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SRV is preparing for a new phase of development. Strategy has been brought into sharper focus. The organisation has been streamlined. SRV's financial position and orderbook have strengthened. →



The SRV Group in Brief

The SRV Group is an innovative developer of integrated construction projects that applies its operating model to the construction value chain to implement the construction and commercialisation of customer-driven projects.

The Group operates in Finland, the Baltic countries and Russia.

SRV's strategy is to achieve growth by concentrating on the implementation of business premises, housing construction and regional business and international operations, especially in Russia, by applying the SRV project management model. The Group will increase profitability by increasing the number of development and developer contracting projects and by developing the company as

an operational entity. The Group's competitiveness is based on management of the construction chain and a strong balance sheet. Our goal is to be the leading implementer of integrated construction projects in Finland, and a major player and sought-after partner in selected neighbouring countries.

The Group's business structure is divided into three areas:

Business Premises

- office and business construction, logistics and rock construction in Finland
- research and other specialised facilities

Housing

- city-living and alteration and renovation projects
- terraced and detached housing
- residential area construction
- some regional business premises projects

International Operations

- office premises, hotel, commercial, logistics and industrial construction in Russia
- business premises and housing projects in the Baltic countries

A year of evolution

The Group's most significant strategic achievements were:

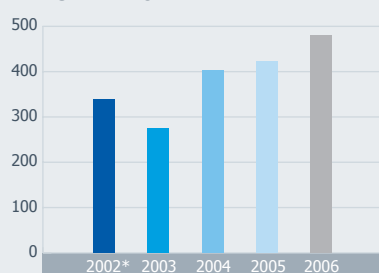
- Orderbook doubled compared to the previous year
- The Kamppi Centre was completed and sold
- Strategy was honed in autumn 2006
- Business areas refined: business premises operations unified, and housing and regional business operations merged
- Managerial and reporting procedures revised

Key Figures

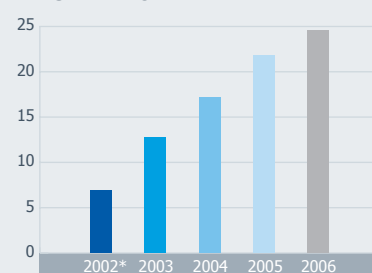
	2006	2005
Profit and loss account		
Net sales, EUR million	479.5	422.0
Operating profit, EUR million	24.6	21.8
- % of net sales	5.1	5.2
Profit before taxes, EUR million	20.7	21.7
- % of net sales	4.3	5.1
Profitability, %		
Return on equity	27.3	34.0
Return on investment	15.9	19.1

	2006	2005
Financing and financial position		
Return on equity, %	31.7	19.8
Net cash flow from operating activities, EUR million	48.5	-76.4
Other key figures		
Orderbook, 31 Dec., EUR million	453.7	251.8
Personnel on average	668	671

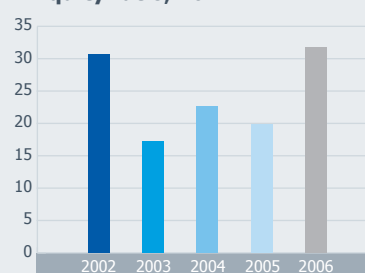
Net sales 2002–2006
EUR million



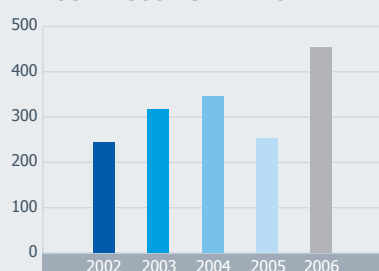
Operating profit 2002–2006
EUR million



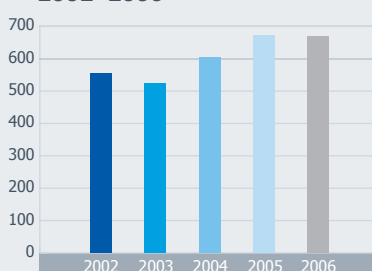
Equity ratio, %



Backlog of orders 2002–2006
EUR million



Personnel on average 2002–2006



Figures for 2002–2004 according to FAS standards

Figures for 2005 and 2006 according to IFRS standards

* 14 months

Ready for the next leap forward

The year 2006, SRV's 20th anniversary year, was a pivotal one for the company. The economic cycles favoured construction in all our operating areas, and our competitiveness improved considerably. The total construction market grew by about 5%.



The Kamppi Commercial Centre, along with its office blocks, was completed in spring 2006 and was successfully sold on to investors. The development work, which spanned several years, was a success not just financially but also in terms of the design solutions and the building technology. It contributed positively to our company image and provides a solid basis for the next decade of operation.

Throughout its history of operating as a private enterprise, SRV has proved its ability to use capital effectively to implement major high-quality projects successfully, such as the Rakvere meat processing plant, the Viru Centre and HTC office premises as well as King's Gate in Porvoo and the Kamppi Centre.

Strong operating model

Our operation is divided into housing, business premises and international operations. The Business Premises business area comprises office and commercial premises and logistics and rock construction.

SRV has always taken a more comprehensive approach to construction projects than just the erection of a building: we want to understand the needs of the investor or the future occupier and develop and implement the project appropriately from the customer's point of view. We are proud of the SRV Model, which is a project management model evolved exclusively by SRV for the implementation of construction projects. Our success has always been based on innovative solutions. We have concentrated on further boosting the role of project development, with the result that the unit currently has dozens of new projects on the drawing board.

SRV has always put shareholders' equity to very effective use. Our innovative approach has enabled us

We, however, exceeded the average growth at almost 14%. We also turned in a good operational result, despite the significant investments made in the future of the company. Our orderbook at the end of the year was the best ever, amounting to over 400 million euros. This is a good platform for continuing success at SRV.

to implement projects without resorting to major investment. This will be our objective in the future, too – both in Finland and abroad. Instead of engaging in conventional competitive contracting, we want to focus on even closer co-operation with our customers. Self-generated and -developed projects give the greatest added value to our customers and owners.

Strategy in sharp focus

The Kamppi Centre project, in particular, raised SRV to a new strategic level. The company has a strong balance sheet and good growth prospects in every business area. The growth in the Russian market generates significant opportunities in the long term and will require major work effort and capital investment.

Our long-term objectives can be summed up as profitability and growth. We will seek growth primarily from housing projects within the Helsinki metropolitan area and in the growth centres as well as in Russia. Our competitive edge relies on working in partnership with our customers and on a strategy of optimal capital expenditure. Capital is used mainly for housing construction in Finland and to support the growth of foreign operations.

Leadership under one umbrella

SRV Group is now managed as a single concern. We have streamlined corporate leadership by determining the distribution of decision powers and improving the operating efficiency of the management groups. Those in charge of corporate management at SRV have extensive and diverse experience and expertise. This is vital now that the basis of the company's operation lies in wide-reaching and diverse customer service.

Human resources as an asset

SRV has charted its strategic path all the way to 2010. We will apply a coherent strategy, operating in familiar markets and expanding consistently into new developing areas. Resources are in demand when applying a strategy of growth. At the moment human resources are at a premium. As construction increases in volume, so the significance of competent personnel is highlighted. We are in the initial stages of launching a long-term programme of staff training, with the ultimate aim of making SRV the best employer in the construction sector.

Surveys indicate that SRV's image as a good employer has been steadily strengthening. An internal survey was conducted at the end of the year into the workplace atmosphere. The results were very promising, but we must not become complacent.

SRV and its employees achieved much in 2006. The company has good partners and customers. Our order backlog is at a record level. This puts us in an excellent position to continue in the coming year. I would like to extend my thanks to our staff for their fine work and for the considerable commitment that they have shown towards our shared projects. Our strategy for the third decade of operation has been mapped out – it is now time for action.

Eero Heliövaara
President and CEO

Working towards profitability, competitive strength and growth

SRV has set as its goal market leadership in construction projects that it manages and implements from start to finish. SRV meets the needs of owners and occupiers through open co-operation. SRV's responsibility covers the entire value chain: project development, construction under the project management model and the commercialisation of the project.

SRV's guiding principles

- **Reliability:** We deliver on our promises
- **Open co-operation:** We are a genuine partner
- **Service-mindedness:** We are flexible
- **Efficiency and productivity:** We are goal-oriented and operate responsibly, pre-empting risk
- **Development and advancement:** We give our customers continuing added value

Strategic goals

- **Increased profitability**
 - from more development projects
 - from more developer contracting projects
 - from developing SRV as a single operational entity
- **Growth**
 - from focusing on housing services, regional operations and the Russian markets
 - from judiciously increased use of shareholders' equity in business operations
 - from developing the company's image as an attractive employer
- **Increased competitive strength**
 - from conceptualising innovative service packages
 - from deeper knowledge of the customer's business area

Value chain management and a strong balance sheet as competitive factors

SRV's success is based on management of the construction project's value chain. Profound knowledge of the customer's business area and close co-operation with the customer contribute to SRV's success in applying the project management model to complete innovative, cost-effective and responsible construction projects.

Quick decision-making enables flexibility even in unexpected circumstances.

The company's good balance sheet allows us to use capital to support strategy. SRV's future operational development is underpinned by acquisitions of building land in all its operating regions. In Finland, land is acquired for housing construction primarily in the Greater Helsinki area and the growth centres. In Russia, SRV has the option of staying on as a minor, short-term investor in the projects that it has constructed.

Business premises and housing in Finland, the Baltic States and Russia

SRV operates in three business areas: Business Premises, Housing and International Operations. We focus on development and developer contracted projects. We also engage in a certain amount of negotiated contract work.

SRV's strongest business area is commercial and business premises construction, comprising business, commercial and logistics premises as well as rock construction.

The company's goal is to achieve market leadership in business premises construction in the Greater Helsinki region and to be an executor of significant projects in the growth centres. In housing and regional operations, SRV's focus is on developing visionary city living concepts, terraced and detached housing as well as area construction projects. SRV's international operations are concentrated on the Baltic States and Russia. In the Baltic region SRV constructs business premises and housing, while the focus in Russia is on hotels, commercial and shopping centres as well as logistics and industrial sites.

A single operation

SRV is managed and developed as a single operational entity. The brand is undergoing development to support the newly adopted Group structure.

Bright outlook for construction

- Economic growth favours construction, despite levelling off
- Russia full of opportunities

During the financial year, vigorous growth was experienced in all of the SRV market areas. Finland's GNP increased by 5.5% (Statistics Finland, 1 March 2007), due to strong growth in industrial production and exports. In the Baltic countries, growth was strongest in Estonia and Latvia at around 11%. However, this is expected to level off to around 8% in the years to come. Growth in Russia has likewise increased at 6-7% annually for the last six years, but is predicted to stabilise at around 4-5% in the near future (Bank of Finland-BOFIT).

Construction grew in all of the SRV market areas during the financial year. Increase in building production in Latvia peaked temporarily at 17% due to an exceptionally high number of new projects started. Measured by volume, construction in Russia is the fastest-growing in Europe at around 10% annually. In Finland, construction grew by 4.5% thanks to new housing and industrial, warehousing and commercial projects (Statistics Finland). According to SRV's estimates, the property market in Estonia is showing signs of overheating.

Expenses up due to increased competition

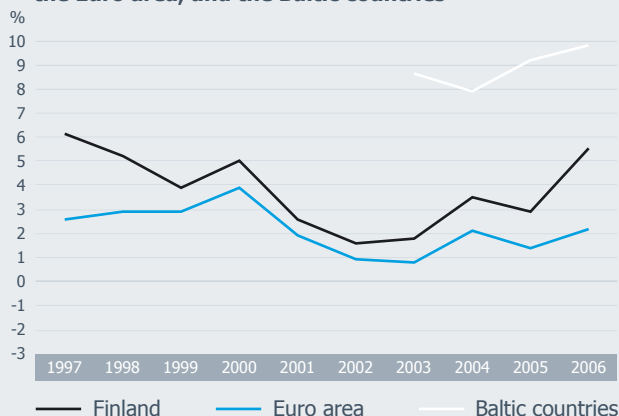
The shortage of skilled labour and the sharp rise in the cost of plots, building materials and labour, are having an adverse effect on operational development in all market areas. International property investors have secured a strong foothold in Finland and their interest in the Baltic and Russian markets is increasing steadily.

Strong demand for business premises in Finland

Office and business construction grew considerably during the financial year. Operational changes in companies and the need for greater efficiency have increased demand especially in the Greater Helsinki area.

Structural changes in commerce have led to the construction of larger trading units and expansion of multinational operators in Finland. International property investors have strengthened their position, in particular as owners of business premises.

GNP, changes in volume in Finland, the Euro area, and the Baltic countries



Source: Statistics Finland, Finnish Ministry of Finance

Consumer confidence indicator



Source: European Commission

The demand for logistics centres and warehousing facilities continues to grow, due to the new Vuosaari Harbour and increased freight transportation. Several important projects requiring rock excavation were begun in the Greater Helsinki area for the transport and service sector.

Consumers want quality housing

Consumer confidence in the economy in Finland remained strong during the financial year. Despite recent increments, interest rates are expected to remain at a historically-low level, unemployment is falling, and migration to growth areas continues.

Urban growth, an ageing population, increased affluence and leisure time and a general demand for more space and higher housing standards are all expected to fuel demand for both new and renovated housing in the next few years. A shortage of housing plots hinders construction growth, particularly in the Greater Helsinki area.

Potential and challenges in neighbouring countries

According to estimates made by the Confederation of Finnish Construction Industries RT, the volume of Finnish construction projects could increase three or fourfold in Russia to reach a figure of 4.5 billion euros by the year 2012. The greatest expectations are focused on the con-

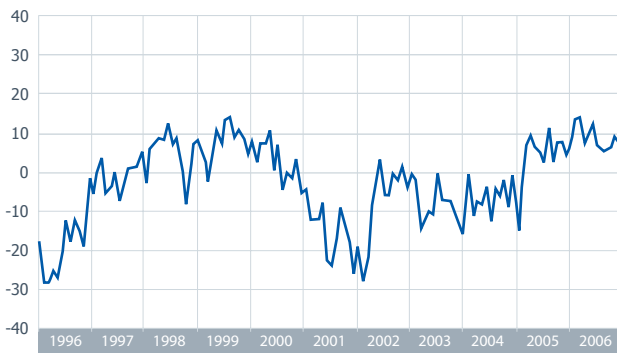
struction of housing, commercial, industrial and business premises, as well as infrastructure projects.

Building regulations, the availability of land and rising costs will slow down development in the Russian construction market. For SRV, Russia offers the opportunity to exploit its core competence of implementing integral projects. In the Moscow and St Petersburg areas, as well as in the other million plus cities, there is a demand for hotel, commercial and business premises projects.

In Estonia, 2006 was an interim year in the construction sector, and several projects were rescheduled for 2007. The IMF has issued warnings about overheating in the Estonian economy. This is reflected in land prices and construction expenses. An overall rise in wage levels will maintain demand for housing during the next few years. Logistics and industrial construction will remain brisk as new enterprises establish themselves in the region. There is strong demand for office space, especially in the centre of Tallinn. In the next few years, demand for commercial business premises is also expected to continue.

During the financial year, construction in Latvia was focused on housing, logistics and business premises, mainly in and around Riga. Housing construction is expected to remain brisk for the coming years. Projects for retail, logistics, and modern office premises will attract future investment into the region.

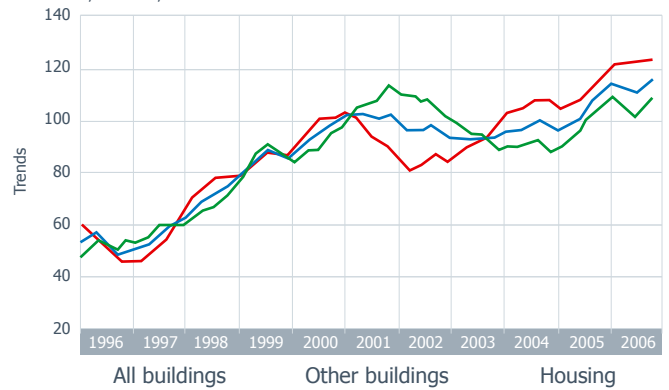
Construction confidence index in Finland



Source: EU Confidence Indicators

Volume index of new building in Finland

2,000=100, trends



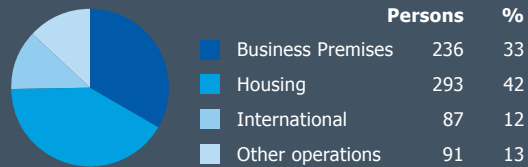
Source: Statistics Finland



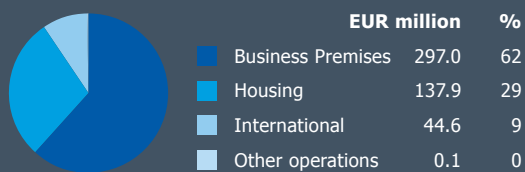
Business Areas 2006

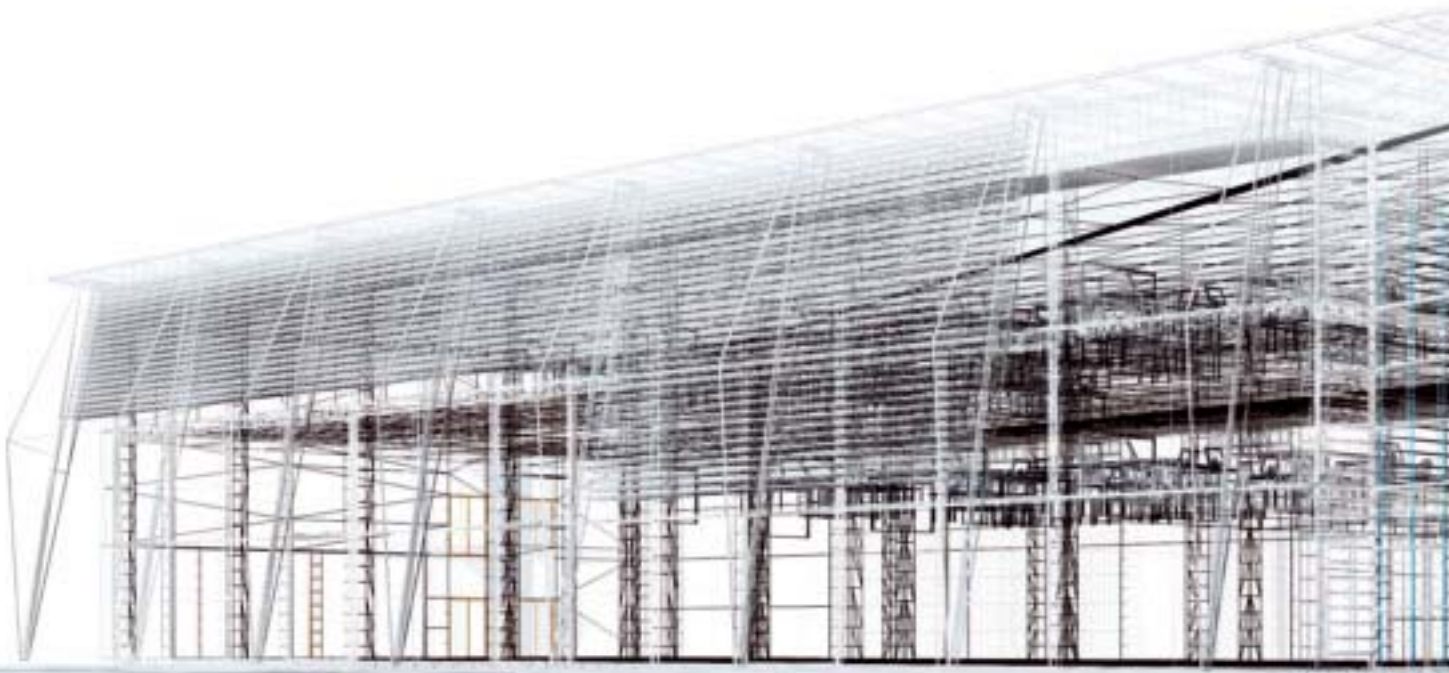
- Business premises expertise honed
- Housing and Regional Business merged
- Challenges for International Operations
- Project development role clarified
- Strong orderbook in Finland

Personnel by business area 31 Dec. 2006



Turnover by business area





An innovation centre creating new business for SRV and its customers

- Role consolidated as developer of strategic projects
- Launch of HTC Keilaniemi

SRV operates as a management contractor to develop and implement construction projects. In 2006, the function of project development within SRV's operational framework was specified in more detail. The Project Development Unit acts as an innovation centre to develop extensive, long-range projects that are implemented by the business areas. The business areas, for their part, develop their own more production-based construction projects, exploiting the competence of the Project Development Unit.

In addition to developing construction projects, the Project Development Unit also innovates business ideas as well as solutions for finance and investment and the acquisition of land. The unit is also responsible Group-

wide for the management of customer relationships and key customer operations and their development.

Underpinning growth and profitability

Under the SRV strategy, the Project Development Unit supports the expansion of housing services and regional operations in Finland and reinforces growing international activities. In practical terms, this means for example that the HTC and STC concepts are introduced in regional centres and in international markets, regional expertise in investment and land acquisition is developed and various new concepts are created in housing, office building and commerce.

SRV's business premises concepts

STC, Smart Tech Centre

Office, warehouse and production facilities, tailor-made for SMEs.

Special emphasis on efficient logistics.

HTC, High Tech Centre

Mix of high technology enterprise and research units.

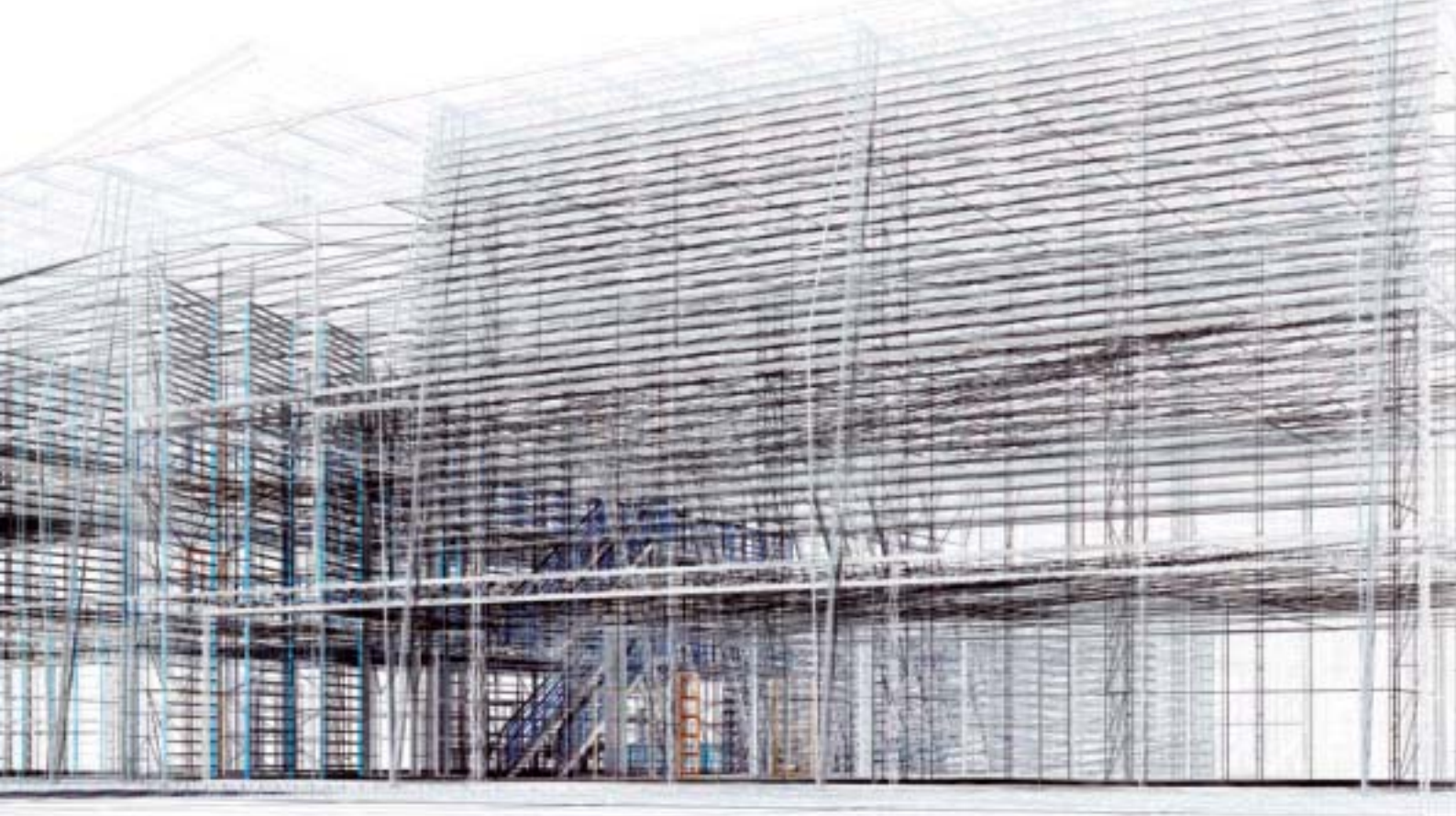
In growth centres, close to the hub of the city.

Services are "pay-as-you-use".

LBC, Logistics Business Centre

Flexible, adaptable facilities for logistics companies.

Location to boost business.



Current projects

Project and location	Type	Status
HTC Keilaniemi	office and business premises	Under construction, completion in 2009
King's Gate (Kuninkaanportti) in Porvoo	retail and business premises	Under construction, completion in 2009
Tuupakka Logistics Centre	logistics	Under construction, completion in 2008
Marsalkka in Vantaa	housing	Under construction, completion in 2007
Area development of the district of Länsi-Toppila in Oulu	area construction	Ongoing development

Project development work brings added value to the customer by improving the efficiency of the premises and the sale or lease income from the plot of land or the property; it increases the value of the investment. The Project Development Unit aims to boost SRV's profitability, while also increasing customer satisfaction and contributing towards the overall management of the risks associated with project implementation. Networking with the users of the premises, with the authorities and with land and property owners, the financiers and the investors promotes an innovative and effective approach to fulfilling customers' needs.

The turnover and results that the developed projects have generated for the business areas are indicators of the unit's operating success.

Projects on the drawing board and under construction and completed projects

Project development is a process that takes years. The King's Gate (Kuninkaanportti) commercial centre in Porvoo is an example of long drawn-out development work, which is currently in the active building phase.

HTC Keilaniemi in Espoo, which targets high technology enterprises, reached the building stage. Building

work on the headquarters of Neste Oil Oyj was also started on the same site.

To complement SRV's own concepts in business premises building, the company has acquired a licence to apply the WTC concept in an office building to be built in the Helsinki-Vantaa International Airport area. Project marketing will be launched in the first quarter of 2007. SRV will also be studying the feasibility of launching an STC project in Porvoo, targeting SMEs.

Becoming better acquainted with the customer's business area

Project development requires a good understanding of the issues surrounding the customer's own business. Similarly, the needs of the individual consumer have to be clear to us when planning housing projects. In the planning period 2007 – 2010, SRV intends to enhance further its competence in the field of commerce, logistics, housing and business premises and improve land acquisition and finance skills, for example. This will be sought by further training of current employees and recruiting additional skilled staff.

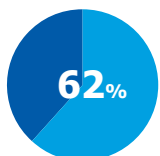
The key customer scheme will be introduced systematically throughout the Group.



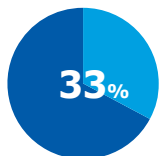
Status confirmed as cornerstone of the business areas

- Competence in business premises became a business area
- Strong orderbook

Share of Group net sales



Share of Group personnel



Towards the latter part of 2006, SRV simplified Group structure by combining the companies engaged in the construction of business and commercial premises and those focusing on logistics and rock construction, to form a single business area specialising in business premises. By reorganising, SRV aimed to streamline the development of business premises projects and also achieve synergy benefits for fulfilling customers' space requirements.

Market leadership in our sights

When the biggest project in SRV's history, the Kamppi Centre, was completed in early 2006 and sold to a British property investor, the conditions were laid down for the launch of several other significant business and commercial building projects. At the end of the year, SRV had orders for business premises amounting to 287.7 (163.4) million euros.

In the review period, SRV expanded its customer base in rock and logistics building as planned, adding to the existing customers in traditional industries new ones from other sectors. New talent was recruited towards the end of the year for training to become skilled professionals in rock construction. Systematic internal site audits were conducted with a view to establishing more firmly

Key figures

	2006	2005	Change, %
Net sales*, EUR million	297.0	244.0	21.7
Personnel on 31 Dec.	236	224	5.4

* includes net sales for entire SRV Teräsbetoni Oy, including equipment centre and Lappeenranta regional office.

our common operating model. We also succeeded in creating good conditions for carrying out external audits.

SRV has its sights on market leadership in business premises construction in the Helsinki metropolitan area, along with a position as a significant operator in the growth centres. Cautious growth is the objective in commercial and office premises construction, while a target of 10–15% annual growth has been set for rock and logistics construction. Operating profitability is sought by increasing the share of development projects in the orderbook. SRV focuses on retaining and developing existing customer relationships and in acquiring new customers requiring business premises.

Solid demand in all sectors

In the review period, the most extensive commercial construction project was Ideapark in Lempäälä. Opened in December, it is the largest commercial centre under



Key projects in 2006

Project and location	Type	Completion
Kamppi Centre, Helsinki	Shopping centre, offices	March 2006
Ideapark, Lempäälä	Commercial City with 170 outlets	November 2006
Recreational Centre, Aviapolis Vantaa	Commercial premises, leisure, conference, hotel and spa services	November 2008
Granite House, Helsinki	Office refurbishment	June 2006
Halti Headquarters, Vantaa	Business premises	August 2006
King's Gate, Porvoo	Various commercial premises	2006–2008
Rock Vallila, Helsinki	Parking facility with 700 vehicle spaces	June 2006
Extension of Kamppiparkki and the service tunnel, Helsinki	500 underground parking spaces, tunnel excavation	2008
YTV waste management tunnel, Espoo	Rock construction	August 2007
Etola Technologies Oy, Vantaa	Production and logistics premises	July 2007
Teknos Oyj, Nurmijärvi	Powder coating factory	June 2007
Biomedicum phase II, Helsinki	Research centre, new building, major repairs	January 2008

one roof in Finland. SRV acted as management contractor, with principal responsibility for construction, building technology and planning. The construction of the Aviapolis Recreational Centre in Vantaa started in the summer. A bridge links the centre to the Jumbo Shopping Centre. It offers services such as shopping and leisure pursuits and conference, hotel and spa facilities. Completion is in 2008.

Demand for office premises increased significantly. Refurbishment of Graniittitalo offices in the centre of Helsinki was completed as well as the Halti headquarters in Vantaa.

In rock and logistics building, the 2006 key project was the Kamppiparkki extension, with the construction of a new vehicle access link and blasting of the Kamppi tunnel for the underground service route in the centre of Helsinki. Work on the construction of the Helsinki Metropolitan Area Council's waste maintenance tunnel was started in June. About 450 metres of high-strength concrete tunnel will be built into the rock.

In 2007, focus will be on planning and implementing major commercial centres and rock construction projects.

Focusing on in-depth competence in customers' business areas

SRV wants to boost customers' business through effective premises solutions and use innovation to create new business opportunities for customers and the company. To this end, SRV will increase its own understanding of customers' business areas by staff training and by intensifying co-operation with customers and the network of specialists. SRV will also carry out new recruitment.

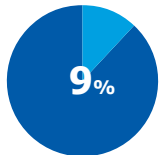
The three-dimensional planning model will continue to be exploited, particularly in cost accounting and in planning and production control. The process applied in building projects will be studied further, in order to enhance collaboration and communication between project participants. The aim is to establish new innovative practices.



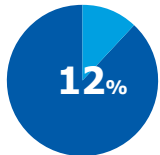
Strategy for growth in neighbouring countries

- Turnover doubled in Latvian operations
- Several housing and business premises projects planned for Estonia
- Investing in Russia

Share of Group net sales



Share of Group personnel



SRV is engaged in the development and construction of business premises, logistics, housing and hotel sites in Estonia, Latvia and Russia. The company had no ongoing operations in Lithuania during the review period, but new projects will be started as required. SRV constructs housing sites as a development contractor, while other sites are developed and completed in close co-operation with property users and investors.

SRV operates through its subsidiary in each country. This ensures a thorough knowledge of country-specific knowledge of development phases, operational environment and culture and the prevalent market situation. The SRV Group supports and steers its subsidiaries' operations, especially in customer account management, project development and project management implementation. SRV International is responsible for Finnish and international customer accounts, while local customer accounts are handled by the subsidiary companies.

Operational development

During the review period, SRV intensified its expertise in project model management of its Baltic subsidiaries by developing contract management and project steering procedures. Training co-operation with the Group was begun as part of the standardisation of operational

Key figures

	2006	2005	Change, %
Net sales, EUR million	44.6	36.2	23.1
Personnel on 31 Dec.	87	113	-23.0

models. In the Russian market, SRV honed its investment strategy: projects will be carried out both with company investment and in partnership with foreign investors. In early autumn, SRV recruited site personnel, especially in the Baltic countries.

SRV's aim is substantial growth in net sales and profitability in its international operations. In Estonia, growth will be sought through enlarging the customer base and recruiting skilled personnel. Project development expertise will be strengthened in Latvia.

In Russia, the main emphasis will be on developing and implementing shopping centre, hotel, office and logistics projects. SRV's particular strength in Russia lies in its handling of the entire property development chain: SRV provides its customers with concept expertise, practical working relations with officials and investors, and construction planning and implementation.



Major projects in 2006

Project and location	Type of building	Completion
Osten Tor, Estonia	high-rise	spring 2006
Wihuri Witraktor, Estonia	production facilities	winter 2006
SLO, Latvia	warehouse	summer 2006
DHL, Latvia	logistics centre	spring 2006
Kesko, Latvia	several commercial sites	2006–2007
Ahlstrom Group, glass fibre tissue plant, Russia	production facilities	autumn 2007
Etmia II, Russia	office and parking facilities	summer 2008
Park Inn Yekaterinburg, Russia	hotel	winter 2006

Commercial and logistics sites in demand

Due to demanding market conditions, certain new projects in Estonia and Russia were delayed in 2006. In March, the first Park Inn hotel was completed and opened in Yekaterinburg. In the latter part of the year, SRV began construction of the Etmia II office and parking facilities in the centre of Moscow as a developer contracting project, and the Ahlstrom Corporation's glass fibre tissue production facilities in Tver. This technically highly complex production facility will be completed in autumn 2007. Negotiations continue for several development projects in Russia.

In Latvia, trade and logistics development projects increased company net sales considerably. During the year, two hardware stores for the Kesko Group were completed, and work started at two K-Agro sites in the country. An important logistics centre for DHL near Riga airport was also completed, as was the Wihuri Group logistics centre in Saue, Estonia.

One of the most significant housing projects was the completion of the Osten Tor apartment block in Tallinn, Estonia. The company's first Russian residential area at Papula in Vyborg progressed to the planning per-

mission stage and construction will begin there in 2007. The Harku housing and office building site in Estonia will commence early in 2007. In Latvia, construction project growth is expected to stabilise during 2007.

Group co-operation intensified

In the Baltic countries, SRV will during 2007 intensify development of its customer and investor relations and internal operational models and practices. Recruitment of skilled local personnel will be backed by measures to enhance the company's visibility.

Group co-operation will be intensified in acquisition and project management expertise, subcontractor networks and training. Personnel rotation began during the review period in the Baltic subsidiaries will continue and be expanded to include personnel exchange with the Russian subsidiary.

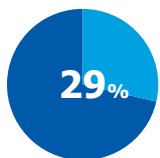
Group expertise as a constructor of various shopping centres and business parks will be exploited in Russia, where there is strong demand for office and commercial facilities. SRV's good user and investor relations will be put to use in the development of operations in Russia.



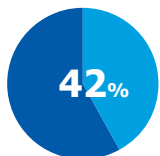
Merging Housing and Regional Operations to increase synergy

- Development of individual living concepts
- Opening of SRV Studio housing sales office
- Opening of SRV Central Finland office

Share of Group net sales



Share of Group personnel



At the end of 2006, SRV simplified its Group structure by merging its housing operations within the Helsinki metropolitan area and its regional operations to form a single business area. SRV seeks synergy benefits from the merger to be able to develop and implement service concepts which will meet customers' individual needs.

SRV's objective is to be a visionary developer of city living, terraced and single-family housing and area construction. The majority of the housing development is SRV's own developer contracting production or partnership projects. The developer contracting projects, which in 2006 consisted of about 500 new dwellings, are divided equally between the Helsinki metropolitan area and the major regional growth centres. In the regions surrounding Turku, Tampere, Jyväskylä, Lappeenranta and Joensuu, SRV operates through its subsidiaries. Regional Operations produces not just housing, but also business and commercial premises.

Harmonisation of operating processes

Uniform operating procedures were consolidated in 2006 and operating processes modelled. SRV enhanced its service provision, for example, by opening a new housing sales office, SRV Studio, in the Kamppi district of Helsinki. The scope of housing operations was extended

Key figures

	2006	2005	Change, %
Net sales, EUR million	138.1	148.9	-7.3
Personnel on 31 Dec.	293	223	31.4

considerably, and the housing orderbook grew significantly. Common operating procedures and better planning guidelines were evolved and the management of production processes improved in Regional Operations.

Branding of city living and detached housing concepts

SRV's city living combines a prestigious location, unconventional design solutions and interesting materials. An operating model for complementary and renovation building and conversion projects is being planned. The Marsalkka project in Vantaa, comprising 113 apartments, is one of the largest high-rise developments launched in 2006. Building work also commenced in the Eiranranta district of Helsinki. The Kommodor complex will have 47 elegant apartments. Parkinkartano, with 52 apartments, will be built in the heart of Turku.

SRV's terraced and single-family housing developments comprise projects outside city centres as well as leisure accommodation concepts. Operating models that



Major projects in 2006

Site	Type	Number of dwellings	Completion
As Oy Eiran Kommodori, Helsinki	Developer contract city dwelling project, apartments	47	November 2007
As Oy Vantaan Marsalkka, Vantaa	Developer contract city dwelling project, apartments	113	December 2007
As Oy Vierumäki Summertime, Vierumäki	Develop contract single-family housing and leisure accommodation, terraced, detached, single-family	12	Summer 2007
Ulrikanpuisto residential area, Vantaa	Partnership area development project, single-family, terraced, apartments	350	2006–2008
Puu-Ylästö residential area, Vantaa	Partnership area development project, single-family, terraced	123	2006–2007
As Oy Turun Parkinkartano, Turku	Developer contract city dwelling project, apartments	57	Spring 2008
Kiinteistö Oy Spa Suites Orange ja White, Nilsia	Project management of single-family and leisure accommodation, apartments	26	2006–2007
Takamaa residential area, Pirkkala	Partnership area development project, terraced, single-family	65	2006–2007

combine design, standardised technical solutions and the best practice in implementation safeguard flexible solutions and high-quality project execution.

The most notable of the completed housing association projects were the Jokineito semi-detached houses in Porvoo and the terraced housing in Espoo's Ratsupuisto. SRV is building quality leisure accommodation in Tahko. In Vierumäki, work has started on the first 12 detached houses of the 4 Season Village complex.

New city quarters under construction

The largest area development projects were carried out in Vantaa. Ulrikanpuisto, with its 350 units, is a partnership project with Asuntosäätiö (Housing Trust). The long-term co-operation project with VVO Rakennuttaja Oy is ongoing in Puu-Ylästö.

A total of 40 new dwellings have been completed in the Takamaa residential area of Pirkkala, in partnership with the municipality of Pirkkala and YH Pirkanmaa Oy. Work has started on the remaining 25 dwellings and the development of Phase II.

More developer contracting; more in-depth competence

SRV's goal is profitable growth in housing and regional services. SRV's own housing production will increase in the capital region and in the growth centres. The potential for expansion in Finland is being studied. Competitive advantages are sought by investing in project development and by creating a winning formula from top-quality technical design, interactive service and excellence in implementation.

SRV is participating in the 24Living research project to improve its understanding of customers' needs. Housing sales and marketing skills and regional project development expertise are being honed. The reserve of building lots for developer contracting will be acquired mainly through zoning development projects in co-operation with land owners and city planners.

Investing in developing staff competence

- Staff well-being becomes a competitive factor
- Focus on recruitment
- Positive development of SRV's employer image

SRV's Human Resources function is to safeguard the availability of professionally competent staff and promote skills development, with the ultimate aim of achieving our business goals. We want to turn employee welfare into a Group-wide competitive factor.

In 2006, Human Resources concentrated on recruitment and sharpening the focus of the human resources strategy to promote growth. The various strategic competence requirements of the different business areas were mapped out and a framework was created for staff development on the basis of the strategic competence areas.

Enhancement of the HR process

SRV's Human Resources will focus on enhancing the HR processes. Recruitment practices will be reviewed, collaboration with educational establishments intensified and our image as an employer will be systematically developed. The aim of these measures is to secure the availability of professionally skilled and competent staff. SRV has a specific need for site personnel as well as personnel for international operations.

SRV aims to reduce annual staff turnover rates. Increased staff commitment is sought by investing in improved induction and development discussion processes as well as the development of incentive programmes. In 2007, SRV will focus specifically on improving daily management practices by launching training programmes for management and site foremen and introducing an apprentice system on work sites. The training will concentrate mainly on management skills in periods of change.

Well-motivated personnel; further focus on working capacity

The SRV Fit for Work project harmonised Group occupational health care practices by, for example, reviewing regular health checks and improving health data reporting and by establishing a model to monitor and analyse sickness absence. Events were organised around certain themes, such as lung and heart disease.

All employees over 55 were given a questionnaire to identify areas for developing the work environment.

Key figures

	2006	2005	Change, %
Average number of employees	668	671	-0.4
Employees on 31 Dec.	707	632	12
Of which on permanent contracts	605	562	8
Women, %	17	15	

Number of employees by business area, 31 Dec.

	2006	2005	Change, %
Business Premises	236	224	5
Housing	293	223	31
International	87	113	-23
Others	91	72	26
Total	707	632	12

The results were used to plan the 55+ Fit for Work! programme, to be launched in 2007. The programme will be used to improve personal job orientation procedures to take into account the individual needs and strengths and the development potential of the older worker.

The staff survey indicated that SRV employees are very committed to their jobs with a high level of motivation. They find the company's target-setting clear and comprehensive. The flow of information and the personal guidance and feedback that managers give to their employees need improving.

SRV's image as an attractive employer was considerably improved in an annual survey conducted by the Uni-

Age distribution of employees on 31 Dec. 2006





versum research company. SRV's attractiveness had risen the most in relation to other companies in the same industrial sector. Foundations were laid down in 2006 for systematic and active collaboration with educational establishments. Contacts were made with selected media for communication and recruitment purposes.

Harmonised training system

SRV launched the harmonisation of its training systems, with the aim of ensuring that employees learn new things on a continuing basis and that their strategic skills are continuously developed. The training system takes into account vocational examinations and other long-term personal training programmes as well as the professional competence required by law, the general and specific skills required for the specific tasks, the SRV Model and any current matters that may arise. Specific focus will be on the personal development plans of SRV employees with profit responsibility.

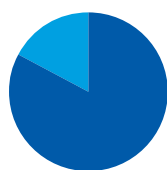
A thesis will be completed in 2007 on the transfer of senior employees' competence and experience to younger workers. An academic study will also be completed into performance, goal and development discussions. Annually, around ten master's theses and lower grade engineering theses in the field of technology are completed.

Due to strong growth, SRV is able to offer its personnel opportunities to undertake more demanding and wide-reaching duties, using this avenue to develop individual and Group-level competence.

Number of personnel

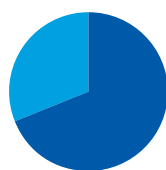
In 2006, the Group employed on average 668 (671) persons. SRV employed over 100 trainees and students in 2006. At the end of the year, employees numbered 707 (632). Women accounted for 17% (15) of employees, and the average age of all employees was 42.2 (43.9).

Gender distribution of employees



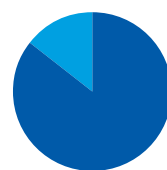
	%
Men	83
Women	17

Salaried employees/Workers



	%
Salaried employees	69
Workers	31

Nature of employment relationship



	%
Permanent	86
Fixed-term	14

Integrated security boosts competitiveness

- Safety and security team operations begun
- Electronic risk reporting system introduced
- TR Safety Observation average of 92%

The task of SRV's corporate security is to ensure the continuity of the operation and undisturbed production of services as well as maintaining sound operating fundamentals. Corporate security protects SRV's employees, property, information, environment and reputation, as well as those of its partners and clients, against accidents, damage and criminal action. Corporate security forms part of SRV's development of profitability and competitiveness.

Security improves productivity

The aim of corporate security is to increase productivity and ensure competitiveness, as well as providing added value for corporate partners. This will be achieved by committing company personnel, subcontractors and customers to common statutory security regulations, to procedures that reflect SRV's values and acknowledged risks, and to the development of new security measures. The aim is to assess and manage corporate security risks throughout the entire construction process.

The principles of SRV's corporate security are wide-ranging risk assessment and prevention, the definition and monitoring of corporate security goals, the development of new security measures, continual training and close co-operation with the authorities.

Corporate security is organised as part of the SRV's risk management unit. The Senior Executive Vice President is responsible for arranging appropriate corporate security within the Group. The Security Manager is responsible for the development, co-ordination and man-

agement of security operations, and development of reporting procedures. Each business area is responsible for organising its own corporate security and reports to the Security Manager. Construction site security is the responsibility of a designated person at each site.

Investment in risk assessment and prevention

In 2006, SRV invested extensively in construction site safety and risk identification and prevention. Safety and security team operations were introduced at the most important sites. Project participants and interested local parties together monitor safety risk management and the implementation of safety measures. Safety and security team operations follows on from operation model development work started in 2005.

SRV Turva (Safety) is an electronic system introduced in early May that is used for reporting on risk situations on construction sites. The aim is to implement electronic reporting at all sites in Finland during 2007.

Weekly monitoring of construction site safety strives for accident-free sites with a TR Safety Observation average of 100%. In 2006, no serious accidents occurred on SRV construction sites. The TR Safety Observation average was 92%. In an occupational safety competition held in the Uusimaa region, SRV Viitaset came in third place. Auditing of subcontractors' safety practices was begun during the year.

Electronic notice boards that display the site's occupational safety organisation and special regulations were



installed for test use at the new King's Gate (Kuninkaanportti) business and commercial area in Porvoo. In addition, common safety signs served as reminders of safety operations, and electronic site surveillance development was begun together with ISS Security Oy.

Procedures take root through training

SRV trains its personnel and subcontractors to use shared operational models and tools. During the year, training in the use of SRV Turva electronic reporting as well as occupational safety card, first aid card and hot work permit training were provided. The Pohjola Non-Life Insurance Company Ltd provided training in passenger hoist inspection procedures and hot work. In all, 240 people took part in the training programmes.

By co-operating with the authorities, the company aims to reduce the incidence of financial crime in the

construction industry and face the challenges presented by the employment of foreign personnel, among other things. Membership of the security branch associations, ASIS Finland ry and FinnSecurity ry, promotes the implementation of best practice. Together with the Confederation of Finnish Construction Industries RT, SRV is also actively developing construction site safety. For example, a policy statement on occupational safety in the construction industry was published in 2006.

Work started in international markets

In 2007, SRV will concentrate on further establishing safety practices and monitoring procedures in Finland, as well as developing security measures in its international operations. Data security will be improved by increasing security awareness and developing document classification and site personnel data registration methods.

Safety criteria applied to subcontractors

- Upkeep and sustained maintenance of the subcontracted company's social obligations
- Identification of work-related hazards and risk assessment
- Commitment to common corporate security goals and obligations at construction sites
- Compliance with quality criteria goals (technical quality, timetable, expenses) in their own operations
- High standards of cleanliness and order in their own operations
- Commitment to environmental goals
- Flexibility and a desire to co-operate
- Aptitude for growth and training of their own personnel

Environmental action means ongoing development

- Construction sites supplied with their own environmental protection programmes
- Environmental action is at a good level

SRV's environmental action is founded on ongoing procedural development and on the life-cycle principle, which decrees that the objective should be to minimise the environmental impact of the building during its entire life-cycle. SRV works to achieve this aim by monitoring and minimising the impact that the company's own operation has on the environment. The company also co-operates with customers and other stakeholders to develop and continuously adopt new methods and procedures to manage the environmental impact of construction work and of buildings during their life-cycle.

Environmental responsibility is a significant factor in SRV's risk and quality management policy and it contributes to the company's profitability. Environmentally responsible operations boost the company's competitiveness in circumstances where environmental problems are on the increase, consumers' environmental awareness is growing and customers and stakeholders are under ever-increasing obligations to report. Our reputation as an environmentally responsible company promotes growth by enhancing our attractiveness as an employer and a trustworthy partner.

Part of the management system

SRV's Environmental Manager is responsible for developing, coordinating, supporting and overseeing Group-wide environmental measures and for organising reporting. In the subsidiaries, the Managing Director takes responsibility for an environmentally responsible approach. He or she is assisted by the company's Environmental Officer, who ensures that environmental issues are taken into account in project planning and implementation. A project-specific Environmental Officer monitors and steers on-site waste management, energy and water consumption and the handling and storage of hazardous substances as well as the environmental activities of subcontractors. They are also responsible for the environmental reporting and for enhancing environmental awareness on site.

To facilitate decision-making, SRV aims to give the customer sufficient information already in the planning stages about factors that have an impact on environmental welfare and operating costs. In the construction phase, noise and dust on the site as well as energy and water consumption and waste and transport are the most significant factors to have an impact on the environment. In the occupation phase, the energy consumption of the building constitutes the greatest environmental impact. At the end of the life-cycle, demolition waste and its transportation form the biggest environmental burden.

Harmonising operating procedures

In 2006, SRV focused on establishing harmonised working practices at all building sites. Uniform environmental programme models were created for all sites, to be adopted at every new building site in Finland. The programme for demanding work sites covers general environmental issues, the organisation of waste and water management, procurements by subcontractors as well as the monitoring and reporting of environmental matters and statistics. The programme for smaller work sites is more limited in scope.

SRV's on-site environmental protection programme and the measures under it were audited extensively for the first time. The audit revealed that SRV manages environmental matters well, and environmental issues are part of the general quality principles applied on site. The results of the audit were taken on board and used to further process the environmental programme.

SRV aims to reduce the amount of waste produced on site, increase the degree to which waste is reclaimed and intensify the collection of valuable waste as well as improving the recycling of components from demolished buildings. The company employs an environmental reporting system to monitor the amount of waste from sites, the consumption of energy and water and the waste transportation distances. In the review period,



the reporting system was also adopted by SRV's regional companies. The increase in the number of smaller building sites reduced the volume of reporting somewhat. At the end of the year, 61% (65) of building sites in Finland were covered by the waste volume reporting system. Waste amounting to 6,300 tonnes, with a degree of reclamation of 81% (83) was entered in the system.

Development projects launched

In the review period, SRV concluded an agreement with Lassila&Tikanoja Corporation for the development of its waste management measures. The collaboration will comprise, for example, the training of subcontractors and site personnel in waste management as well as the planning and development of waste management on building sites.

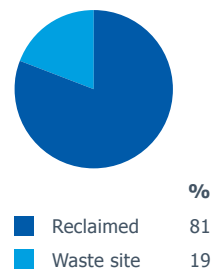
A life-cycle project was carried out in co-operation with a firm of consultants to determine the impact of technical and energy solutions on the life-cycle costs of HTC Keilaniemi. The project results indicate that issues relating to life-cycle costs had been taken into account very thoroughly in this essentially high-quality office property. Logistics sites, on the other hand, are a viable target for significant savings in life-cycle energy costs through building technology solutions and by putting in place operational steering systems.

Continued development of reporting

In 2007, SRV will continue to concentrate on establishing uniform environmental procedures by training site personnel and increasing the environmental awareness of the entire staff. Further investments will be made in harmonising reporting and extending its scope to cover 85% of the company's building sites in Finland.

The 2006 review revealed that it is difficult to identify practical benchmarks for projects due to their great divergence. SRV will investigate whether it is possible to determine other indices, as well, illustrating environmental performance which could be used in development work.

Reclaiming of waste, %



Operating responsibly towards all interest groups

Responsibility in personnel, safety and environmental issues helps SRV to achieve its strategic objectives – and so does its reputation as a trustworthy business partner.

Corporate responsibility also bolsters SRV's image as an attractive employer and reliable partner, safeguarding the company's success in the future.

SRV's success depends on expert personnel. The company continuously seeks to improve job satisfaction, personnel development and occupational safety, and to ensure the continuity of operations by focusing on the company's profitability. SRV complies with laws and regulations in its operations and works in constant close co-operation with the authorities in matters such as honing occupational safety.

SRV seeks to be a reliable partner that shoulders its responsibilities and commitments. Furthermore, the company also requires its subcontractors to operate responsibly – such as in the hiring of personnel – and to commit themselves to operating in line with the SRV Model under the company's supervision.

SRV takes care of the environment by seeking to minimise environmental impacts in its own operations and over the lifecycles of buildings. The company develops and constantly deploys new methods with its customers and other interest groups.

In SRV's view, its chosen strategy is the best guarantee of safeguarding high-performance operations in the long term

– thereby enabling the company to increase shareholder value and attend to its responsibilities in the years to come, too.

The SRV Group's operations have a financial effect on the wellbeing of many interest groups. The major direct financial effects are related to customers, subcontractors and personnel. By pursuing profitability, growth and higher competitiveness, SRV ensures responsible operations both now and in the future.

SRV's major direct customers are homebuyers, companies, municipalities, property and land owners as well as Finnish and international investors. Income from customers amounted to EUR 479.5 million in 2006 and operating profit was EUR 24.6 million.

At the end of 2006, the company had a total of 707 (632) employees. The company paid salaries, wages, compensation and indirect employer expenses to the amount of EUR 36.8 million. The entire Group paid taxes of EUR 5.2 (5.6) million in 2006.

Expanding the scope of Corporate Governance

The SRV Group's Corporate Governance is based on Finnish legislation and the company's Articles of Association.

Administrative bodies

The administration, management and supervision of the SRV Group are divided between the General Meeting of Shareholders, the Board of Directors and the president. The company's senior management is responsible for the internal audit. The external audit is carried out by auditors. The president attends to line operations with the assistance of the Corporate Management Group.

General Meeting

The General Meeting of Shareholders is the company's highest decision-making body. Each SRV share confers the holder the right to one vote at a General Meeting.

General Meetings are convened by the Board of Directors. Invitations to meetings shall be sent to shareholders by registered mail or in some other demonstrable manner no earlier than two months and no later than one week before the meeting. The Annual General Meeting is held by the end of May on the day set by the Board of Directors. An Extraordinary General Meeting shall be held when the Board of Directors deems it necessary or when required by law.

Meetings shall deal with the matters specified as being the business of Annual General Meetings and take decisions on matters such as the election of Board members, the chairman of the Board and the auditors, the adoption of the financial statements and consolidated financial statements, releasing the Board members and president from liability, the use of the profits, increasing or decreasing the share capital, issuing new shares, buyback of shares, and amendments to the Articles of Association.

The president and a sufficient number of Board members attend the General Meetings. A person who is proposed as a Board member for the first time shall participate in the General Meeting that will decide on his or her membership, unless there are weighty reasons for his or her absence.

Board of Directors

The Board of Directors is responsible for the administration of the company and the due organisation of operations. In addition to the tasks set forth in the Companies Act, the Board of Directors approves the company's vision, mission and values as well as ratifies the strategies, budgets and business plans set to achieve them. In addition, the Board of Directors appoints the president and both directs and oversees his/her work. The Board of Directors ensures the functionality of the company's management system and approves the principles of risk management and internal supervision. The Board of Directors also decides on matters that have a significant bearing on operations, such as key investments and commitments, acquisitions of companies and business functions as well as the compensation and incentive schemes for line management and personnel.

The General Meeting shall elect a minimum of four to a maximum of eight members to the Board of Directors from amongst the candidates proposed by shareholders. No deputy members are elected to the Board. The term of office of a Board member begins at the General Meeting at which he/she was elected and ends at the conclusion of the subsequent Annual General Meeting.

The General Meeting elects the chairman of the Board, and the Board of Directors elects the vice chairman from amongst its number. The duties of the chairman of the Board include preparing and chairing meetings, overseeing the company's operations and maintaining contact with key interest groups. The Board of Directors has drafted written standing orders for itself, specifying the key tasks and operating principles of the Board of Directors. The chairman of the Board ensures and supervises that the Board discharges the tasks set for it in legislation and the Articles of Association.

The Board of Directors convenes regularly as set in the meeting schedule – which is confirmed in advance – and also when necessary. The Board of Directors has a quorum when more than half of the members are present and one of them is the chairman or vice chairman.

The Board of Directors assesses its activities and working methods annually

At the 2006 Annual General Meeting held on 28 April, four members were elected to the Board of Directors: Ilpo Korkkila (chairman), Eero Heliövaara, Matti Mustaniemi and Markku Sarkamies.

The Board of Directors convened 12 times. The participation rate of the members was 97.9%.

Board member remuneration

The General Meeting confirmed the following remuneration for external Board members and the chairman.

EUR	2005 (28 Oct. – 31 Dec. 2005)	2006
Annual remuneration	4,350	15,000
Meeting fee/meeting	350	350

Total remuneration paid to the Board of Directors by SRV

EUR	2005 (28 Oct. – 31 Dec. 2005)	2006
Chairman of the Board	5,150	19,900
Other members	15,450	43,000

President

The president manages the company's line operations and day-to-day administration in accordance with the Companies Act and the instructions and regulations laid down by the Board of Directors. The president sees to the legality of the company's accounting and the reliable organisation of asset management as well as serves as the chairman of the Man-

agement Group and as the chairman of the Boards of the major subsidiaries. The Board of Directors has appointed two vice presidents, one of whom may serve as the deputy to the president if necessary.

As from 1 March 2006, SRV Group Plc's president has been Eero Heliövaara, M.Sc. (Econ.), M.Sc. (Eng.), born 1956.

The president's period of notice is 6 months. If SRV dismisses the president, he/she is entitled to receive termination compensation amounting to six months' total pay (excluding bonuses) over and above his/her salary for the period of notice. If the president is dismissed before 1 January 2010, an additional amount equal to six months' pay must also be paid as termination compensation. If the company dismisses the president due to a change of ownership, the president is entitled to receive termination compensation amounting to 12 months' pay over and above his/her salary for the period of notice. The president's retirement age and pension are set in accordance with legislation.

The Corporate Management Group

The Corporate Management Group assists the president in the planning of operations and day-to-day management as well as prepares matters for decision by the parent company's Board of Directors. The Management Group meets regularly once a month and its working committee when necessary.

The Management Group comprises the president, the heads of the business areas and the directors in charge of support functions. The members of the Management Group and their areas of responsibility are presented on pages 32–33.

Remuneration paid to the president and Management Group by SRV

EUR	Salary and fringe benefits		Performance bonuses		Total	
	2005	2006	2005	2006	2005	2006
President	137,836	332,842	27,855	120,000	165,691	452,842
Other members of the Management Group	991,042	1,266,278	55,945	563,695	1,046,987	1,829,973

Compensation

The company's Board of Directors decides on the terms of employment of the president and members of the Management Group and their other compensation. As in hiring, the "two rungs up" principle is followed in matters of compensation – in other words, decisions are approved and made by a supervisor's supervisor.

Performance bonus scheme

The Board of Directors approves the principles of the performance bonus scheme for one year at a time. The company's management and salaried employees are covered by the performance bonus scheme. The amount of performance bonuses paid to office staff depends on the Group's result, the result of the subsidiary/business area and personal performance. The size of the bonuses of project staff is set on the basis of the achievement of project objectives.

In 2006, performance bonuses amounting to EUR 2.6 million were paid to the management and personnel of the company, representing 8.9% of the salaries and remuneration paid by the Group.

Share ownership

Ilpo Kokkila owns 52% of the shares in SRV Group Plc. The remainder, 48%, is owned by SRV Henkilöstö Oy. Ilpo Kokkila holds 50.1% of the shares in SRV Henkilöstö Oy through a company that is owned by him.

Indirect shareholdings of personnel

In autumn 2005, SRV Henkilöstö Oy arranged a share issue directed at the personnel and Board members of the SRV Group that was geared towards committing staff to the company's long-term objectives.

On 31 December 2006, SRV Henkilöstö Oy had 170 shareholders representing the company's management, other employees and Board members. Management and employees own about half of SRV Henkilöstö Oy, and Ilpo Kokkila holds around 50% of the shares through a company that is owned by him. SRV Henkilöstö Oy has a 48% stake in SRV Group Plc. The ownership of shares in SRV Henkilöstö Oy is linked to employment relationships and these shares can be conveyed no earlier than in 2010.

Internal supervision and risk management

The company's main operations have been divided into business areas whose directors report to the Group's president. Supervision is based on a strategy and budget that are drafted annually as well as reports submitted to the Board of Directors and Management Group by the business areas, primarily on a monthly basis.

Supervision matters that the Board of Directors deliberates on at its meetings include the development of the business areas, the planning of strategies and operations, key issues concerning the monitoring of operations as well as investments and acquisitions. The Management Group deals with matters concerning the planning of business operations as well as the supervision and development of operations. In addition, each business area has its own Management Group whose main tasks are to deal with matters related to the business area's earnings monitoring, business planning and the development of operations. Group Functions direct, support and co-ordinate the key shared subareas of the business areas.

The company's Board of Directors and the president hold overall responsibility for risk management. The Board approves the risk management strategy and policy as well as evaluates the risk management plan covering the entire company's operations. Line management is responsible for directing and supervising risk management on a day-to-day basis.

The company's core operations are directed using internal operating policies and methods.

Audit

The consolidated financial statements are drafted in line with IFRS.

The company has one regular auditor and one deputy auditor. Both auditors are a person or firm approved by the Central Chamber of Commerce.

The auditors are elected at the Annual General Meeting for a term ending at the conclusion of the subsequent Annual General Meeting.

On 28 April 2006, the Annual General Meeting appointed Jarmo Lohi, APA, as the regular auditor, and Ernst & Young Oy as deputy auditor, with Mikko Ryttilahti, APA, as chief auditor.

In 2006, the auditors were paid EUR 129,211 in audit fees. In addition, the auditors were paid EUR 70,668 in fees for other services (including all Group or chain companies).

Risk management is part of the management system

- Comprehensive risk management strategy and policy
- Most important strategic and operational risks were identified
- Outlays on risk management were stepped up in resource management

SRV's major risk factors are general economic trends, maintaining profitable growth and the management of both resources and projects.

In 2006, SRV centralised the control of risk management at the Group level. Particular attention was paid to drafting a general risk management strategy and policy, identifying the major risks and adopting a systematic approach to operations. Resource management was designated as the second internal focus area in risk management alongside occupational safety.

Objectives

SRV's risk management aims to ensure that the company's manageable risks do not jeopardise its business operations or the achievement of the set business objectives. In addition, risk management aims to minimise the effect of risk factors that are beyond the company's control. Effective risk management also makes it easier to identify and harness the company's opportunities.

Organisation

Risk management is part of SRV's management system. It supports the company's values, vision, strategy and the achievement of performance objectives.

The company's Board of Directors and the president hold overall responsibility for risk management. The Board approves the risk management strategy and policy annually as well as evaluates the risk management framework covering the entire company's operations. Line management is responsible for the implementation of risk management on a day-to-day basis as well as its direction and supervision. The Group's risk management function supports the application of the risk management principles and develops Group-wide operating methods.

Process

The company employs a systematic and comprehensive risk management process. It comprises identifying and evaluating risks that affect the achievement of business goals, specifying the necessary controls and measures as well as supervising and reporting on operations.

SRV's main risks and their management methods

RISKS		Management method
Strategic risks		
General economic trends	Changes in business cycles and the business environments of the Group's customers	- Continuous anticipation of changes in the environment and market situations - Systematic planning and supervision of the company's operations - Management of priorities in different business areas - Flexible organisation structure and rapid reaction
Profitability	Increasing development and developer contracting projects	- Careful analysis of projects in the development phase and when making decisions on green-lighting construction - Steering projects towards short-term capital commitments
Growth	Expanding operations in selected business areas	- Seeking growth in known market areas - Disseminating good practices and applying them in selected business environments - Standardising supervising operations and reporting
Operational risks		
Resource management	Permanence of employees and availability of new personnel as well as the functionality of the co-operation network during implementation	- Good HR policy: systematic training and transfer of expertise, active co-operation with schools and educational institutions, being thought of as a good and competitive employer - Continuously seeking reliable new partners - Controlled subcontracting and implementation process - Close and continuous co-operation with the authorities
Project management	Technical and operational risks of projects	- Outlays on steering project planning - Project-specific quality plans and supervising implementation - Continuous development of expertise and operating methods and harnessing synergies

For more information on risk management, see pages 22–26.

Board of Directors 31 December 2006



Ilpo Kokkila, born 1947, M.Sc. (Eng.)

Chairman of the Board of Directors of SRV Group Plc as from 1987

Primary working experience: Perusyhtymä Oy, Director, 1974–1987

Other Board memberships in Finnish companies and institutions: Member of the Boards of Kesko Oyj, Central Chamber of Commerce (up to 31 December 2006), Confederation of Finnish Construction Industries (up to 31 Dec 2006), the Finnish-Russian Chamber of Commerce Association SVVK, Finnish Lifeboat Society, JTO School of Management (up to 31 Dec 2006), HVS Suojat Oy, Somerotalo Oy, Kolpi Investments Oy and Afortus Oy. Chairman of the Boards and Managing Director of Pontos Ltd, Pontos Development Ltd, Kampin Kehitys Ltd, and PBH Invest Oy. Chairman of the Boards of Russian Capital Management Oy, JTO Palvelut Oy (as from 1 Jan 2007), SRV Henkilöstö Ltd and Johtamistaidon opisto JTO, as well as member of the Investment Committee of Vicus Ltd.

Board and Supervisory Board membership in international companies and institutions

(Estonia): Member of the Supervisory Boards of Aktsiasells Hotell Viru, AS Viru Center, AS Uus Viru, Pontos Kinnisvara AS and Astlanda Büroo AS.



Eero Heliövaara, born 1956, M.Sc. (Eng.), M.Sc. (Econ.)

Member of the Board as from 24 October 2005

Primary working experience: President and CEO of SRV Group Plc as from 1 March 2006. Pohjola Group plc, President and CEO, 2001–2005; Ilmarinen Mutual Pension Insurance Company, Senior Vice President, 2000–2001, Investment Manager, 1998–2000, Merita Asset Management Oy Ab, Managing Director, 1996–1998; Merita Bank private bank, Unit Manager, 1994–1996; Union Bank of Finland International S.A., Luxembourg, Managing Director, 1991–1994.

Other Board memberships in Finnish companies and institutions:

Member of the Boards of Directors of the Foundation for Economic Education, Oy Pörssitalo, the Finnish Foundation for Share Promotion and SRV Henkilöstö Ltd. Member of the Policy Committees of the Finnish Business and Policy Forum (EVA), the Research Institute of the Finnish Economy (ETLA), the Helsinki Chamber of Commerce and the Central Chamber of Commerce. Member of the Investment Committee of Sponsor Capital Oy.



Matti Mustaniemi, born 1952, M.Sc. (Econ.)

Member of the Board as from 24 October 2005

Primary working experience: Tempo CSF Ltd, Partner, 2006–; Wihuri Ltd, President, 2004–2005, Vice President, 1999–2003, CFO, 1994–1999, Amer Group, management positions in financial administration, 1990–1994.

Other Board memberships: Chairman of the Board of Directors of TEMPO CSF Ltd, member of the Boards of Directors of Petromaa Oy and Comptel Corporation, Managing Director of Astrum Invest Oy and Deputy Board Member of Isamot Capital Oy.



Markku Sarkamies, born 1946, M.Sc. (Eng.), M.Sc. (Econ.)

Member of the Board as from 24 Oct 2005

Primary working experience: Advisor to the Boards of Directors of SRV Group Plc and Pontos Ltd, and head of project financing, 1998–2005. Various management positions in financial administration and financing at the Polar construction companies, 1971–1992, and Board membership.

Other Board memberships in Finnish companies and institutions: Chairman of the Board of Directors of Finnish Electrical Vehicle Technologies Ltd and member of the Boards of Directors of Oy Sanil Europe Ltd and MSC Consulting Ltd. Deputy Board Member of AS-tilit Oy, Managing Director of Elielin Pysäköinti Oy, and entrepreneur, Konsultointi Markku Sarkamies Consulting.

Board and Supervisory Board memberships in international companies and institutions

(Estonia): Member of the Boards of Directors of RDS Hotelli AS and AS Uus Viru. Member of the Supervisory Board of Aktiaselts International Baltic Golfmarina and AS Viru Keskus.



Marja Sarnela, born 1945, LL.M., Secretary to the Board of Directors

SRV Group Plc: Senior Vice President, Legal Affairs and the Group's Chief Legal Counsel as from 2001

Primary working experience: SRV Group's attorney 1999–2001; Helsingin Suomalainen Säästöpankki bank, Suomen Säästöpankki bank and property management company Arsenal Oy, Real Estate and Investment Director 1983–1998, Keskus-Sato Oy developer's attorney and Director of commercial development department 1971–1983.

Board memberships: Member of the Boards of Directors of SRV Henkilöstö Ltd and Screen World Oy. Deputy Board Member of Kolpi Investments Oy.

Management Group

1 February 2007



Eero Heliövaara



Timo Nieminen



Hannu Linnoinen



Ari Beilinson



**Juha-Veikko
Nikulainen**



Juha Pekka Ojala

Eero Heliövaara, see page 31

Timo Nieminen, born 1958, M.Sc. (Eng.)

SRV Group Plc, Executive Vice President and the Deputy CEO as from 2002. Various positions in the company since 1987.

Primary working experience: SRV Viitokset Ltd, Managing Director, 1997–2002, Director, 1992–1997; Kiinteistöviitonen Oy, Managing Director, 1991–1992, Project Manager, 1987–1991; Perusyhtymä, Design Manager, 1986–1987.

Board and Supervisory Board memberships in Finnish companies and institutions: Member of the Supervisory Board of Etera Mutual Pension Insurance Company, and member of the Board of Kampin Keskus Oy.

Hannu Linnoinen, born 1957, LL.M., M.Sc. (Econ.)

SRV Group Plc, Senior Executive Vice President and CFO as from 1 June 2006. Joined the Group in 2006.

Primary working experience: Pohjola Group Plc, Executive Vice President 2003–2005, Director 2001–2003; Conventum Limited, President 1999–2001; Merita Bank Limited, General Manager, London branch 1995–1999, Head of Capital Markets 1998–1999, Treasurer 1993–1995, Unit Director 1990–1992.

Board memberships in Finnish companies and institutions: Outokumpu Technology as from 2006.

Ari Beilinson, born 1963, M.Sc.(Econ)

SRV International Ltd., Executive Vice President as from 13 Nov 2006. Joined the Group in 2006.

Primary working experience: Nokia Ventures, Sales & Marketing Director, Helsinki 2005–2006, Business Development Director 2002–2005; Nokia Networks, Sales Director, Milan 2000–2002, Sales Support Center Director, Copenhagen 1998–2000, Senior Account Manager, Sydney 1997–1998; Nokia Telecommunications, Account Manager, Singapore 1994–1997; IBM, Sales Representative & Sales Manager, Helsinki 1988–1994.

Juha-Veikko Nikulainen, born 1961, M.Sc. (Eng.)

SRV Westerlund Ltd, Managing Director as from 26 January 2007. Joined the Group in 2007.

Primary working experience: YH-Asunnot, CEO, 1996–2006; Lujja-Yhtiöt, Regional Director 1990–1995; Rakennus-Ruola, Marketing Manager 1987–1990; Perusyhtymä Oy, Project Engineer 1984–1987.

Board memberships in Finnish companies and institutions: Chairman of the Governing Board of the Finnish Science Centre Foundation.

Juha Pekka Ojala, born 1963, MEng.

SRV Viitokset Ltd, Managing Director as from 2002. Joined the Group in 1997.

Primary working experience: Production Manager, Project Director, Project Manager, and Project Engineer at SRV Viitokset since 1997. Project Manager in the USA, 1995–1996.

Board memberships in Finnish companies and institutions: Oy Kampiparkki.



Pirjo Ahanen



Anu Hämäläinen



Jussi Ollila



Marja Sarnela



Matti Kärnä
Secretary to the
Management Group

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

SRV Group Plc, Senior Vice President, Human Resources Director as from 7 August 2006. Joined the Group in 2006.

Primary working experience: Personec Ltd (part of Tieto-Enator), Sales Director 2004–2006; WM-data Novo Oyj, Project Manager and HR Consultant 2001–2004; Fortum Engineering Ltd, Project Manager, Human Resources Development Manager and Human Resources Manager 1984–2000.

Board memberships in Finnish companies and institutions: SRV Henkilöstö Ltd 2006.

Anu Hämäläinen, born 1965, M.Sc. (Econ.)

SRV Group Plc, Senior Vice President, Financial administration as from 1 November 2006. Joined the Group in 2006.

Primary working experience: Quorum Oy, Director, Finance and Administration 2005–2006; Conventum Pankkiiriliike Oy (part of Pohjola Group), President 2004–2005, Conventum Group, Administrative Director 2001–2004; Opstock Ltd, Director, Finance and Administration 1999–2001; Wärtsilä Corporation, Financial Controller and various tasks in financial administration 1991–1999.

Jussi Ollila, born 1967, Master of Soc. Science

SRV Group Plc, Senior Vice President, Communications and Marketing as from 1 February 2007. Joined the Group in 2007.

Primary working experience: Kemira GrowHow Oyj, Senior Vice President, Communications 2002–2007; Kemira Oyj, Communications Manager 2001–2002; ICL Invia Oyj, Communications Manager 1998–2001; Sonera Oyj, Communications Officer 1996–1998.

Marja Sarnela, see page 31

Matti Kärnä, born 1960, Lic. Tech., EMBA,

Secretary to the Management Group
SRV Group Plc, Senior Vice President, Development Affairs as from 2002. Joined the Group in 1987.

Primary working experience: SRV Viitokset Ltd, Development Director, Manager, and Engineer, 1987–2002.

Glossary

Traditional competitive contracting = The customer commissions the project design and then selects the building contractor on the basis of tenders received.

Developer contracting = The construction company acquires the plot and independently designs, builds and markets the site.

Project Management contracting = The project management contractor has principal responsibility for the site. The construction is mainly subcontracted, and often the design and building work is executed simultaneously, slotted together.

Partnership construction = A method by which the site is designed and the building work executed continuously in line with the customer's requirements and in co-operation with the customer.

Development projects = The construction company develops the project from the beginning and executes it in accordance with the customer's requirements.

TR measurement and TR value = Safety measurement and measurement index applied in housing construction (max. 100%).



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SRV

