new head office under construction in Helsinki in 1991, during the economic recession.

sitions and the construction of new production plants.

Another development project comprised the founding of YIT-Kiinteistöt Oy, a property investment company. The company held a share issue in February 1988 and listed itself on the Helsinki Stock Exchange. Including its parent company YIT, YIT-Kiinteistöt gained over 3000 shareholders, YIT employees among them. The company completed its first investment property the very next year and leased it to Nokia Oy.

From boom to depression

After revitalisation, YIT's competitiveness in various sectors of construction was assessed to be relatively strong. In 1988, the company was the market leader in industrial, infrastructure and steel construction in Finland. In building construction, it shared first place with a competitor, while in the residential construction sector it ranked third.

A short boom in Finnish construction at the end of the 1980s contributed to YIT's rise to profitability. Building construction generated the bulk of the company's revenue.

The share of revenue accounted for by exports had contracted to a tenth. This was a great change compared to the early 1980s, when exports of projects generated as much as two-thirds of the Perusyhtymä group's revenue.

At the end of the 1980s, 1000 YIT employees were still working in the Soviet Union. The company carried out contracts in oil fields, built industrial buildings and warehouses, and restored hotels. These projects

had been kicked off in the mid-1980s and all of them were completed by 1990. Due to the financial difficulties of the Soviet Union, no new projects were started up in the country.

In the late 1980s, YIT was active in certain Middle Eastern countries, though operations were considerably smaller in scale than before. In addition to waterworks and wastewater treatment plants, the company erected industrial buildings. Project exports to the Middle East ended when the first Gulf War broke out in February 1990, halting construction investments in the region.

The end of project exports coincided with the start of the depression in the Finnish economy in the early 1990s. Unlike in the latter half of the 1970s, exports could not offset the waning construction market in Finland.

The first indications of a downswing had been noted at the end of 1989. The downturn deepened into a depression next year. This came as a surprise, as only an ordinary recession had been forecast. Construction companies were hit particularly hard – and by summer 1992, the Finnish construction industry was in a crisis.

The first victims of the depression were small construction firms. But even some of the largest companies in the industry ended up going bankrupt. Even those firms that weathered the storm and made it through to the following boom shrunk to half their size.

The difficulties of the construction industry were tied to the problems of the Finnish banking sector, as the large commercial banks were major shareholders in the most important construction companies. Banks implemented various arrangements to reorganise construction companies that were teetering on the brink of bankruptcy into viable entities. Banks tapped financial assistance from the government to support weak companies, which distorted competition in the construction sector and slowed down recovery.

Unlike its competitors, YIT did not wait for an upswing. The company maintained its profitability by cutting costs and pruning loss-making operations. YIT aimed to retain its viability and independence so that it would be well-poised to take steps to strengthen its market position once better times rolled around again. In the company's view, availing itself of the restructuring arrangements the banks were offering to players in the construction sector would increase the company's debts and compromise its competitiveness.

In 1991, YIT reduced its number of business segments from six to four. From then on, its segments were: Building Construction (Helsinki region),



At the beginning of the 1990s, YIT advertised itself as a “builder of good homes”. The slogan was used at sales offices located at construction sites, where prospective homebuyers could have a closer look at the residences being built. The housing market was muted due to the economic recession, and the company also introduced an appealing cat symbol to promote its housing sales.

Regional Operations (building construction in the rest of Finland), Civil Engineering (civil engineering and export projects), and Industry (PPTH's steel structures and manufacture of Makrotalo's prefabricated elements).

Safeguarding profitability also required merging subsidiaries into the parent company as well as both layoffs and redundancies. At the beginning of 1994, YIT's personnel count had decreased to less than 4000, half of the pre-depression figure (1989) and only a quarter of Perusyhtymä group's personnel at its peak (1985).

GROWTH AND INTERNATIONALISATION →

Exports kick off YIT's growth

In 1992, the toughest year of the depression, YIT completed a new head office in Helsinki. This had been an important construction project in terms of providing work for employees. From its new head office, YIT set out to implement a growth strategy that would over time transform this Finnish company into an international player many times its size.

Signs of a pickup in construction exports were first observed in 1993. Tenders were requested for contracts involving water protection for the cities on the coast of the Baltic Sea, oil and gas fields in Siberia and steel construction in Sweden.

In order to start up construction in Russia, local offices had to be established. In the era of Perusyhtymä, YIT had opened a representative office in St Petersburg. In 1993, YIT also set up representative offices in Moscow and Tyumen, in the gas region of Western Siberia.

One major contract carried out in 1994–1995 was the construction of the Ardalin oil field in Nenetsia, north of the Arctic Circle. YIT served as the largest contractor of the Russo-American Polar Lights Company's oil field – the first large oil field run by a joint venture in Russia. The oil field contract made a substantial positive contribution to YIT's finances.

FROM THE DEPRESSION TO THE ERA OF THE EUROPEAN UNION

Thousands of Finnish companies went bankrupt in the depression of the early 1990s. At its worst, the country's mass unemployment rate was 18 per cent. Recovery was a prolonged process and Finland underwent a profound transformation. The collapse of the Soviet Union meant that Finnish companies no longer had access to protected eastern markets that balanced out the ups and downs of the economy. On the other hand, integration into the EU opened up new opportunities.

The economy began to rise again in 1993, when Finland's exports picked up momentum. However, the national economy was split in two – the export sector, which was on the road to rapid recovery, and the domestic market sector, which suffered from a scarcity of investments and low consumption. Construction companies were in the latter sector.

During the depression years, it was widely felt in Finland that membership of the EU would have a positive effect on the economy. Finland sought to pull itself out of the slump by means of export-driven growth, which entailed full-scale participation in European financial integration.

Finland decided to seek EU membership following the lead of other member countries of the European Free Trade Association (EFTA). In 1995, Finland – like Sweden and Austria – became an EU member state.

In the previous year, Finland had ratified the Agreement on the European Economic Area. From then on, the entire economic area set the tone for the operational viability and markets of companies. The single European market heated up competition in Finland, but also offered Finnish companies considerable opportunities for growth.

YIT also built military villages east of Moscow, close to Nizhny Novgorod. The company took over this contract from another Finnish construction company, which had gone bankrupt. The villages housed Russian Army personnel who had been withdrawn from East Germany.

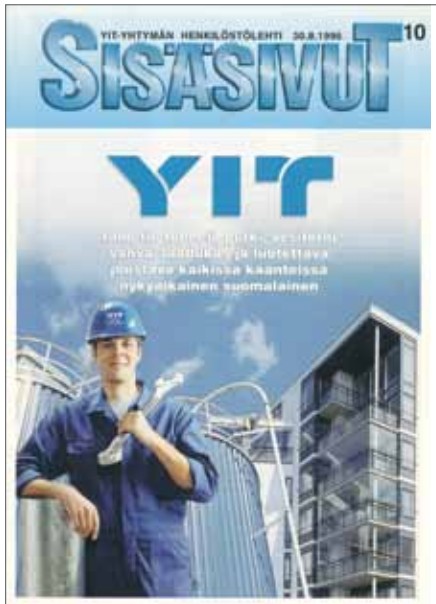
YIT's exports involved contracting, as in the previous decade. As the volume of construction projects on offer grew, the company intended to step up the share of revenue accounted for by exports from one-tenth to a third in the space of several years. In 1993, a new business segment was once again established to handle exports.

1993–2012

A growing listed company

During the recession of the early 1990s, YIT employed an “eye of the needle strategy” to safeguard its existence and viability. As exports recovered, YIT transitioned to a growth strategy in 1994 and continued to follow it into the 2000s. That said, the means (i.e. business segments) with which YIT sought growth changed over the years. Only the spread of the financial crisis in 2008 into the real economy forced YIT to temporarily put this strategy on the back burner.

The main thrust of the strategy was initially on project exports to the markets of Russia, Sweden and the Baltic countries. YIT also sought growth in Finland, where it was forecast that new construction investments would finally get the go-ahead in the mid-1990s. The company designated industrial construction, industrial maintenance services and special fields in infrastructure construction as its strategic business areas. However, construction in Finland only began to recover in 1996.



YIT launched a new logo and visual image in 1996, and presented them in its personnel magazine. The block of flats shown here was the symbol of YIT's housing construction. The tanks symbolised industrial maintenance.

YIT had first planned to list itself on the stock exchange at the end of the 1980s. In the company's view, this would enable it to secure affordable risk capital to support the development of international operations. YIT's main competitor had gone public and carried out successful share issues. However, the depression halted YIT's stock exchange plans.

Thanks to the improved outlook for business, listing on the stock exchange was tabled again in the mid-1990s. Trading in YIT's share began in September 1995. The dividends paid out for this first year were modest – accounting for the change in the value of money and in relation to the current number of shares, the dividend was one cent per share. As profitability improved, YIT's dividends grew year after year.

Investors were not very interested in YIT's shares – in the late 1990s, IT shares were hot. However, those who purchased YIT shares before



Photo of YIT's Management Board in the 1999 Annual Report. The Management Board operated under the Board of Directors. Shown third from the left is Reino Hanhinen, CEO from 1987 to 2006.

the turn of the millennium enjoyed good returns in the first decade of the 2000s.

During YIT's first years on the stock exchange, its shareholder base did not see much growth. After its share issue in 1997, the company had about 3000 shareholders in the early 2000s. Most of these shareholders were from Finland, as shareholders abroad held less than a tenth of the shares.

As before, YIT's shareholder base was relatively centralised – insurance companies owned almost two-thirds of its shares. However, some of the major shareholders of the Perusyhtymä era had sold their holdings at the end of the 1990s – the Finnish state, the country's largest commercial bank and a leading wholesale company among them.

Growth momentum from maintenance

The major single step YIT took in the latter half of the 1990s to improve its future prospects was the acquisition of Oy Huber Ab in 1995. This transaction considerably bolstered YIT's position as a provider of services for industry and mechanical contracting in Finland. In addition, it opened up opportunities in Sweden, where YIT gained ownership of two of Huber's former subsidiaries.

The acquisition of Huber also introduced HPAC contracting for building systems into YIT's business portfolio. That said, this line of business was not considered to be a good fit with YIT's strategy at that time. However, it would become a major business in the future – over the years, YIT's operations in this field grew into a wide portfolio of building system services. It also gave the initial impetus for the concept of a service chain encompassing the whole life cycle, a core element of the company's strategy.

From the perspective of customer service, maintenance and servicing were not separate from actual construction, but were instead linked to it synergistically. YIT's strategy aimed at “the management of the service chain over the entire life cycle, from design and implementation to upkeep in all business sectors”.

Expanding maintenance and servicing also helped YIT in its pursuit of the demanding objectives set for its key indicators. These objectives were first decided on when the strategy was reviewed in 1998. YIT's annual growth should be 10–15% and return on investment no less than 18%. The equity ratio had to be more than 45%, and dividends had to amount to 30–50% of annual earnings.

Historically, YIT had hardly ever achieved such high performance, even in individual years. The cyclical nature of the construction industry made it difficult to maintain peak performance. The maintenance and servicing business provided a means to maintain profitability in the future, even when construction was down.

Focusing on Finland – new ventures abroad

At the end of the 1990s, Building Construction was the largest of YIT's five business segments. At that time, the domestic construction market was growing at a rapid clip and the profitability of the business segment improved.

As demand for housing picked up, YIT dramatically increased its developer-

YIT built Finland's tallest block of flats in Vuosaari, Helsinki. The crane used on the site was also the highest in the country. The photo is from 2005.



contracting operations. All the residential units built by YIT were equipped with broadband. The company sought to turn its YIT Homes into a branded product, leading the way in housing development.

Investments in business premises also increased. Before the turn of the millennium, YIT started up numerous major contracts for different developers in Finland's largest cities.

The company's second largest business segment, YIT-Huber, was the leader in its field in Finland. The segment had been formed in 1996 by merging the acquired Huber business with YIT's former Services for Industry. As the demand for mechanical contracting for industry had declined, the share of operations accounted for by maintenance, servicing and building systems saw growth. YIT-Huber was also enlarged by acquisitions in Finland and the other Nordic countries.

The outlook for Civil Engineering was also promising at the end of the 1990s. Growth opportunities were seen particularly in water supply construction projects abroad. In addition, the segment sought to make outlays on infrastructure construction in Finland and Sweden. These objectives were not achieved, as the segment suffered setbacks in both countries. However, business growth in Finland improved the profitability of Civil Engineering in the early 2000s.

In the mid-1990s, YIT's International Operations had specified Russia and the newly independent nations of the former Soviet Union (CIS and Baltic countries) as its target markets. In 1997, YIT bolstered its position in Russia by acquiring a majority holding in Lentek, a St Petersburg-based construction company. At this time, Lentek was engaged in industrial and building construction as well as building renovation.

In 1998, YIT bought most of the shares in Ab Kausta in Lithuania, a local construction firm that was established during the Soviet era. In the 1980s, it had carried out contracts as far away as Siberia.

YIT's Estonian subsidiary AS Matek manufactured prefabricated elements for low-rise buildings and Makroflex seaming foam. In 1997, the prefabricated element business was divested and the company focused its efforts on the marketing of seaming foam. At the beginning of the 2000s, Makroflex became the leading brand in Russia. However, YIT sold its Makroflex business to a German company in 2003 to finance an upcoming acquisition.

YIT's fifth and smallest business segment was Steel Construction. Its operations were carried out by PPTH Teräs Oy. YIT owned half of this company.

In the latter half of the 1990s, the growth markets for steel construction were Sweden and Norway, where PPTH Teräs angled for leadership.

Although the profitability of steel construction was good, it was deemed to be an outlier in YIT's service chain and as such was not included in YIT's core strategy. In 1999, new shareholders came on board PPTH Teräs, and YIT's holding declined to a fifth. A few years later, YIT sold the remainder of its shares in PPTH.

In the early 2000s, YIT Corporation's business operations were divided into two subgroups: YIT Construction, comprising building construction, civil engineering, property services and exports, and YIT Installation (formerly YIT Huber Oy), comprising capital investment services for industry, industrial maintenance and building system services.

The overhaul sought to emphasise that YIT was not just a construction company, but also a technical service company. YIT wanted the media and investors to gain a better understanding of its business as a whole.

In 2002, a third subgroup was introduced: YIT Data Network Services. It was formed when YIT acquired Primatel Oy from the telecom operator Sonera. Primatel built and maintained Sonera's telephone networks and also offered its services to external parties. YIT expected that Primatel would add value to its building systems business, as Primatel would enable YIT to install broadband connections in properties. Telecom connections were also required for the monitoring of property and industrial processes.

However, the good trend in the Data Network Services business floundered in autumn 2006, and Primatel was sold at the end of the next year. Growth prospects in this business had withered because teleoperators were no longer able to carry out major investments.

In the 2000s, YIT's organisation changed numerous times. After the divestment of Data Network Services, YIT had three business segments: Building Systems, Construction Services and Services for Industry.

A great leap forward in the Nordic internationalisation of building system services

In its strategy in the early 2000s, YIT set its sights on growth in its building system services. YIT would step up this business mainly in the Nordic countries by means of acquisitions.

The acquisition of Calor Ab in 2001 turned YIT into a major contractor



YIT acquired ABB's Building Systems business in July 2003. After the deal was completed, dozens of presentations about YIT were held for the new YIT personnel all over the Nordic countries. This photo was taken in Denmark.

of industrial piping and both thermal and water technology in Sweden. In this transaction, YIT also acquired Calor's Finnish subsidiary, Kalmeri, which focused on industrial piping.

The acquisition of Calor in Sweden and Primatel in Finland increased YIT's experience of both acquisitions and the integration of the acquired operations. This was a major asset to the company when it carried out its next – much larger – acquisition.

In 2002, the large international mechanical engineering company ABB, a manufacturer of power plant and automation technology, decided to sell its Building Systems business. As this was a strategic growth area for YIT, the

company wanted to acquire ABB's operations in Norway and Finland. However, ABB announced that it would only sell Building Systems in its entirety – including not only the aforementioned operations, but also its functions in Sweden and Denmark and its modest business in the Baltic countries and Russia.

After almost a year of groundwork, ABB and YIT reached an agreement in July 2003. The integration of Building Systems into YIT began soon after. The first step was to distribute 9000 new overalls sporting the YIT logo, one for each new YIT employee in the Nordic countries. Dozens of presentations were held to new personnel in different countries.

The acquisition of Building Systems increased YIT's business by one billion euros, from EUR 1.4 billion to EUR 2.4 billion. The share of consolidated revenue accounted for by this business segment rose to 54 per cent, significantly over half.

YIT's personnel strength in turn grew by 10,000 people to 23,000. Now, 45 per cent of employees worked outside Finland, largely in Sweden and Norway.

The acquired business comprised electrical and air conditioning technology, which rounded out YIT's expertise in water and heat technology. After the integration of the new operations, the efficiency of the business segment increased. The profitability of Building Systems kept rising over the years, reaching eight per cent in 2008.

Housing construction powers ahead in Russia

In the early 2000s, Finland's largest construction companies expanded into Russia. YIT also expected that future economic growth in the Baltic countries and Russia would turn them into appealing market areas. It was forecast that growth in these markets would be twice as great as in the Nordic countries.

In YIT's view, eastern Central Europe and Russia would follow the same trends as the more advanced Nordic countries. Urbanisation, the growth of the middle classes and greater affluence would lead to a surge in demand for housing.

In Finland, YIT had started up housing development production at the end of the 1990s. The company decided to start housing development in Russia as well, where YIT's St Petersburg-based joint venture Lentek owned suitable plots. YIT tested the waters by building up one plot.

A local contractor erected an apartment building on this plot in 2003. Implemented using Russian blueprints and elements, this building was substantially different from Finnish blocks of flats. The contractor sold half of the flats, Lentek the other half.

Development operations turned out to be more profitable than construction contracting, and Lentek started acquiring new plots to build on. YIT in turn provided training on this business to Lentek's management and personnel.

Over the next few years, YIT rapidly stepped up its developer contracting in St Petersburg. For instance, a 1500-unit residential complex got under way next to the Slava highway in 2004 – the same number of units as YIT produced in southern Finland in a single year. Other large projects were also greenlit.

At that time, YIT Ramenje, a joint venture operating in the Moscow Oblast, had 1400 residential units under construction, although the company had gone into business only the previous year. In 2005, a joint venture was also set up to handle operations in Moscow proper (YIT CityStroi). However, it would later turn out that building in the city was quite expensive.

New joint ventures were established in other Russian metropolises, too. The cities were selected by reviewing their local trade and industry and the size of their construction markets. The presence of a university and foreign investments in the city were also factored into the decisions. New joint ventures were set up in Yaroslavl, Yekaterinburg and Kazan in 2006 and in Ros-tov-on-Don in 2007.

In spring 2008, YIT had more than 10,000 residential units under construction in Russia. The target for annual growth had been raised from the initial goal of 20–30 per cent to 50 per cent. YIT achieved this level of business expansion. Cultural differences between Finns and Russians did not hinder growth, as both parties made great efforts to understand each other's way of thinking and operating models.

YIT soon became Russia's leading foreign builder of housing. It sought to stand out from the competition with both the quality of its housing and range of services. Homebuyers could purchase a fully finished residence from YIT, unlike customary in Russia. YIT was also the first construction company in Russia to enable its customers to take out a bank mortgage to finance their purchase.

At the beginning of 2008, operations in Russia and the Baltic countries were separated out to form the International Construction Services segment.



YIT's residential construction in Russia grew briskly in the 2000s. The minibus shown here advertised residences built by YIT's subsidiary in St Petersburg – "YIT Homes".

Close to a third of the capital invested in the company, EUR 500 million, had been earmarked for acquiring plots in Russia and to be used as working capital.

Years of success

The upward trend in YIT's business operations was extraordinarily long – it began in the mid-1990s and lasted until autumn 2008, when the international financial crisis hit the real economy. From 1994 to 2007, YIT's annual revenue growth averaged 17 per cent. YIT achieved this high level of performance by expanding existing operations and carrying out acquisitions.

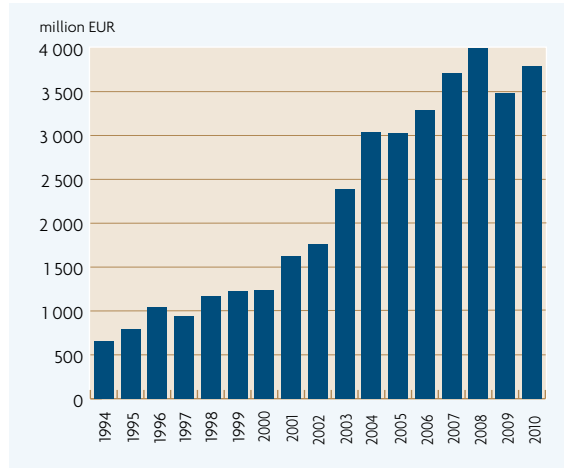
External factors contributed to the boom in Finnish construction. Demand for housing was maintained by low inflation and the stability of interest rates thanks to Finland's membership of EMU. The diversification of industry in turn fuelled industrial construction.

There was much pent-up demand in both the residential and industrial construction sectors. The order books and personnel strength of construction companies improved year by year in the 2000s.

YIT's good earnings were the outcome of not only construction in Finland, but also the success of its building system services in the Nordic countries.

YIT's excellent profitability was reflected in its share price, which topped out at almost EUR 28 in April 2007. Just four years earlier, the share price had been EUR 4, accounting for share splits.

The diagram shows that YIT's revenue grew eight-fold in the space of just 15 years, from 1994 to 2008 (the figures account for the change in the value of money). Such a long period of growth is unusual for a construction company. It ended only when the international financial crisis expanded into the real economy.



YIT paid higher dividends for 2007 than for the previous year – the thirteenth consecutive year the company had raised its dividend. This still stands as the Helsinki Stock Exchange's record.

The financial crisis spreads into the real economy

The international financial crisis hit in August 2007. Financial uncertainty mounted in Finland, too. That said, YIT's business operations remained highly profitable, and in the last quarter of the year the company exceeded market expectations. However, this did not prevent its share price from inching downward.

One piece of bad financial news followed another in 2008, accelerating the downhill slide of YIT's share price. At the end of July, the company had to issue a profit warning, as its earnings had weakened by 13 per cent year-on-year. The decline was caused by delays in large property development projects under construction in St Petersburg and the weak state of the Baltic markets.

YIT did not revise its profit guidance at this point, as it expected revenue and earnings to grow compared with the previous year. Demand for building system services remained good in all markets and residential construction was on the rise in Russia. In Finland, the construction of business premises and infrastructure compensated for the drop-off in residential construction.

However, YIT issued a new profit warning in September. In spite of the growth in revenue, earnings for 2008 were now forecast to fall short of the previous year due to the weaker demand for housing in Finland.

YIT was still confident in its business in Russia, as housing sales remained in line with expectations in St Petersburg and Moscow. However, the financial crisis hit Russia and housing sales dried up. As banks tightened their purse strings in corporate lending, local construction companies started selling residential units at a considerable discount. Even this did not help, as consumer interest in buying homes was on the wane.

Swift actions to retain profitability

At its meeting in September 2008, YIT's Board of Directors took steps to dampen the impact of the rapid downswing. It was vital to strengthen the company's financial position. The Board of Directors issued instructions to slash fixed costs and ensure that the company had as much liquid capital at its disposal as possible.

In October, a decision was taken to substantially downscale developer contracting in Russia. No new plots would be acquired, and the construction of projects whose sales had not been started would be put on hold. Although at this stage the outlook in the Russian construction market became as gloomy as in Finland and the Baltic countries, YIT's operations were still profitable and its revenue was on the rise.

YIT's Board of Directors felt that maintaining profitability and operational viability in good shape during the financial crisis was crucial for the company's future. Exceptional measures were necessary. YIT's operational management was replaced in November 2008.

At the beginning of 2009, YIT's earnings continued to plummet. In the first quarter, even revenue saw a year-on-year decline. Earnings per share amounted to two cents, whereas before the financial crisis per-quarter EPS had peaked at 57 cents. The price of YIT's share fell to less than EUR 5.

However, operations did not become unprofitable at any point. As construction contracted, the maintenance business ensured a steady flow of income for YIT. Rapid adaptation measures kept competitiveness in good trim, and the successful sale of business premises and drawing down of occupational pension and bank loans improved the company's financial position.

YIT's fortunes began to rise again in May 2009 when housing sales picked

up in both Finland and Russia. In August, the company announced that it had increased its target for revenue growth.

Thanks to this good news, Finnish investors were once again interested in YIT. By the end of 2009, the company's share price had trebled to EUR 15. The number of shareholders also grew. The brighter outlook for the construction industry and the recovery of confidence in the economy contributed to this trend. In addition, the rising price of oil reduced uncertainty in the Russian economy.

Acquiring companies to get back on a growth track

By the time autumn 2009 rolled around, YIT was ready to once again pursue its growth strategy, which had been put on hold for the duration of the financial crisis. The company set its sights on achieving a leading position in building system services in the Nordic countries and Central Europe. In the construction sector, YIT sought to achieve a strong position in Finland and good profitability in Russia and the Baltic countries.

In Finland, YIT was the first construction company to give the go-ahead to housing development projects after the crisis. The company also resumed its investments in Russia, and started up new residential projects in St Petersburg and Moscow.

In building system services, YIT's business had remained robust during the entire financial crisis. YIT's competitive edges were energy efficiency and service concepts covering the entire life cycle of investments.

YIT had started expanding its business to Central Europe in spring 2008 by acquiring MCE AG's operations in building system services in six countries (Germany, Austria, Poland, the Czech Republic, Hungary and Romania). This was YIT's second-largest acquisition to date, after ABB's Building Systems. YIT forged ahead by acquiring the German company Caverion GmbH in 2010.

YIT decided to extend its offering of building system services into Western Europe as well. In 2011, no progress had as yet been made, and for this reason the company decided to focus on operations in German-speaking continental Europe.



A block of flats YIT completed in Kazan, Russia in 2011. An advert for YIT Homes is displayed on the roof.

1993–2012

Good possibilities in Central Europe

Central Europe focus area in YIT

- The share and importance of Central European business has grown as a result of major acquisition
- Good growth and profitability improvement potential
- Potential entry to new countries (Netherlands, Belgium, UK)

New organisational structure

- Central Europe will be the fourth segment in YIT including operations in Germany, Poland, Austria, the Czech Republic, Hungary and Romania
- Karl-Walter Schuster appointed as segment head
- Restated figures for 2010 will be released 24.3.2011



Together we can do it. **YIT**

This slide from YIT's 2010 financial statement materials emphasises the importance of Central Europe in the company's strategy.

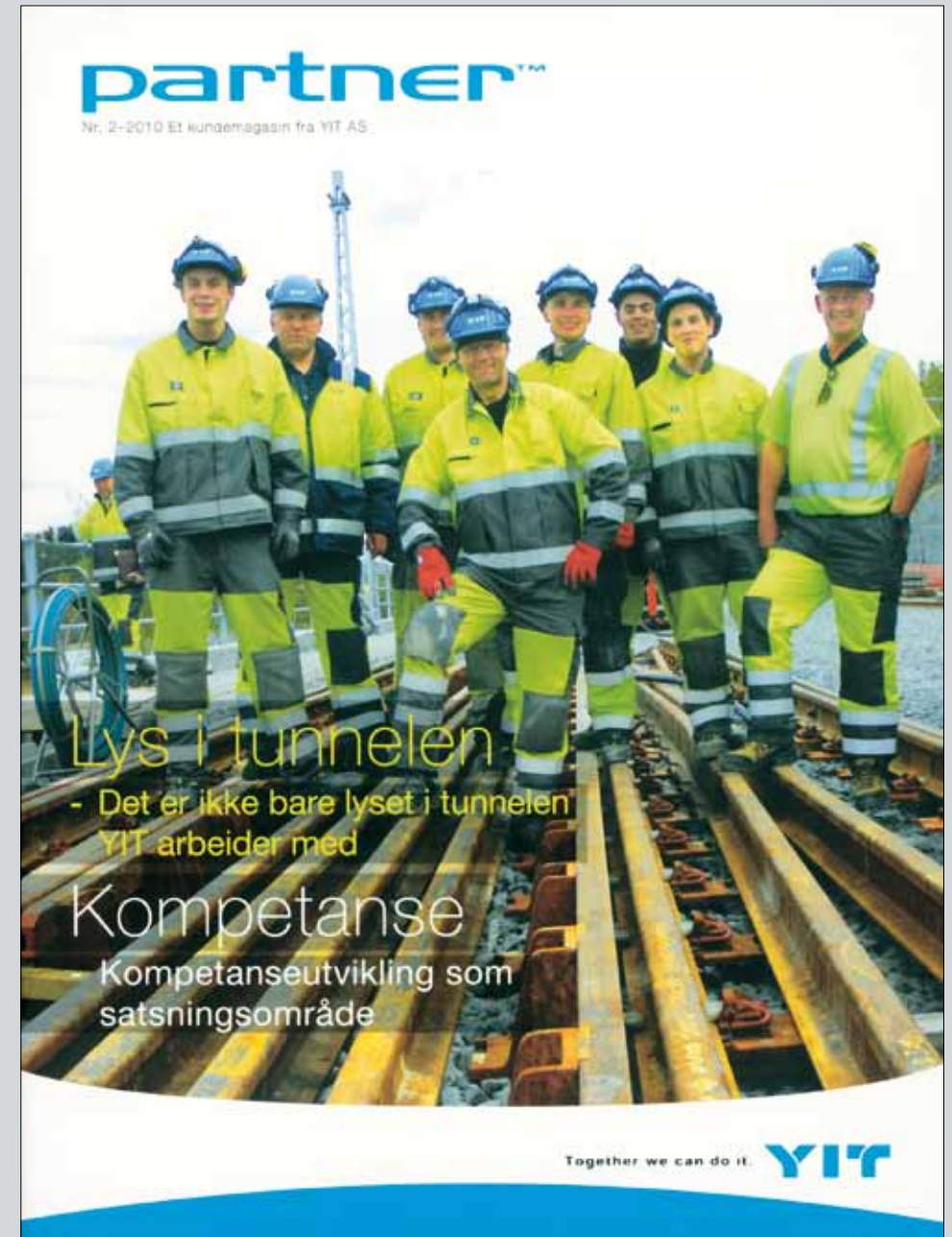
Central Europe was also a target territory for the expansion of YIT's construction operations. In 2010, YIT acquired a majority holding in a Slovakian company.

The future

In the future, YIT's strategy will still be based on two growing business segments. Its core business comprises building systems maintenance services and housing development. Both fields provide the opportunity to achieve long-term growth and even better profitability.

As a provider of building systems services, YIT seeks a leading position in the Nordic countries and Central Europe. As energy efficiency is an increasingly important trend, providing higher-quality services than the competitors in this sector is also vital for market leadership.

In addition to Finland, YIT is a major builder of housing in Russia. Opportunities for growth can also be found in the eastern countries of Central Europe.



partner™
Nr. 2-2010 Et kundemagasin fra YIT AS

Lys i tunnelen
- Det er ikke bare lyset i tunnelen
YIT arbeider med

Kompetanse
Kompetanseutvikling som
satsningsområde

Together we can do it. **YIT**

These Norwegian workers are today's YIT employees. They are shown installing lighting and technical systems in a railway tunnel.

Internationalisation has ushered in many issues that need to be tackled, and will continue to do so. For instance, YIT must seek to standardise its corporate culture in its different business countries, so that YIT's best traditions can shine – deep leadership, employees that take initiative and interaction between different levels of the organisation.

The companies that will come out on top in international competition are those that have taken the principles of sustainable development to heart. Awareness of social and environmental responsibilities and compliance with good governance are vital in meeting the demands of customers – in fact, it is crucial to excel in this area, as competitors are also focusing on these issues.

When a company from a small country goes international, the relative significance of its domestic operations declines. Nevertheless, Finland will remain a major business territory for YIT.

Finnishness will continue to play a strong role in YIT's management, but the executives will in the future most likely represent a greater spread of nationalities. YIT's growing international presence is also evident among its personnel. In many places, it is not possible to find enough construction workers locally, and they have to be brought in from far away.

The proportion of international shareholders will remain substantial. On the other hand, Finnish institutional and private shareholders are a permanent fixture of YIT's shareholder base, counterbalancing the foreign holdings, which tend to come and go in step with business cycles.

YIT's history has been marked by periods of steady growth of different lengths and unexpected crisis periods. In boom times, the company has thrived by relying on its strategy and expertise, and in exceptional conditions, its rapid reaction to the changes in its business environment has ensured its survival.

Trends will never be steady or predictable. During its second century in business, YIT must be able to harness all the experience its corporate culture has gained during both good and bad periods.