



What do you see here?



Constructively different

Annual Report

2007



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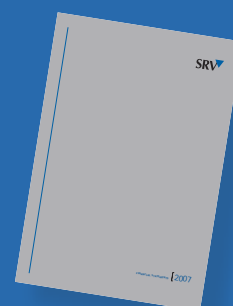
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...we see you serving
customers.

SRV built a classy
shopping paradise for
the people of Helsinki

Take an old office building, add fresh ideas and the result can be this: a sleek atrium flanked by shops and cafes. A granite mass can house a bright spa oasis, and an abandoned factory can be made into distinctive apartments for families. Even a prison can be transformed into a hotel where you'd gladly spend the night.

The world is full of ideas and possibilities – all you need is someone to turn them into reality.



SRV in Brief

SRV is constructively different. It is a forerunner in carrying out customer-focused project management assignments.

The core values guiding SRV's operations are:

- ▶ responsibility
- ▶ open co-operation
- ▶ bold in development
- ▶ enthusiasm for doing

In addition to extensive area construction projects, SRV is specialised in property development and the construction of business premises, offices and logistics centres as well as underground infrastructure. In Finland, SRV operates in the Helsinki Metropolitan Area and the country's growth centres, whereas its international operations are expanding in Russia and the Baltic countries. SRV's strength is the ability to meet customers' needs through unbiased and innovative solutions. SRV takes on total responsibility for its projects and implements them efficiently and systematically. In international operations, SRV's strengths are a knowledge of local conditions and cultures, and a tightly knit network of local partners.

In its Housing business, SRV is specialised in high-quality apartment houses in the centre of town, in large area developments with terraced, semi-detached and detached houses and in year-round leisure homes. Area development know-how, SRV's own product concepts and its own stock of plots are strengths in housing construction. Good service and good customer relationships are characteristic of SRV's operations. In all operations, SRV's property development is closely allied to local market knowledge and a network of relationships.

The core competence of SRV's operations comes from its operation model – the SRV Approach. It includes:

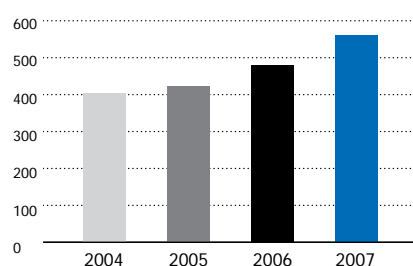
- ▶ **Superior and innovative project development that is driven by customers' needs in combination with flexible control of an extensive network of stakeholders.** Innovative flair is based on long years of experience and professional skill in developing complex projects. The company's extensive network of customer stakeholders consists of users of properties, property investors, land and real-estate owners as well as the construction authorities.
- ▶ **The superior project management approach in project implementation and the efficient utilisation of a network of skilled subcontractors.** SRV has developed its own operational model, which makes efficient use of a network of subcontractors made up of reliable and professionally skilled specialists, designers, subcontractors and suppliers of materials.

SRV's core expertise brings with it the following competitive advantages:

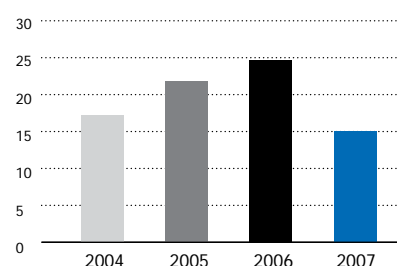
- ▶ **Overall economy and faster implementation.** In all its projects, SRV seeks out a well-functioning overall solution that takes into account the project's location, users, spaces, financing and structures. The implementation time is shortened by means of unified project management that extends through the entire project, and by flexibly overlapping the design and construction phases.
- ▶ **Better in line with the needs of the customers.** Projects always spring from customers' needs. In business-premises projects, customers can play a part in guiding the project jointly with SRV right in the early stages. In residential construction, SRV likewise takes users' needs and wishes into account all the way from the initial planning stage.

Key figures	2007 IFRS	2006 IFRS	2005 IFRS	2004 FAS
Revenue, EUR million	561.4	479.5	422.0	403.2
Operating profit, EUR million	15.1	24.6	21.8	17.2
Operating profit, % of revenue	2.7	5.1	5.2	4.3
Return on equity, %	6.9	27.3	34.0	35.3
Return on investment, %	9.7	15.9	19.1	26.2
Equity ratio, %	55.4	31.7	19.8	22.6
Order backlog, EUR million	528.7	453.7	251.8	345.9
Personnel on average	761	668	671	603

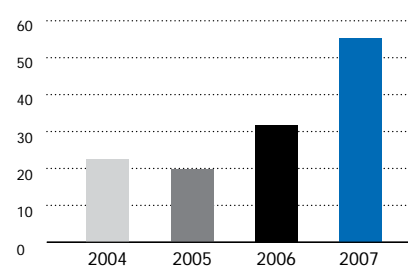
Revenue, EUR million



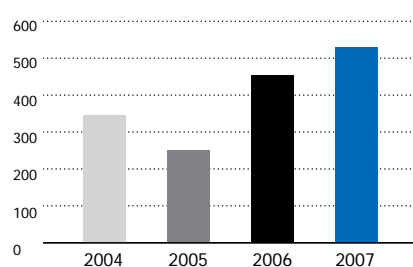
Operating profit, EUR million



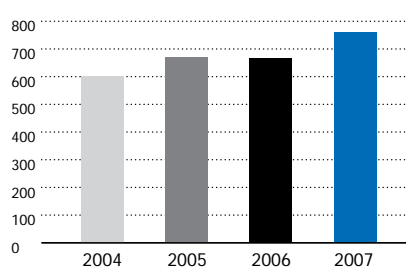
Equity ratio, %



Order backlog, EUR million



Personnel



To be done in 2007
IPO &
one strong brand &
focus on Russia &
Profitable projects &



A constructively different 20-year old

The cornerstones of SRV's strategy were laid 20 years ago. In the early summer of 2007, the company realised its dream that had taken shape over several years, when it listed its share on the Helsinki Stock Exchange. The SRV Approach also proved its viability in a changing market situation.

2007 will go down in history as a challengingly dual-trend year. In the first part of the year, the wheels of the economy were spinning full tilt. Several orders for business premises projects came in monthly, and sales of residential units were at a record level. There was a lot of talk of a shortage of resources and a rise in the prices of materials, and even problems in obtaining the main materials rated as news items. However, after the summer, caution set in rapidly. The credit crunch that started in the US market ultimately spread to Finland too. However, for the time being it has only showed up in the form of longer decision making by consumers and companies, with investors requiring a slightly higher return.

SRV's core competitiveness is embedded in its way of operating. Innovative development of projects in combination with construction carried out using the company's project management model are a unique way of operating, which we are proud of. For customers, it means faster implementation of projects, overall economy, a better fit with objectives and an opportunity to influence implementation of the project along the way. Many believed that the SRV Approach would not work during boom times. SRV has created a market in which small subcontractors can operate, and SRV is able to carry out demanding projects even when there seems to be a shortage of labour.

The SRV Approach has proved its muscle

It is no accident that many of SRV's projects have been carried out ahead of schedule and have often come in under the cost targets. The large Flamingo recreational centre project in Vantaa, which won the worksite of the year award, is an excellent example of all that can be achieved using the SRV Approach in combination with the best personnel resources and new computer-aided project management. The project will be handed over to the client two months ahead of schedule. Other large-scale projects, too, such as HTC Keilaniemi in Espoo and the Eiran Kommodori residential project in Helsinki are top-calibre in design and implementation.

Over the past two years, we have honed our strategy, altered our management system and crystallised our brand philosophy. SRV people are proud of their brand promise of being "constructively different". SRV started on its trailblazing path 20 years ago. Skills in developing projects in combination with implementation according to the SRV Approach have evolved into a competitive edge which other players in the market have striven to follow. An ever greater share of large construction projects are carried out according to the project management model.

Listing brings new opportunities

The listing gave SRV access to the capital markets, thereby opening up an avenue for improved profitability and growth. Especially over the medium-term and long-term, we believe in the growth in residential construction in Finland, in addition to which the Russian market represents the biggest growth potential for SRV over the long term.

SRV has operated in the Russian market for as long as it has been in business. We have carried out in Russia a total of over 60 successful projects, and at the present time we are carrying out six projects. Russia's growing economy offers huge potential to SRV. The country's fast-paced economic growth has been bolstered by consumption growth that has been spurred by the escalating price of oil.

In Russia, there is still a great need for investments to broaden and diversify the economy. Actually, all sectors of construction are booming in Russia. The projects SRV is carrying out in Russia are connected above all with the construction of business premises, its core area of expertise. The capital that has been raised in the initial public offering will make a possible shift in focus from purely customer-developed projects to projects in which SRV also shoulders the financing.

A matrix organisation gives greater flexibility in resource allocation

At the beginning of the current year, many of SRV's functions went over to a Group-level matrix organisation. This is of particular significance where construction resources are involved. SRV is seeking to develop important projects for the Russian market. To implement these, we need the input of SRV's experienced production staff. I consider it entirely realistic that in the years ahead, SRV's active home market area will also cover the St. Petersburg economic area.

SRV's team has again done a splendid job in 2007. Our strength is our unique operational model. We are able to operate flexibly in different markets and in different kinds of projects. Our order backlog is at a good level and is high in quality. We have a good foundation for profitable growth both in Finland and in Russia.

Eero Heliövaara
President and CEO

SRV strategy

SRV is an innovative total solutions builder that assumes a customer-focused responsibility for the development, construction and commercialisation of projects.

SRV's operations are divided into the Business Premises, Housing and International business areas. The Property Development unit undertakes extensive new projects for all the business areas.

In Finland, SRV's operations are geared to the Helsinki Metropolitan Area and the most important growth centres. In Russia, SRV operates primarily in Moscow, St. Petersburg and Ekaterinburg as well as in other million-plus cities that are chosen according to the projects to be carried out. Operations in Estonia and Latvia are concentrated in the areas around the capital cities as well as in the largest growth centres.

Business Premises carries out office, commercial, logistics and rock construction projects. The objective of the Housing business area is primarily to construct high-quality projects in town centres as well as extensive residential areas. The focus within International operations is on shopping centre, office, logistics and hotel projects.

The SRV Approach is employed in all the company's projects.

Projects can be implemented in different ways. Development projects are launched either on a capital investment basis or together with a selected partner in co-operation. Partnership projects are carried out using the cost-plus or target-price model. Fixed-price, tender-based contracting is employed in selected projects only.

Within Business Premises operations, SRV purchases plots of land to ensure it will be able to start the development projects. In the Housing business area, SRV purchases unzoned land and zoned plots in order to implement its chief concepts. For projects in Russia, capital is invested in purchasing plots as well as in the construction itself. In the Baltic states, the investment principles are the same as in Finland.

SRV's strategic objectives

- ▶ **To improve profitability** across the businesses by increasing the share of development projects, by boosting the efficiency of operations and customer relationship management as well as by developing SRV operationally as a single entity and brand.
- ▶ **To safeguard growth** by focusing efforts on housing production, regional operations in Finland and in Russia, by prudently increasing the use of the company's own balance sheet in business dealings and by making the company an increasingly desirable employer.
- ▶ **To boost competitiveness** by developing company-wide knowledge of the businesses of its main customer groups and by working out concepts for innovative total service solutions that can be offered to customers.

SRV's business areas are at different phases of their cycles

- ▶ Growth of the construction of commercial premises is continuing
- ▶ Housing construction is diminishing, especially outside growth centres
- ▶ The Baltic countries are going through a temporary sharp slowdown
- ▶ Russia offers plenty of opportunities

The world economy continued to grow at a moderately good pace in the review period, with the slowdown in the United States economy being offset by economic growth in other areas. Sizing up the future business cycle is nevertheless rendered difficult by the greatly increased uncertainties surrounding the economy and by the crisis of confidence in the financial markets. In the Eurozone, the boom has probably already peaked. The European Commission lowered its estimate of the output growth in the Eurozone from 2.5 per cent in the review period to 1.8 per cent. There was strong economic growth in SRV's market area, though growth did slacken in the latter part of the review period.

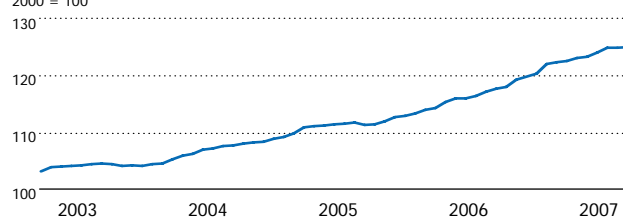
The Finnish economy grew at an annual rate of 4.4 per cent. In 2008, economic growth is expected to slow markedly but again to exceed the growth figures for Europe by a clear margin. The estimates in early 2008 predict that GDP will remain under 3.3 per cent. The situation in construction and the real-estate market is expected to remain moderately good, though the rate of growth will slow somewhat this year. The credit crunch that started in the USA will also add to the uncertainty in the Finnish construction market.

With construction rolling ahead, building costs rose markedly in Finland in the review period. The cost index was up 5.6 per cent during the year. The largest single rise was in the finance sector, which saw a cost increase of about 24 per cent. The supply of materials improved towards the end of the year, and in the current year, the supply of skilled labour and materials is forecast to move closer to the normal market situation.

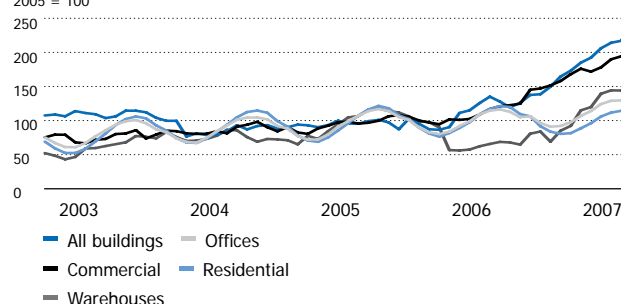
Business premises

The volume index for the construction of new offices increased by nearly 65 per cent in Finland in the review period, and the volume index for commercial construction was up about 55 per cent. Office vacancy rates have declined slightly and office rents have remained at a good level. The good business cycle, the building starts made in 2007 and construction companies' full order books point to a further strong continuation of commercial and office construction in the current year. Construction of logistics and storage facilities was also on the upswing in the review period. When the Vuosaari Harbour has been completed, construction in these fields will remain brisk, particularly in the Helsinki Metropolitan Area.

Cost index
2000 = 100



Volume index of new building in Finland
2005 = 100



Housing

Residential construction was at its briskest in 2006, and headed downward in the review period. Growth in the number of new home mortgages slowed, and record-low interest rates are for the time being history. The number of unsold completed housing units has grown somewhat and selling periods have lengthened, particularly outside the Helsinki Metropolitan Area. Despite the present state of the economy, consumer confidence has remained bright and there have not been large changes in home-buyers' intentions during the review period. Urbanisation, population ageing and greater affluence, an increase in leisure time and a rise in the general level of space and quality requirements are estimated to maintain the need for new housing at a level of about 30,000 units up to 2020. Housing production in the large growth centres, and especially in the Helsinki Metropolitan Area, is likely to continue at a faster rate than the rest of the country.

Baltic countries

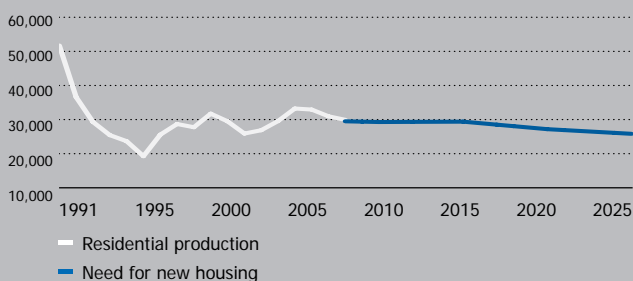
The Estonian economy was cooling down last year after two years of annual growth above 10 per cent. The Estonian Central Bank estimated that economic growth in the review period had been 7.3 per cent and is forecasting growth of 4.3 per cent for 2008 and 5.7 per cent for 2009. Prices of properties have fallen by about 10 per cent from the peak figures reached in February 2007, and the number of sales has halved. According to the Latvian Central Bank, the country's economic growth continued at a strong pace in the review period, coming in at 10 per cent. It can nevertheless be seen that the growth in the Latvian economy too is slowing down. Despite the slowdown in

the Baltic countries, the economies of Estonia and Latvia are expected to keep growing for a long time at a rate that is clearly above the European average. A strong economy coupled with the need for new properties will probably keep the volume of new building at a healthy level in the Baltic countries for some years ahead.

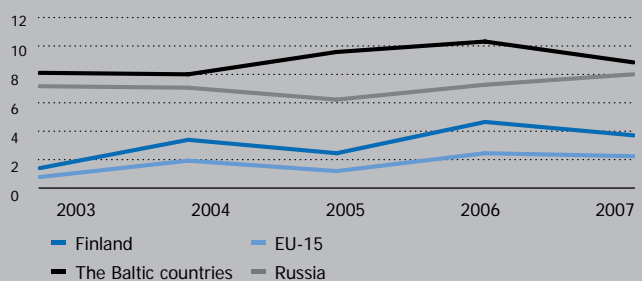
Russia

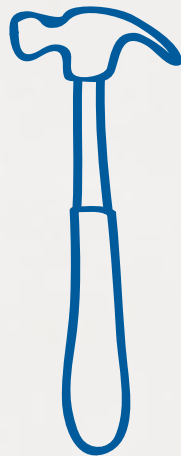
Russia's gross domestic product increased at a rate of about 7.8 per cent in the review period and Russia's construction market is estimated to grow at an annual rate of about 10 per cent over the next few years. Despite the construction boom, the country still suffers from a shortage of high-quality office premises – in Moscow, office space per head of population is less than a third of what it is in European cities on average. Rents have risen rapidly in the review period and occupancy rates have improved. The growth in the energy sector-related economy is also feeding into other sectors. The growth in citizens' income will accelerate sales in the retail trade, for example, and the volume of shopping centre space, measured in square metres, is expected to double in a few years. This means significant investments in logistics construction too. The rise in the level of costs, a shortage of skilled personnel, administrative permit practices as well as the availability of plot land pose challenges for construction operations. For SRV, Russia offers a good opportunity to capitalise on its total solutions know-how in construction projects. In addition to the Moscow and St. Petersburg areas, there is also demand for hotel, commercial and office premises projects in other cities with a population of over a million.

Residential production



GNP, changes in volume, %





Our main tool...

...is here:

SRV Approach

Customer network

- ▶ End-users
- ▶ Investors
- ▶ Landowners
- ▶ Authorities

Close and straightforward co-operation from the very start of the project brings added value to all parties.

Business Development Manager
LEEÄ MARKKULA-HEILAMO
City of Vantaa

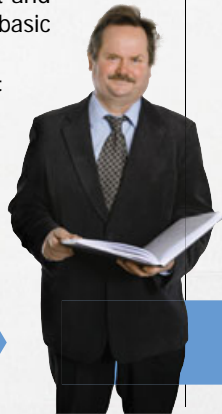


Project process

Needs and changes in operational environment

Property Development

Innovative development of a construction project and determination of the basic characteristics
Property Development Manager
JOUKO PÖYHÖNEN



Design

Integrated management of the design process
Design Manager
LIISA MÄKINEN



Subcontractor network

- ▶ Specialists
- ▶ Designers and engineers
- ▶ Subcontractors
- ▶ Material suppliers

All parties do what they are best at.

< **Architect**
ANTTI-MATTI SIIKALA
SARC Architects Ltd

Together we find the very best solutions in demanding projects.

> **Departmental Director, M.Sc.**
TEUVO MERILÄINEN
Aaro Korhonen Oy



The owner, investor, and users can rely on a successful outcome – the Flamingo project is a prime example.
Head of Client Financing and Real Estate Investments
JORMA KUOKKANEN
 Varma



Construction

Project management implementation of construction under a general contractor's overall responsibility
Project Manager
AUNO MUTIKAINEN



Property as premises and investment

Clear-cut rules of the game and longstanding partnership guarantee a high-quality result.
Erection Supervisor
PEKKA LAINE
 Normek Oy



Targeting an increase in development projects

Property development is one of the mainstays of SRV's operations. Innovative yet realistic property development separates SRV's operations from those of competitors.

The task of Property Development is to identify opportunities in the market and to develop them into new projects for the operational business areas. The unit operates as an innovation centre, developing extensive and long-term projects. Property development also embraces land acquisition, financing and investment solutions. After the property development phase, projects move ahead to the business areas, which carry out the development work for projects that are closer to the construction phase and implement the actual construction projects.

A chief aim of Property Development is to achieve a strong increase in the share of development projects: to at least half of all the Group's projects. SRV's listing on the stock exchange now makes it possible to expand its land acquisition for developer contracting projects in Finland and Russia.

The Property Development unit also manages SRV's customer relationships, particularly relationships with landowners and property owners. It carries on close co-operation with the municipalities.

Systematised concept solutions from start to finish

Property Development produces product concepts that are aimed at specific user groups. Among the product concepts developed by SRV are HTC (High Tech Center), STC (Smart Tech Center) and LBC (Logistics Business Center). SRV also has a share of the user rights to the WTC concept in the area of the Helsinki Vantaa International Airport. Product concepts enable the implementation procedures for SRV's projects to be standardised, thus improving their efficiency.

An important strength in SRV's property development is extensive networking, along with the customer-centred, innovative, questioning and long-term operations that are typical of the company. The Property Development unit has a good grip of the specifics of the various sectors in which customers operate. By means of property development, SRV controls the property and construction project's entire value chain, end to end.

Projects at many stages

At the end of 2007, Property Development had about 80 candidate projects in the company's pipeline. Construction continued on the Porvoo King's Gate (Kuninkaanportti) project, one of the most important. Development of the Kerca Logistics Centre that is being built together with the city of Kerava progressed to the stage of preparation for the preconstruction. Work on building HTC Keilaniemi continued. Three Keilaniemi properties were sold in 2007 to MEAG of Germany and one to the Neste Oil Pension Fund.

HTC Vermo is being developed in Leppävaara.

Development of the Jyväskylä Government Building moved ahead when the town council approved the drawing up of a preliminary contract. In January 2008, the city of Espoo awarded the planning reservation for the residential towers that are planned for construction atop of Karhusaarentie, a road in Tapiola.

The city of Helsinki reserved a plot, including buildings, for the Tallink headquarters and hotel that are planned in Länsisatama.

In addition, in the summer SRV purchased a 6.3 hectare land area that belonged to SanomaWSOY Corporation in Vantaa. This will provide a site for versatile business premises that are to be built in the fast-developing Vantaankoski area.

Processes should support operations

Property Development enhances its operations by further increasing its knowledge of the businesses its end-user customers are in, by further improving customer relationship management and by boosting the efficiency of project sales to users and investors.

To reach these objectives, it is of primary importance that Property Development's processes are modelled to support operations. Market analysis is developed by creating new operating models and by developing the appropriate tools. New concepts are created for commercial and logistics projects.



SRV's expert

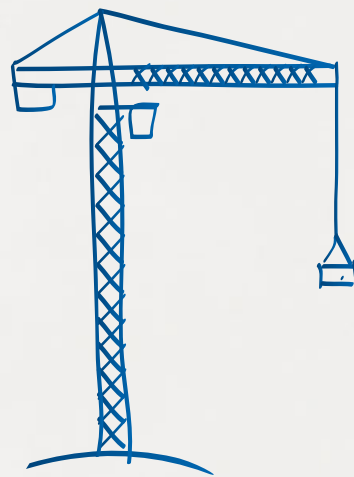
Property development spans borders

Property development – and the manager's role in it – often springs from just thinking things over. An identified possibility leads to an idea, and the idea grows into a project. The right skills are needed to set up a group that is able to refine the initial outline into a construction project. In order to turn the project into a commercial reality, end-users and possibly also investors must be found.

The Kerava Cargo Center, or Kerca, a co-operation project between SRV and the City of Kerava is one of the large projects which **Jouko Pöyhönen** has headed. The logistics centre that combines railway and road transports also serves transport flows to and from Vuosaari Harbour. Development of the project started in summer 2005, and when the local town plan became legally valid, the initial construction works got started this year. The building rights in the 130 hectare area provide for 270,000 m² of gross floor area.

Marketing of the premises to future users started in early 2007. The logistics centre will serve companies that provide distribution and logistics services in both the Helsinki Metropolitan Area and more widely throughout southern Finland. The railway connection to Russia is a further asset for Kerca.

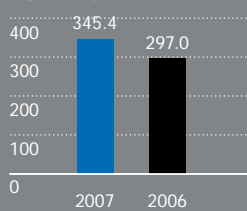
Kerca is a good example of SRV's property development. In this case too, SRV has worked in close co-operation with the city to develop land into a well-functioning area to serve the needs of ever-increasing goods transports. And SRV's property development savvy is not confined solely to Finland. The road leads to Russia as well, where SRV intends to develop similar projects.



The lifting power...

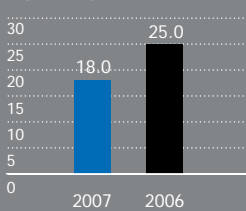
Key figures, Business Premises

Revenue,
EUR million



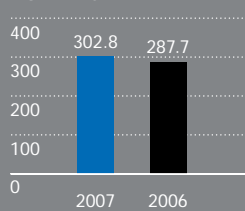
Change from 2006:
16.3%

Operating profit,
EUR million



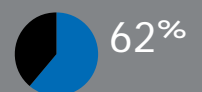
Change from 2006:
-27.7%

Order backlog,
EUR million



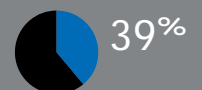
Change from 2006:
5.2%

Share of Group revenue



Share of Group personnel

Personnel:
2007: 295
2006: 236





Business premises for customers' needs

SRV's Business Premises performed strongly in 2007. The order backlog showed growth and profitability of projects notched up further. The long-term development work on the SRV Approach and the outlays made on getting to know the customer's business paid off.

SRV's Business Premises organisation carries out office, commercial, logistics and rock construction projects for its customers. The Business Premises operations furthermore include the construction of selected special projects, such as public-sector educational and research facilities as well as hotels.

SRV is a pacesetter in project management in Finland. It provides business premises solutions that meet the user's individual needs. SRV's Business Premises organisation is able to leverage distinct competitive advantages. It offers appreciation in the value of the investment by creating interesting investment opportunities as well as design solutions arising from the end-users' needs.

Operations revolve around innovations that springs from customers' needs as well as control of the extensive network of stakeholders. Skilled staff and a network of high-calibre subcontractors carry out construction projects efficiently using the SRV Approach. This approach yields flexibility and lends itself also to fast decision-making. The SRV Approach is at its best in particularly demanding projects: the more demanding the project, the better the approach's inherent advantages come into their own.

Ongoing relationships, recognition for work done

Continuity and partnership are the cornerstones of Business Premises' operations. The years of work done within our customer

network are bearing fruit. The bulk of the assignments carried out during the period were done for long-standing customers.

Continuity and partnership are also of key importance in relationships with subcontractors. SRV's Business Premises business area has a network of 3,500 contractors covering all the different subareas of construction. All the subcontractors have given their commitment to operate under SRV's guidance and control in accordance with the SRV Approach.

The largest of SRV's ongoing developer contracting projects in 2007 is HTC Keilaniemi. Six high-quality office buildings will be constructed in the area. As a follow-up to agreements concluded in the previous year, in the early months of 2007, SRV sold the third so-called D Building to the Neste Oil Pension Fund. In August, the German real-estate investment company MEAG purchased the remaining three HTC Keilaniemi properties.

The zoning plan for the Kerca logistics centre that is to be built in co-operation with the city of Kerava was approved in autumn, and preparations for the preliminary construction work on the project got under way. Five commercial buildings were completed in Porvoo's King's Gate (Kuninkaanportti) district, and work on two other commercial buildings was in progress at the end of the year. The so-called mid-area zoning plan for King's Gate was approved, and construction works were started towards the end of the year.



Etola Technologies centre, Vantaa

The Flamingo recreational centre which SRV builds in Vantaa was chosen as the best construction site in Finland in 2007 in the competition arranged by Rakennuslehti (Construction Magazine). The main criterion for the choice was a command of the entire construction process on a large and demanding site. In the jury's opinion, the production planning and utilisation of the Building Information Model as well as occupational safety and site cleanliness were top-flight. The site received a special mention for compliance with the provisions of the Client Liability Act, where SRV went far beyond the stipulated minimum requirements.

Construction works continued on Phase 2 of Biomedicum in Helsinki's Meilahti district.

SRV was also carrying out large and demanding renovation projects. The renovation of the Ratakatu 6 school building continued for the University of Helsinki. In Hakaniemi, the renovation of the former National Board of Education building was started for the Senaatti-kiinteistöt property company.

Within rock construction, SRV has grown to become a major player in the Helsinki Metropolitan Area in the space of five years. The most important rock construction projects in 2007 were the excavation of the Helsinki City Service Tunnel and an enlargement of the Kampiparkki carpark. SRV is also carrying out the interior finishing work contract for the western part of the Helsinki City Service Tunnel. In view of this momentum, Business Premises made new investments in rock construction equipment during the year.

SRV purchased the Suomen Rehu Oy factory property in Vaasa. Located in the immediate vicinity of the town centre, the area will be developed into a commercial and business complex. SRV was also chosen as Sponda's partner in co-operation for the follow-up development of the shopping centre that is to go up on the site of the Vaasa bus and coach station, where service was discontinued. Development of a shopping precinct is also under way in Pedersöre. The first phase of the renovation of the TRIO Shopping Centre in Lahti was completed in November.



SRV's expert

Planning management tools and skills keep the project on track

The task of Design Manager **Liisa Mäkinen** in King's Gate project in Porvoo is to create a framework for the co-operation of the design and implementation team and to keep it on track. It is necessary to find out the client's wishes and needs and to establish the appropriate cost level for the party who pays for the project. Staying on top of the situation as the project moves ahead calls for continually keeping tabs on works that have been done and are coming up as well as on the overall objectives.

An extensive commercial area has been under construction in King's Gate (Kuninkaanportti) since 2001 in co-operation with the City of Porvoo. In March 2007, a contract agreement was signed with the Etola Group, primarily concerning a 4,700 m² commercial and production property that was to be built in the Etra Megacentre in King's Gate.

The client's requirements for the building's functions, appearance and visibility imposed a tight framework on the design and costs. The owner, the user and the design team got together and worked out a solution that satisfied all the parties and had a feasible cost structure. The construction works got under way in April 2007, and the building will be handed over to the Etra Megacentre operators in February 2008.

During the planning of the King's Gate retail building, another construction project was started with the Etola Group. The successful co-operation points to a bright future.

Increasing the share of developer projects

In early 2007, SRV's Building Systems unit was integrated more closely with the Group's business areas and was made a part of the Business Premises operations. SRV Building Systems also serves the projects of the Group's Housing business area as well SRV International's operations.

Business Premises' development efforts in 2007 centred on working jointly with customers in the initial phase of a construction project, follow-up development of operational processes, the utilisation of three-dimensional planning models and overall control of building systems and lifecycle issues.

The aim of development efforts in 2008 will be to further enhance operations by improving liaison between the Group's different functions. Increasing the share of developer projects will involve the further development of design steering, especially user design and management of the initial stage of a project. Inputs will be made to boost the efficiency of purchasing, particularly in international sourcing.

SRV's Business Premises unit is looking for substantial growth again in 2008. There is still plenty of demand for retail premises as well as for hotels. Demand for logistics facilities is growing fast in the Helsinki Metropolitan Area, and the outlook for rock construction is promising. Achieving the growth targets we have set nevertheless calls for energetic recruitment and purposeful strengthening of the organisation.

Major projects in 2007

Project	Type	Location	Completion
City service tunnel and extension of Kamppiparkki carpark		Helsinki	2008
Kaukokuolinta, logistics centre		Tuusula	2007
Kuninkaanportti IBI II, Hong Kong Isku, Hirvox Autosalpa Porvoo IBI, Porvoo I Etra IBI III		Porvoo	2007–2008
Biomedicum 2		Helsinki	2008
Sähkötalo*		Helsinki	2007
Shopping centre TRIO, phase I*		Lahti	2007
Nokia Kara Mid Point		Espoo	2008
Hakaniemenranta 6*		Helsinki	2008
Recreation centre Flamingo		Vantaa	2008
HTC Keilaniemi and Neste Oil HQ		Espoo	2008–2009
 Offices  Commercial  Hotel  Rock construction			
 Logistics centre  Research and teaching facilities * Renovation			

What will the office of the future be like?



Companies' way of thinking about business premises changed a good deal in the 1990s. Corridors lined with cell offices went out of style. The key point was how the space worked and its overall economy. A company's offices became a tool for guiding information flows, making hierarchies – or the absence of them – visible and synchronising functions harmoniously.

At a knowledge-based company, the employees are the critical resource. Employee satisfaction, commitment over the long term and work productivity are of prime importance to the organisation. The work environment is a significant factor in this.

What then will the Finnish business premises of the future be like? Predictions are difficult, but there's one forecast I venture to make. Fifteen years ago, people believed that the development of telecommunications would break loose the 1000-year shackles that fettered work and how it was done. The office seemed doomed to destruction. But it didn't turn out this way. The top companies have simply not spread their employees out in a host of granny's cottages. On the contrary, they have brought their people together into large centres, where they are the neighbours of companies in the same line of business.

My prediction is that the office will not fade from the scene. The reason for this is that knowledge work is not just tinkering with bits. Face-to-face interaction plays a large role in the birth of innovations, and Finland's prosperity depends to the very greatest extent on our ability to innovate.

Offices will nonetheless change. We will hardly do away with personal workstations, but they will be located in more open areas than in one-person rooms. They will strongly reflect their occupant's personality. Work will become more mobile. A good deal of work will be done off-site.

Heretofore, people kept their home and their job strictly separated. This will not be so in the future. Children and pets will be taken along to the workplace, and most meals will be taken there. The company will offer gourmet dining, and there won't be any cash registers in the restaurants.

Trend to growth centres is continuing in Finland. These centres are also expanding. Helsinki's reach already extends to Hämeenlinna and Lahti. The distances between home and one's workplace are also growing, and rush-hour traffic is leading to longer commuting times.

Top companies are meeting this challenge in two ways. They pick up employees at their homes and bring them back home in the company's van, which is fitted out as an office. The time spent commuting is counted as working hours. Satellite offices will become more common. I can arrange my business meetings in Porvoo for a certain day, and work during the in-between hours at our satellite office in Porvoo.

There will be really tough competition in attracting young people with the right skills. The biggest competitive edge will no longer be money, but a job one likes to come to.

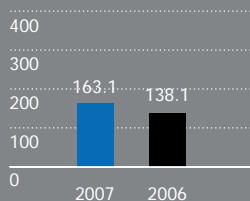
Hannu I. Miettinen, Docent, Project Director, SRV



The expert in residential living...

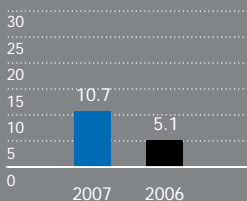
Key figures, Housing

Revenue,
EUR million



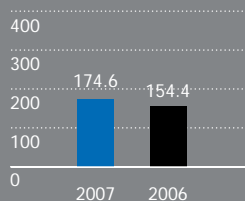
Change from 2006:
18.1%

Operating profit,
EUR million



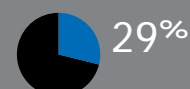
Change from 2006:
109.1%

Order backlog,
EUR million



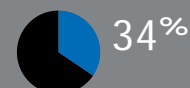
Change from 2006:
13.1%

Share of Group revenue



Share of Group personnel

Personnel:
2007: 275
2006: 293





Widening perspectives for the Housing business area

SRV's Housing business area is an innovative total-solutions builder of customer-focused developer construction projects. SRV is also a valued partner in projects undertaken on a co-operation and negotiated basis, and it is a reliable contractor. The fundamental idea is to offer the right product to the right customer at the right price on the right plot.

The Housing business area's operations are centred in the Helsinki Metropolitan Area and in the main growth centres elsewhere in Finland. The regional companies operate in Tampere, Turku, Jyväskylä, Lappeenranta and Joensuu. SRV Pohjois-Suomi (Northern Finland), a regional office that was established in Oulu, began operations at the beginning of March 2008.

In 2007, SRV's Housing business area grew strongly, and its earnings improved substantially. The earnings improvement was attributable in particular to good sales of large apartment house projects, a shift in emphasis to larger projects and upmarket apartments.

Zeroing in on the Helsinki Metropolitan Area

A total of 288 developer contract residential units were sold in 2007 and the construction of 363 developer contract residential units was started. At the end of the year, there were 415 units under construction, and 80 completed units were unsold.

Eiran Kommodori, a high-quality apartment house in the centre of town, was completed in Helsinki's Eiranranta district in December. In November, 113 residential units were completed in the Vantaan Marsalkka complex in Martinlaakso. In June, SRV purchased the Helsingin Töölön Oscar plot in the Leppäsuo block. Construction works on 65 premium city apartments were started towards the end of the year. In autumn, construction works got under way on the first phase

of the Vallikallion Helmi 67-unit condominium on a visible site along Ring Road I in Espoo's Vallikallio district.

On a contractor basis, SRV is building seniors' apartments for the Actors' Retirement Home Foundation in Helsinki's Munkkiniemi district, and it is carrying out the renovation and new building for the Kiinteistö Oy Arkadiankatu 28 and Kylericampus condominiums.

In June, SRV signed a preliminary agreement on a real-estate transaction concerning the purchase of the buildings and plot owned by Parker Hannifin Oy in the Pakkala district of Vantaa. SRV intends to build 5,800 gross square metres of residential units on the plot.

SRV is participating in the design, development and construction of a close-to-nature town village that is to be built in the Perusmäki district of Espoo together with the city of Espoo, Asuntosäätiö (Housing Foundation) and other builders. Martinmuuri, a commercial centre and condominium, is being planned for construction in Martinlaakso. SRV also has development projects in the Marja-Vantaa area.

Developing a customer-centred approach and products based on systematised concepts

The Housing business area is seeking to increase the proportion of its own production and to secure bigger project sizes, particularly in the Helsinki Metropolitan Area. SRV is stepping up the efficiency of its residential construction through systematised concept. Home-owners will be given increased scope for influencing the solutions used in their homes.



Eiran Kommodori, Helsinki

In 2008, internal development will focus on customer service and the use of systematic concepts. SRV is participating in the innovation project 24Living which combines residential research and business.

Versatile regional operations

SRV Keski-Suomi

The main projects completed during 2007 were the Asemapäällikön Talo (Stationmaster's House) and Häkkinen Handicraft Village, built for Jyväskylä Area Youth Housing, Oriveden Puistolanhovi and the renovation of Building Q of the Jyväskylä University Student Union as well as an extension of a pulp recovery plant that was built for UPM Kymmene. The construction of a total of 50 apartment houses was started on a developer basis.

In Jyväskylä, the development of the old Government Building includes an extensive complex in the centre of town. The project comprises retail and business premises as well as housing. In the Seppälä district the construction of a retail building and phase I of the residential units will start towards the end of 2008.

SRV Lounais-Suomi

On a developer basis, 31 terraced house units were built in Kaarina, part of which will be completed at the beginning of 2008. A 52-unit apartment house was built in the centre of Turku. A contract agreement was concluded with YH Länsi Oy for the construction of the Asunto Oy Turun Perennakatu condominium comprising 88 apartments. The contract projects completed were Mako Oy's industrial building, Perennapiha which was built for Sato Rakennuttajat Oy and the Turun Autohalli carpark.

Pirkanmaan Projektitoimi

A total of 122 apartments were completed in Pirkkala, Kangasala and Ylöjärvi during 2007. For Pirkanmaan AVO-Asunnot Oy, a 17-unit semi-detached and terraced house project was built in the Raho-la district of Tampere as well as a 20-unit apartment house in Orive-

SRV's expert



City construction hinges on smooth logistics

The As Oy Vantaan Marsalkka condominium that has been built in the Martinlaakso district of Vantaa was a sought-after place to live even before it was completed. **Auno Mutikainen**, in his capacity as project manager, was in charge of the project's worksite, procurements and monitoring of the timetable and costs.

Work on SRV Westerlund Oy's developer contractor project started in November 2005. But first the Institute of Occupational Health's long-vacant office building had to be torn down. The actual construction works got under way in January 2006. The special challenge that emerged was the plot's small size, which faced logistics with a tall order. Because materials could not be stockpiled at the site, deliveries of goods had to be planned precisely and just in time.

Vantaan Marsalkka is a 5–8 storey building with four entrance stairways. Additionally, it has a separate parking deck. The apartment house is excellently located right near the railway station and other services.

People began moving into the apartments in September 2007. Sales of the apartments were made so swiftly during construction that there were only three units left when the project was completed.

si, the construction of a total of 98 tenancy entitlement housing units was started. A 12-terraced house developer contracting project was started in Kangasala. At the end of 2007, a land area was sold to Pirkanmaa Cooperative Society for the building of retail facilities and at the same time a contract for construction of the project was signed.

Rakennusliike Erkki Huhdanpää
















In 2007, 128 residential units were built in Tampere, Nokia and Ylöjärvi as well as servicing and warehouse facilities for the Niinisalo Garrison. In addition, design of seven residential projects was started in Tampere, Nokia and Kangasala. Rakennusliike Erkki Huhdanpää is furthermore participating in zoning projects with the City of Tampere and the municipality of Kangasala.

Rakennusliike Purmonen

In Joensuu, 8 developer-built apartments were completed and work got started on building 18 residential units in Marjala. A 26-unit apartment house was completed in Tahko, and the construction of ten log holiday homes got under way. A mining office that will be completed in May 2008 was built for Talvivaara Projekti Oy in Sotkamo. In addition, the enlargement works to the Kesla head office were in progress.

SRV Kaakkois-Suomi primarily built business premises on a contract basis in 2007. The most important of these were a factory bay for Esmarin Oy, which manufactures glassfibre boats in Savonlinna, the Lahti Operational Centre for Oy Etola Ab, the Vainikkala Terminal for John Nurminen and industrial facilities for Finnacement Oy. An extension to the Bleaching Department was built for the Valki project in Valkeakoski and business premises were built for Onninen in Lahti.

Major projects in 2007

Project	Type	Location	Completion
As Oy Vierumaen Summertime		Vierumäki	2007
As Oy Vantaan Marsalkka		Vantaa	2007
As Oy Helsingin Eerikinkatu 41*		Helsinki	2007
As Oy Eiran Kommodori		Helsinki	2007
Ulrikanpuisto	  	Vantaa	2007–2009
As Oy Espoon Vallikallion Helmi		Espoo	2009
As Oy Vantaan Kapteeni		Vantaa	2008
As Oy Helsingin Toolon Oscar		Helsinki	2009
As Oy Helsingin Thalianrinne		Helsinki	2008
 Condominium  Terraced houses  Semi-detached houses  Leisure accommodation * Renovation			

In Lappeenranta, SRV built a fish processing plant as well as business premises for Laattapiste. In Lauritsala, SRV purchased a plot for building an apartment house.

The home of the future in all life stages



Individualism is a fundamental human right that extends to how we live. People's needs vary according to their life situations, and future homes will go beyond bricks and mortar, forming a basis of support enabling people to realise their individual needs. Homes will become interactive support centres where residents can rebuild their strength and vitality.

In the heyday of urbanisation in the 1960s and 70s, sprawling dormitory suburbs were built. Residential areas did not evolve into lively urban villages as was imagined. Instead, the areas were deserted in the daytime, services went unused and people did their shopping at hypermarkets on the way to and from work. Result: the service structure withered away.

"The starting point was wrong," says Professor Juhani Suominen of the University of Art and Design Helsinki. "Instead of suburbia, designers should have created residential communities that are a blend of workplaces and dwellings, plus people who need a variety of services. There has to be a wide variety of services, because needs vary depending on a person's age and life situation."

This kind of thinking harkens back to the village community, where people and services support each other, and where the community reinforces the villagers' identity. Likewise, multimodal cities are kinds of large and tolerant communities. An important aim would be to keep them in use for living and office purposes. Town business centres could be enlivened the way Stockholm is doing – say, by building terraced houses on the rooftops of office buildings.

Keeping energy use in check will also be of importance in construction in the years ahead. Technical solutions for reducing water and electricity consumption already exist and "only more wool," as Juhani Suominen puts it, is required in carrying out the construction itself.

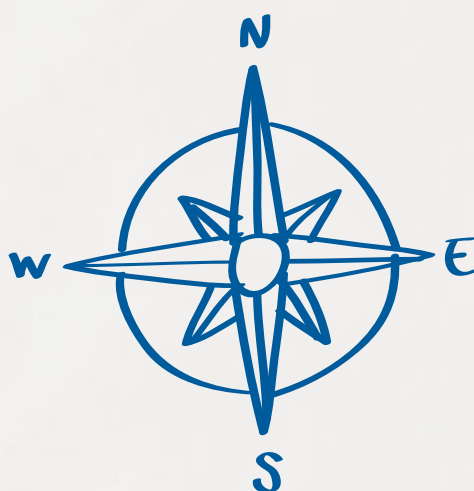
"In energy conservation, a big start could perhaps be made by not encouraging people to drive miles away to do their shopping. Rather, services would be there right near consumers. For example, online shopping is a very environmentally friendly tool for buying things, and hopefully it will be used a great deal more than at present."

A home is an important base of support for people. This is where we relax and "recharge our batteries" for meeting future challenges. In coming years, homes will be increasingly individual, mirroring their users, and they will also offer a wealth of experiences. Everyone will get their money's worth in the form of tailor-made solutions. Dwellings will be modifiable according to the need, and they will be required to have a better understanding of their users.

In the future, housing production will be holistic; residents will be offered technology, services and an environment – a complete package, not just apartments and houses. According to Professor Suominen, examples of this kind of architectural design are to be found in the model countries for future habitation needs – the United States and South Korea – where the zoning and land use authorities have understood the needs of a changing world and the individual.

"I'd like to see Finland get some of this far-sightedness that springs from the imagination of planning authorities."

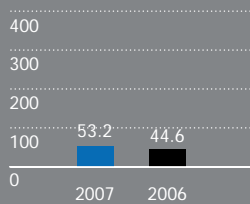
Professor Juhani Suominen, University of Art and Design Helsinki/Massachusetts Institute of Technology MIT, heads the 24Living project that was launched by the university with the aim of reflecting on future habitation needs from a lifecycle perspective. One of the companies participating in the project is SRV.



Your new office...

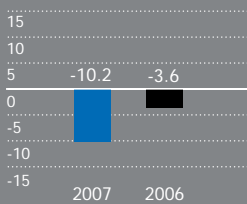
Key figures, International

Revenue,
EUR million

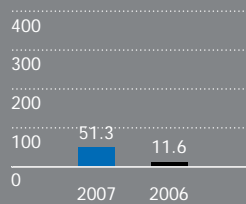


Change from 2006:
19.4%

Operating profit,
EUR million



Order backlog,
EUR million



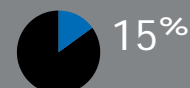
Change from 2006:
341.3%

Share of Group revenue



Share of Group personnel

Personnel:
2007: 114
2006: 87





Networking and speed in International Operations

SRV International is a reliable total solutions builder whose competitive advantage is an in-depth knowledge of local markets and the operating environment in unison with innovative solutions.

SRV International operates as a developer of real-estate projects and a project management contractor in the Russian and Baltic markets. In Russia, SRV is specialised in developing and building shopping centres, offices, hotels as well as various production and logistics facilities. In the Baltic countries, SRV also operates in the housing market.

SRV International carries out projects tailor-made for the customer or in the form of its own development projects. SRV International's operations are based on networking with local partners in co-operation. This enables projects to get off to a quick start. Local companies are engaged as construction subcontractors and act as partners carrying out the design work. Thanks to this approach, SRV International's operations are not limited to a specific geographical area, either. Projects can be started up in a short time in new areas as well.

Projects in Russia, Estonia and Latvia

Construction works were started on the Etmia II project in Moscow during the review period. The office building and carpark that is to be built in the centre of Moscow is a continuation of the first phase of the project

that was completed on the same plot in 2002. SRV's role in the project is that of a part-owner and project management contractor. SRV has a 50 per cent stake in the venture.

During the financial year, SRV renovated in St. Petersburg the Pulkovskaya and Pribaltiskaya hotels that are operated by the Rezidor Group, a partner of long standing.

Other major projects in Russia in 2007 were the extension to the Len-Expo facilities in St. Petersburg, which was done to a tight schedule. The project was of vital importance for successfully carrying through St. Petersburg's 11th International Economic Forum. SRV was chosen to build the extension thanks to its excellent references and well-established business relationships.

Construction of the Papulanniemi residential area in Vyborg began in June, and selling of the apartments got started towards the end of the year. Plans call for building seven apartment houses, two 4-unit terraced houses, two semi-detached houses and four single-family houses in the area by the end of 2010, or a total of about 300 residential units. In the first phase, 38 units will be built in the area.



Multifunction shopping centre, Mytishchi, Moscow area

During the financial year, SRV expanded its shopping centre know-how to the Moscow area. Together with Kiinteistösijoitusyhtiö Vicus Oy, a real-estate investment company, it purchased a commercial and office building plot in the city of Mytishchi. Design of the multifunction shopping centre, which comprises more than 100,000 m², preparations for construction and the search for tenants got started during 2007. The construction will be done in two phases and it is estimated to begin in 2008.

In Estonia, SRV also is a home-builder. During 2007, the construction of 48 new developer apartments was started in Estonia.

A joint project with Facio Ehitus was started in Tartu. SRV owns a plot for seven apartment buildings in the city. Construction on the first of these was started in the summer. The buildings feature exceptionally modern architecture.

In Estonia, a logistics centre was built and leased to Oriola KD. Completed at the turn of the year, the project was sold to Evli Securities' real-estate private equity fund EPI Baltic I Oy towards the end of the year. A vehicle dealership building was built for Inchcape Motors in Tallinn. Business premises for Veikko Laine Oy were completed in the first part of the year.

In Latvia, projects were carried out for HRX, Beweship and Latvijas Finieris. A Kesko Agro store was completed in Riga in the first part of the year.

The most important development projects in the Baltic countries are the Liepaja Trade Park in Latvia and a logistics centre in Saue, Estonia.



SRV's expert

Experience and networking give an edge in Russia

Veli-Matti Kullas, managing director of SRV Russia Ltd, has worked full time in Russia within project development and construction for over ten years, the last four of which have been in SRV's service. He has become familiar with the operating environment, but in order to stay up to date on the fast-changing legislation and market, he constantly has to learn new things.

The practice has been to set up the company's own project companies to carry out projects. This means that partners in co-operation change project by project. In step with a long and an extensive backlog of experience in Russia, a wide network of local partners in co-operation has evolved, and it can be tapped for the right people for each project.

One of these projects currently involves building an office and carpark complex of about 14,000 m² in the immediate vicinity of central Moscow. Kullas has a seat on the project company's Board of Directors and has overall responsibility for the project. He says that the most challenging part of the project was the permit-application phase, which lasted more than two years.

In Russia, all signs still point to robust growth in construction as Finnish and other western companies expand their operations in the country. On the other hand, more and more Russian companies are among the tenants who occupy the newly built facilities. Another challenge awaiting Kullas is in Moscow: the Mytishchi commercial and office building complex is a large-scale and interesting project.

Growth continues in Russia; Baltic operations attuned to the market

Russia's strong economic growth is forecast to continue. The buoyant economy has also led to growth in consumer demand. The cities and markets that have opened up in Russia and the other CIS countries represent attractive new areas for Finnish companies. SRV is also studying possibilities of expanding its operations to new geographic areas. In Russia, SRV is prepared to increase its investments in projects.

The long and robust economic upswing in the Baltic countries has peaked, particularly in the real-estate market. Home sales showed a particularly pronounced slowdown during the year. Commercial construction, however, remains brisk.

Thanks to its good understanding of the market, SRV succeeded in forecasting the slowdown in the residential market in the Baltic countries, and large residential projects were not under construction during 2007. SRV is closely following the trend in the residential construction market in the area and will not start up new projects until the market picks up again. The construction of commercial facilities is continuing ahead actively. SRV has obtained a good foothold in the Baltic countries and will continue to invest in this market in both the medium and long-term.

Major projects in 2007

Project	Type	Location	Completion
Russia			
Etmia II		Moscow	2008
Park Inn Pribaltiyskaja*		St. Petersburg	2008
Multifunction shopping centre		Mytishi, Moscow area	2010
Papula		Vyborg	2008–2010
Estonia			
Oriola		Tallinn	2007
Jõekaare, phase I		Tartu	2008
Latvia			
Latvijas Finieris, phase II		Rezekne	2007
Beweship		Marupe	2007
Offices Commercial Hotel Logistics centre Residential Industrial * Renovation			

Russia. Vector of success



In order to estimate the perspectives of the economic development of Russia, it is necessary to answer the question of what its capacities in the world economy are in addition to its role as a provider of natural resources. In my opinion, it is possible to emphasise two global strategic trends of the Russian economy: energy and transport infrastructure.

Energy development includes two huge projects that are unprecedented in terms of the volume of financing:

- a programme of technical modernisation and reconstruction of existing power generating capacity and transmission networks, which constitute the main basis of the Russian energy system;
- a programme of development of nuclear energy that includes constructing a minimum of 100 new atomic station energy blocks over the next 12 years.

The objective of the projects described above is to ensure that the needs of the Russian economy are addressed fully and to produce high quality energy for further exporting it to other countries.

The development of the transport infrastructure should be defined as creating a transcontinental system of transport corridors in Russia that would connect European and Asian markets by land, and also provide

ways to reach remote regions of Siberia and the Far East and their resources. The system of transport corridors should include – in addition to traditional piping systems – arterial cabling nets, and what is more important, paths that would ensure high speed international transports.

We see the potential role of Russia in being a transport and energy integrator of the European Union on the one hand, and Asian countries on the other, primarily China, Japan, Korea and India. Energy and transport complexes as branches of the economy are major consumers of all products of mechanical engineering, metallurgy, and other industries. Modernisation of these complexes builds a solid ground for encouraging investment in developing the entire industrial sector of the economy, with the starting focus on the Russian internal market.

Thus, regardless of world economy trends, a tremendous investment boom is expected in Russia in the 2010s–2020s, which will be an unprecedented boom in its history.

Y. Derevianko, PhD
Rector of IBI, St. Petersburg

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%).





SRV grooms specialists

The keys to SRV's success are enthusiastic, skilled and committed people. The task of the Human Resources function is to find and keep the most competent people, whilst also grooming and developing new professionals inside the company.

People who take part in property development, managers and foremen in projects and the skilled professionals in various construction trades form one of SRV's key competence groups. SRV intends to hire the most skilled people and keep them in its ranks by being a fore-runner in its field and developing its organisation and management systems, with an accent on recognising individuality as part of day to day management. The success of an expert organisation depends largely on its staff's competence and positive mindset.

SRV endeavours to ensure the availability and high calibre skills of its personnel so that the company can meet the changing resource and competence needs. We face the challenge of being able to forecast even competence requirements that come into play in innovative property development that looks ahead to customers' needs.

In-house experts

Whereas SRV set the goal of ensuring resource availability for the Human Resources function in 2006, in 2007 the target was to develop competence into a genuine competitive advantage for SRV.

The Group wishes to take the lead in grooming and scouting for skilled people to take on demanding expert tasks involving profit accountability within SRV. Although SRV is a relatively small list-

ed company, we want to be an attractive employer for all those who seek to be tops in their field – experts who are standouts. A lean organisation, fast-decision making and an entrepreneurial spirit describe SRV as an employer. Our people are empowered to take part in developing and influencing the end result far more than is done in traditional contracting. SRV's core values were recast in co-operation with the representatives of the personnel to bring them in line with the company's strategy, and they were published at the end of 2007. The values play an important part in guiding job development and professional pride.

Unifying the HR function

In step with development of the organisational structure, there has been greater scope for unifying management practices. An organisational structure based on business areas also opens up new opportunities for implanting good practices within the Group. Notably, the process of surveying training needs has been centralised and unified so that the training sessions and courses offered better serve the entire Group.

The results of the personnel survey that was conducted in 2006 were gone through in small groups in the first part of the year, and

detailed operational plans for 2007 were formulated on the basis of them. The personnel survey in 2007 was carried out towards the end of the year and it expanded to cover all the Group's employees in Finland, Russia and the Baltic countries. The study indicated that the personnel are highly committed to their work and very motivated. The marks given for the workplace atmosphere improved, as did satisfaction with supervisors.

Attracting young people to SRV – making old hands fit

The entire construction industry faces the challenge of attracting young and able people. This is why co-operation with educational institutions is of great importance to SRV. Last summer, a total of 119 interns worked in SRV's trainee programmes. Increasingly, the company and the trainee outlined a plan of the trainee's future in a job with the Group. One natural path to a career as an SRV specialist is to do a thesis or a diploma while on the job.

During the year, SRV participated for the first time in the "Worker to Foreman" job advancement training that was arranged by the Training Centre of the Finnish Construction Industry (RATEKO).

Apart from young people, during the year SRV also devoted special efforts to improvements for its staff who have been with the com-

pany for years. SRV has noted the importance of transferring the know-how of site staff who have a great deal of experience. Particular attention will be paid to transferring this know-how. On the other hand, the mass retirement of baby-boomers, which has been viewed as a problem in the construction industry in coming years, does not necessarily put a strain on a group that works according to the SRV's project management model as strongly as it impacts traditional construction contractors.

The personnel are encouraged to get out and do things by offering them a varied programme of cultural and physical fitness activities. In 2007, SRV also participated in the Aslak rehabilitation programme that aims to promote occupational and physical ability. The first course periods dealing with preventive rehabilitation started up in January 2008.

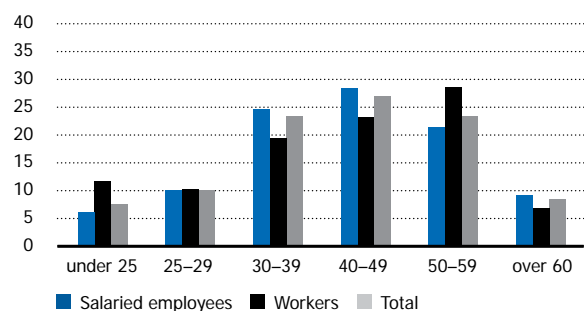
Numerical highlights

SRV had a payroll of 752 employees (707) at the end of the year and the average number during the year was 761 (668). Salaried employees made up 73 per cent of the personnel and blue-collar workers 27 per cent. The average age of the personnel was 43.0 years (42.2). Women made up 19 per cent of the personnel (17).

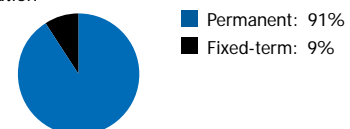
Key Figures	2007	2006	Change, %
Average number of employees	761	668	14
Employees at 31 December	752	707	6
Permanently employed	686	605	13
Women, %	19	17	

Number of employees by business area 31 Dec.	2007	2006	Change, %
Business Premises	295	236	25
Housing	257	293	-12
International	114	87	31
Other	86	91	-5
Total	752	707	6

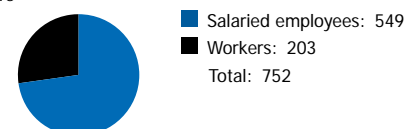
Age distribution, %



Nature of employment relation



Salaried employees/workers



SRV's expert

Master's thesis leads to a specialist career

Minna Kantola, Property and Concept Development Engineer, has worked for SRV International since early 2007. Minna was studying construction and environmental engineering at the Helsinki University of Technology, and she actually joined the company back in the summer of 2006 to do her Master's thesis on the real-estate market in the Baltic area.

The theme of the thesis gave her a perspective on the industry and showed that it was interesting. A half-year stint convinced both parties that they should exercise the tentative job option. When Minna graduated, she swapped her diploma project for a full-time job as a property and concept development engineer.

Now, a year later, the Baltic countries are still Minna's territory, but Russia's buoyant real-estate market is becoming her main focus. Minna works at the Head Office in Espoo, but she makes frequent visits to sites abroad. Last autumn, for example, she made a trip to Russia every other week.

What have you liked most about the job?

"There's plenty of scope. The work is varied and it involves assignments all across the board. I can take the initiative in doing my job tasks, and that way I can influence my own job description. In Russia and the Baltic countries, new investment opportunities are emerging constantly, and I get a chance to look them over."

Who would find SRV a good place to work?

"A lot of my colleagues are graduate engineers and business school graduates. In international operations, knowing the ropes in Russia is a valuable skill, and of course language proficiency is a great help too. I recommend SRV to everyone who is interested in being a self-starter, doing wide-ranging work and to find a place where they are motivated by career advancement they achieve by doing good work."



Aiming for zero tolerance in corporate security

A pleasant and safe workplace is every tradesman's right, on construction sites as elsewhere. With the right attitude, and using well-planned safety equipment, accidents can be eliminated nearly entirely – SRV aims for zero tolerance.

The task of SRV's corporate security activities is to create disturbance-free operating conditions in order to safeguard production and services. The safety effort aims to protect SRV's, subcontractors' and customers' information, property, environment and reputation from accidents and criminal activities. Corporate security has been organised as part of SRV's risk management activities, which are headed by the Senior Executive Vice President. The continuous development of safety and security are the responsibility of the Safety Manager, to whom the persons in charge of arranging and carrying out safety measures in the different business areas report.

The aim of safety and security activities is to improve productivity and ensure competitiveness. This is achieved only by gaining the commitment of our own staff, subcontractors and customers so that all adhere to the safety practices in force and develop them systematically.

SRV Safety and the Safety Support Groups work to prevent accidents and disturbances

In recent years, SRV has taken resolute action to strengthen its corporate security. Accidents and disturbances such as burglary and theft or pilferage are tracked by means of the SRV Safety surveillance system, which aims to avert risks before they happen. Safety training for the staff has already brought results, and the number of accidents has declined significantly. Apart from training, personal protective equipment has evolved further, and use is also monitored more closely. Notices of the shortcomings are reported ahead. Co-operation with the various authorities in conjunction with technical aids and monitoring equipment contribute to preventing accidents and theft.

The Safety Support Group practice that was started a few years ago actively supervises and reinforces the management and identification of safety risks at all the larger work sites. During the year, the emphasis has been on strengthening safety practices and reporting models in Finland as well as on developing safety activities in international operations. SRV has participated actively in the work of organisations in its own industry and in the security field, notably the Confederation of Finnish Construction Industries RT/Safety Experts, in the Management Group of the RaTuKe project, in FinnSecurity ry, an association, and in ASIS Finland, where SRV has helped to develop and mobilise the best practices in the industry within its own operations

Safety makes things shipshape

A safe working environment makes things easier. In 2007, SRV has paid particular attention to issues such as pleasant work break areas and site huts. On a barren construction site, it is important to be able to take a break in nice surroundings, and the site facilities must be appropriate and clean. With a view to keeping things shipshape, SRV has emphasised that keeping things clean and orderly is everybody's concern.

An environmental approach from start to finish

Environmental considerations are an integral part of the way SRV works – right from the stage when buildings are being developed and designed. Environmental factors are also taken into consideration in the different work stages of building, and practices are continually developed together with the personnel and other stakeholders.

The starting point of SRV's environmental compliance is a commitment to the development of responsible operations. The company seeks to minimise environmental impacts over the entire lifecycle of the building. SRV monitors and reduces environmental impacts resulting from construction, and it develops and places in use methods of managing environmental loading whilst buildings are in use.

Environmental responsibility is an important part of SRV's risk management and quality assurance. Responsible business operations promote the company's competitiveness in a world where environmental problems are on the rise, consumers are becoming increasingly environmentally aware and customers and stakeholders face ever-tougher reporting obligations. A company's good reputation in environmental affairs is a competitive advantage when lining up partners in co-operation and hiring staff.

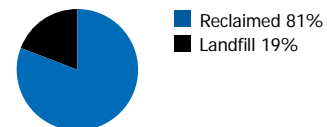
Monitoring and reporting boost awareness

SRV's environmental affairs liaisons monitor waste management at the worksites, the use of energy and water, the handling and storage of hazardous substances as well as subcontractors' environmental compliance. The personnel and subcontractors are trained to take the company's environmental goals to heart. Environmental planning models have been developed for the worksites, and these have been placed in use at all new sites in Finland.

More recycling, less waste

SRV is pursuing the objective of reducing wastes that arise at the worksite by means of sorting and recycling. The recycling rate is monitored at all the larger sites, and the aim is to increase it systematically. In order to develop operations further, close co-operation is continually carried on with companies specialised in waste management at construction sites.

Reclaiming of waste



SRV operates responsibly in all areas

SRV knows its responsibility towards the environment and its personnel. Furthermore, the company wishes to maintain its good reputation as a fair and reliable business partner. SRV considers that the strategy it has chosen is the best when ensuring long-term and profitable operations. At the same time, the company increases its shareholder value.


Responsible operations are profitable over the long term. They have a positive effect on the corporate image. A good reputation as a reliable employer or partner in co-operation thereby ensures the company's success in years to come.

Skilled employees underpin the company's operations. It is thus SRV's objective to develop its personnel, to improve job satisfaction and to pay particular attention to occupational safety. In everything it does, SRV observes the laws and regulations in force and carries on continuous close co-operation with the authorities. Eradicating the grey economy is a case in point.

SRV wants to be a reliable partner in co-operation for all its subcontractors and other stakeholders. Smaller companies too need the opportunity to take on assignments so that their business grows and flourishes. On the other hand, SRV expects its subcontractors to comply with regulations in matters such as employee pay and commitment to closely monitored procedures in accordance with the SRV Approach.

SRV attends to its environmental affairs by striving to minimise the environmental impacts that arise both via its operations and over the entire lifecycle of a construction project. The company develops and continually places in use new methods together with customers and other stakeholders. The logistics projects which SRV has developed and built enable transports to move more smoothly, shorten driving times and thereby cut down on the environmental impacts of transports. Within residential construction, SRV focuses on are developments and city dwellings located close to good transport connections.

SRV's operations affect the economic well-being of many stakeholders directly and indirectly. The major direct economic effects are on customers, subcontractors and the personnel. By seeking to develop profitability, growth and competitiveness, the company endeavours to promote the interests of its stakeholders now and in the future. Among the most important customer groups are end users of properties, property and land owners, investors and financiers as well as



SRV's expert

The grey economy chips away at the foundations of construction

Although the grey economy is still evident in the construction business, SRV has played an important role in eradicating it systematically. Co-operation with the authorities and labour organisations has already brought good results.

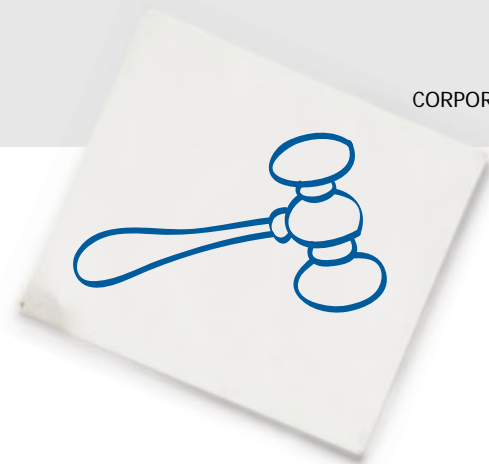
The Client Liability Act that entered into force in 2007 obligates clients ordering construction contracts to establish the legality of their subcontractors' operations. The new regulations have nevertheless not brought a mentionable decrease in the grey economy. "The central problem lies in the fact that clients/owners do not always have a grip on how to request so-called official company documents or due to a shortage of resources, are not able to control the subcontractor chain," observes **Jari Korpisaari**, SRV's Safety Manager. "What's more, ever shrewder players are operating in the grey sector, and exposing them is a complicated and time-consuming process."

"SRV is determined in its fight against the effects of the grey economy. Wide-ranging and long-term co-operation with different authorities and trade unions has already brought good results. Grey economy "entrepreneurs" have disappeared nearly entirely from the contracts managed by SRV. Major outlays have been made on putting in place systems to control subcontractors, and the results are clear to see," says Korpisaari.

As a purchaser of services, SRV wants to assume overall responsibility, which means that the responsibility extends to seeing to the interests of subcontractors' employees. "If necessary, SRV offers guidance to its partners in matters such as occupational healthcare. Over the long term, these are actions that always pay for themselves," sums up Korpisaari.

home-buyers. Revenue from customers in 2007 totalled EUR 561.4 million, and operating profit was EUR 15.1 million.

At the end of 2007, the company had a total of 752 employees (707). Salaries, compensation and indirect employer expenses paid by the company amounted to EUR 41.6 million. All in all, the Group paid 5.5 million in taxes in 2007 (5.2).



Corporate Governance

The SRV Group's corporate governance system is based on Finnish legislation and the company's Articles of Association. SRV Group Plc's shares are listed on the OMX Nordic Stock Exchange in Helsinki and the company observes the rules and regulations concerning listed companies which the exchange issues. On 17 April 2007, the Board of Directors approved SRV Group Plc's Corporate Governance guidelines, which comply with the recommendation concerning the corporate governance of listed companies that came into force on 1 April 2004, with the exception of points 28 and 29 of the recommendation, which concern the number and independence of the members of the Audit Committee. Because of the structure and small size of the company's Board of Directors, there are two members on the Audit Committee, one of whom is independent of the company.

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 Executive Team.

General Meeting

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

General Meetings are convened by the Board of Directors. A notice of a General Meeting is published in one nationwide newspaper no earlier than three months and no later than 17 days before the meeting. In order to participate in a General Meeting, a shareholder must notify the company of his or her intention to attend no later than the date mentioned in the notice, which can be no earlier than 10 days 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, release of the Board members and president from liability, the disposal of profits, increases or decreases in the share capital, issuing of 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 work. The Board of Directors ensures the functionality of the company's management system and approves its principles and risk management as well as 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 elects to seats on the Board of Directors, from among the persons proposed by shareholders, a minimum of five and a maximum of eight members. 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 close of the next 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 prepared 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 the legislation in force and the Articles of Association.

The Board of Directors meets 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 the vice chairman.

The Board of Directors conducts an annual assessment of its activities and working procedures.

At the 2007 Annual General Meeting, held on 23 April, four members were elected to the Board of Directors: Ilpo Kokkila (chairman), Eero Heliövaara, Matti Mustaniemi and Markku Sarkamies. At the same Annual General Meeting, Jukka Hienonen and Lasse Kurkilahti were also elected to seats on the Board of Directors. Their term of office began on 13 June 2007, when the company's shares had been accepted for public trading on the Helsinki Stock Exchange. As from the same date, president and CEO Eero Heliövaara resigned from membership of the company's Board of Directors.

Board of Directors as from 13 June 2007:

- ▶ Ilpo Kokkila (b. 1947), M.Sc. (Eng.), chairman of the Board
- ▶ Lasse Kurkilahti (b. 1948), M.Sc. (Econ.), vice chairman
- ▶ Jukka Hienonen (b. 1961), M.Sc. (Econ.), member
- ▶ Matti Mustaniemi (b. 1952), M.Sc. (Econ.), member
- ▶ Markku Sarkamies (b. 1946), M.Sc. (Eng., Econ.), member

Of the members of the Board of Directors, Jukka Hienonen, Lasse Kurkilahti and Matti Mustaniemi are independent of the company and its major shareholders.

Ilpo Kokkila was elected chairman of the Board. On 13 June 2007, the Board of Directors elected Lasse Kurkilahti vice chairman.

The Board of Directors met 19 times. The directors' attendance at meetings was 95.2 per cent.

Board Committees

At its meeting of 17 April 2007, the Board of Directors decided to establish two permanent committees: an Audit Committee and a Nomination and Remuneration Committee. The Committees report to the Board of Directors.

Audit Committee

The Audit Committee functions in accordance with the rules of procedure confirmed by the Board of Directors. The Audit Committee is a preparatory body of the Board of Directors, its purpose being to concentrate on the consideration of matters concerning the company's financial reporting and monitoring. Its task is to assist the company's Board of Directors by monitoring and overseeing the company's financial situation and reporting as well as by ensuring that the monitoring of the company's accounting and handling of funds, internal control, risk management, audit and the company's operations have been arranged in compliance with the legislation and regulations in force and the decisions of the company's Board of Directors.

The Audit Committee is comprised of members whom the Board of Directors elects from amongst its number. Because of the structure and small size of the company's Board of Directors, there are two members on the Audit Committee. In 2007, the Audit Committee was chaired by Matti Mustaniemi, and Markku Sarkamies was a member. Of the members, Matti Mustaniemi is independent of the company.

The Audit Committee met twice during 2007.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee functions in accordance with the rules of procedure confirmed by the Board of Directors. The Nomination and Remuneration Committee is a preparatory body of the Board of Directors. The committee prepares matters concerning the election and remuneration of members of the Board of Directors for presentation to the General Meeting and considers matters relating to the nomination and compensation of management as well as the remuneration and incentive for the personnel.

The Nomination and Remuneration Committee is comprised of members elected by the Board of Directors from amongst their number. The Committee's chairman in 2007 was Ilpo Kokkila and the members were Jukka Hienonen and Lasse Kurkilahti. Of the members, Jukka Hienonen and Lasse Kurkilahti are independent of the company.

The Nomination and Remuneration Committee met once during 2007.

Board of Directors' remuneration

The General Meeting confirms the remuneration of members of the Board of Directors annually. The Annual General Meeting held on 23 April 2007 confirmed the following monthly and meeting fees for the

members of the Board of Directors, the vice chairman and the chairman. The members of the committees are paid a Board of Directors' meeting fee.

EUR	2007	2006
Annual remuneration until 30 April 2007	15,000	15,000
Monthly remuneration as from 1 May 2007		
Chairman of the Board	5,000	-
Vice Chairman	4,000	-
Members of the Board	3,000	-
Meeting fee/meeting until 30 April 2007	350	350
Meeting fee/meeting as from 1 May 2007	500	-

Total remuneration paid to the Board of Directors by SRV

EUR	2007	2006
Chairman of the Board	53,600	19,900
Vice Chairman	30,500	-
Other members	109,200	43,000

President

The president of SRV Group Plc is Eero Heliövaara (b. 1956), M.Sc. (Eng., Econ.), who assumed his duties as from 1 March 2006. The president is responsible for the company's line operations and day-to-day administration. He reports to the Board of Directors on implementation of the targets, plans, policies and goals which the Board has set. The president attends to the legality of the company's accounting records and the reliable arrangement of its handling of funds. He prepares matters to be decided by the Board of Directors and carries out the decisions of the Board. The president is also chairman of the company's Corporate Executive Team. The Board of Directors appoints and dismisses the president and the executive vice presidents.

The executive vice presidents of SRV Group Plc are Timo Nieminen (M.Sc., Eng.), and Hannu Linnoinen, (M.Sc., Econ., LL M). The president's deputy is Timo Nieminen.

Corporate Executive Team

The Corporate Executive Team consists of the top management of the SRV Group. The Corporate Executive Team assists the president in planning operations and in line management as well as prepares matters to be dealt with by the parent company's Board of Directors. The members of the Corporate Executive Team report to the president. The Corporate Executive Team has eleven members.

Composition of the Corporate Executive Team:

- ▶ President and CEO Eero Heliövaara (Chairman)
- ▶ President's deputy, Senior Executive Vice President
Timo Nieminen (Vice Chairman)
- ▶ Senior Executive Vice President, CFO Hannu Linnoinen
- ▶ Executive Vice President, Business Premises, Juha Pekka Ojala
- ▶ Executive Vice President, Housing, Juha-Veikko Nikulainen
- ▶ Executive Vice President, SRV International, Ari Beilinson
- ▶ Chief Legal Counsel, Marja Sarnela
- ▶ Senior Vice President, Financial Administration, Anu Hämäläinen
- ▶ Senior Vice President, HR, Pirjo Ahanen
- ▶ Senior Vice President, Communications and Marketing, Jussi Ollila
- ▶ As of 11 February 2008 Executive Vice President, Russia, Veli-Matti Kullas
- ▶ Matti Kärnä, Vice President, Development Affairs acts as secretary of the Corporate Executive Team.

Management compensation and terms of managerial contract

The company's Board of Directors decides on the terms of employment of the president and members of the Executive Team 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.

Compensation paid by SRV to the president and the Corporate Executive Team

EUR	2007	2006
Regular salary including fringe benefits		
President and CEO	269,053	332,842
Other members of the Corporate Executive Team	1,041,893	1,266,278
Bonuses paid		
President and CEO	0	120,000
Other members of the Corporate Executive Team	78,290	563,695
Total		
President and CEO	269,053	452,842
Other members of the Corporate Executive Team	1,120,183	1,829,973

The president's period of notice is 6 months. If SRV dismisses the president, he is entitled to receive termination compensation amounting to six months' total pay (excluding bonuses) over and above his salary for the period of notice. If the president is dismissed before 1 January 2010, an additional amount equal to six month's 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 salary for the period of notice. The president's retirement age and pension are set in accordance with the legislation in force.

President Eero Heliövaara owns 1,909,483 SRV Group Plc shares, of which he has the right to sell 438,154 shares as from 1 January 2008 and the remaining 1,471,329 shares as from 1 January 2010. In addition, if the company dismisses the president before 1 January 2010, he shall have the right to sell the shares he owns immediately.

Performance bonus scheme

The company's management and salaried employees are entitled to participate in the Group's performance bonus scheme. The Board of Directors approves the principles of the performance bonus scheme for one year at a time. 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 2007, a total of EUR 1.4 million in performance bonuses was paid to the company's management and personnel (EUR 2.6 million/2006).

In addition, two business area senior vice presidents have a valid share incentive agreement in accordance with which the individuals have the right to an equity bonus which is based on the trend in the value of the company's share during 2006–2013 for a maximum of 100,000 shares and the bonuses can be paid during 2010–2013 in instalments of 25,000 shares per year.

Share ownership of the members of the Board of Directors and the president

Ilpo Kokkila holds directly and via Kolpi Investments Oy, a company he owns, 18,700,129 SRV Group Plc shares (50.94%). President Eero

Heliövaara owns 1,909,483 shares (5.19%), executive vice president Hannu Linnoinen owns 615,566 shares (1.67%) and executive vice president Timo Nieminen owns 418,266 shares (1.14%). Of the members of the Board of Directors, Matti Mustaniemi owns 70,822 shares, Markku Sarkamies 65,322 shares, Jukka Hienonen 20,000 shares and Lasse Kurkilahti 2,200 shares.

Share ownership of the personnel

In autumn 2005, SRV Henkilöstö Oy, a personnel fund, directed a share issue at the personnel and members of the Board of Directors of the SRV Group with the purpose of building the personnel's commitment to the company's long-term objectives. In connection with the listing of SRV Group Plc, SRV Henkilöstö Oy merged into SRV Group Plc and its shareholders received new SRV Group Plc shares as merger consideration. The merger consideration was determined on the basis of the listing price such that for each SRV Henkilöstö Oy share owned, the shareholder received about 16.33 SRV Group Plc shares.

168 employees participated in the employee share issue that was arranged in connection with the initial public offering.

A total 168 employees participated in the employee share issue in connection with the IPO. 220 employees own SRV Group Plc shares (32 per cent of the permanent personnel).

Ownership of SRV Group Plc shares received as merger consideration has been tied to the continuation of the employment relationship, and transfer of the shares has been limited such that the shareholder has the right to sell 20% of his/her shares as from 1 January 2008, 20% as from 1 January 2010, 20% as from 1 January 2011, 20% as from 1 January 2012 and 20% as from 1 January 2013. Insofar as a person's employment relationship ceases otherwise than as a result of death or retirement, the person is obligated to hand over at the date of severance, his/her shares that are subject to lockup terms to the company or to a party designated by it for their purchase price. The shares received as merger consideration by the members of the Board of Directors, except for the chairman, are subject to a lockup agreement according to which a share or shares must not be sold or otherwise transferred for as long as said person is a member of the Board of Directors of SRV Group Plc, and not before 31 December 2007. Shares subscribed for in the employee share offering are subject to a lockup agreement according to which the shares must not be transferred before 1 January 2008.

Insiders

The insiders of SRV Group Plc consist of the insiders with a duty to declare in accordance with the Finnish Securities Markets Act, permanent company-specific insiders as well as project-specific insiders. The insiders with a duty to declare are, on the basis of their position, the members of the Board of Directors, the president, the executive vice presidents, the members of the Boards of Directors of the major subsidiaries and their presidents, the members of the Group Corporate Executive Team, and the auditor and the deputy auditor's representative, who has main responsibility for the company's audit. Permanent company-specific insiders are the persons separately defined in the Insider Guidelines.

SRV Group Plc complies with the Insider Guidelines issued by OMX Nordic Exchange in Helsinki, in accordance with which the Board of Directors of SRV Group Plc has confirmed the company's Insider Guidelines on 17 April 2007. In accordance with these guidelines, it is recommended that a permanent insider time his/her trading in the company's shares to coincide with times when the markets have the fullest possible information on matters affecting the value of the share. Accordingly, persons entered in SRV Group Plc's Permanent

Insider Register must not trade in securities issued by the company 14 days prior to the publication of a financial statement bulletin and interim report.

SRV Group Plc's insider registers are maintained by the Group's Legal Affairs unit, which updates information concerning insiders with a duty to declare. This information is to be entered in the public register of insiders in the NetSire service maintained by Finnish Central Securities Depository Ltd, and it can be viewed on the Internet.

Listed below are the shareholdings in SRV Group Plc at 31 December 2007 of persons belonging to the Public Insider Register. Updated information on shareholders can be viewed on the company's website at the address www.srv.fi under the headings investors, share, insider.

Duty to declare	No. of shares
Ahanen Pirjo	1,700
Beilinson Ari	5,500
Heliövaara Eero	1,909,483
Hienonen Jukka	20,000
Hämäläinen Anu	2,000
Kokkila Ilpo*	18,730,129
Kurkilahti Lasse	2,200
Linnoinen Hannu	615,566
Lohi Jarmo	-
Mustaniemi Matti	70,822
Nieminen Timo	418,266
Nikulainen Juha-Veikko	2,000
Ojala Juha Pekka	99,984
Olila Jussi	1,000
Rytilahti Mikko	-
Sarkamies Markku	65,322
Sarnela Marja	103,984

* directly owned and owned via a company, total

Internal control

The objective of internal control is to ensure that the Group's operations are efficient and profitable, the management of business risks adequate and appropriate and that the information produced is reliable. A further function of the control system is to oversee that the defined operating principles and instructions which have been issued are observed. The Board of Directors' Audit Committee oversees that internal control functions effectively.

The company has an Internal Audit that is independent of line management. The Internal Audit reports to the Group's President and CEO. Internal audits are carried out by the designated Internal Audit team of an outside service provider. Administratively, this audit team reports to the Senior Executive Vice President. Individual audits are based on the Audit Plan, which is approved annually by the Audit Committee. Written reports on the audits carried out are submitted not only to management, but also to the Audit Committee and annually to the company's Board of Directors.

Audit

The Consolidated Financial Statements are prepared in compliance with IFRS.

The company has one principal auditor and one deputy auditor. Both auditors are persons or independent public accountants who have been approved by the Finnish Central Chamber of Commerce.

The auditors are elected at the Annual General Meeting to a term of office which ends at the close of the next Annual General Meeting following their election.

The Annual General Meeting held on 23 April 2007 elected Jarmo Lohi, Authorised Public Accountant, as principal auditor and Ernst & Young Oy, with Mikko Rytilahti, Authorised Public Accountant, acting as principal auditor, as the deputy auditor.

In 2007, the auditors were paid auditing fees of 252,185 euros. In addition, the auditors were paid 435,556 euros for other services (including all the companies belonging to the same group or chain).

SRV's risk management

Through systematic risk management, SRV controls factors that can have a negative impact on achievement of the business objectives set. Furthermore, efficient risk management aids the company in identifying and capitalising on opportunities. Risk management is part of SRV's management system. It supports the company's core values, visions and strategy as well as the attainment of its earnings objectives.

Risk management strategy

The task of risk management is to ensure that risks which SRV can manage do not jeopardise operations. This is done by making sure that the company has a systematic and end-to-end approach to identifying and assessing risks as well as for carrying out the necessary risk management measures and reporting on operations.

Risk management responsibilities

Overall responsibility for risk management rests with the company's Board of Directors and President and CEO. The company's Board of Directors approves the risk management strategy and policy, and assesses the frame of reference for risk management covering the entire company's operations. Line management is in charge of carrying out day-to-day risk management as well as for its stewardship and supervision. The Group's risk management function supports the application of risk management principles and develops Group-wide ways of working.

Main risks

SRV's operations involve both strategic and operational risks. The main risks in these areas are discussed below.

Strategic risks

► Macroeconomy

Changes in the economic cycle or in the operating environment of the Group's customers can have a material impact on SRV's operations and thereby also on its financial position and result of operations.

Central elements in managing cyclical risks at SRV are continuous anticipation of changes in the environment and market situations, systematic operations planning and monitoring, management of the priorities for different operating areas as well as a flexible organisational structure deriving from the company's operational model and the ability to respond swiftly.

► Profitability

Achieving a higher volume of development projects that improve operational profitability is based on a careful analysis of projects both in their development stage and when taking decisions on construction starts. In addition, the aim in allocating capital properly is to undertake short-term commitments as well as to line up users and owners before starting construction.

► Growth

SRV is seeking above-market growth in the Housing business, regional operations in Finland and in Russia. At the same time, a better balance is being created between the business areas, thereby also helping to improve risk management.

There has been an increase in the cyclical risk involved in residential construction in Finland. Although the numbers of housing starts has dipped somewhat, it is nonetheless believed that the need for residential construction will remain unchanged for several years to come. SRV is focusing its operations on high-cal-

ibre housing in the centre of town as well as on attractive housing developments.

About 10% of SRV's revenue comes from the Baltic countries and Russia. There has been a rapid increase in the interest which Finnish and foreign real estate investors in particular have shown in the property markets in these areas. Thanks to long years of market experience, well-established practices and a good economic outlook, it will be possible to expand operations significantly, especially in Russia's buoyant business premises market.

The capability for managing the risks of fast-growing business areas is being developed further by investing in skilled staff, by expanding reliable networks of local partners, by harmonising the way operations are tracked and reported on as well as by applying good and proven practices to new areas of operations.

Operational risks

► Managing resources

Among the Group's central competitive advantages are the long experience and solid expertise of its management and entire personnel. As operations expand and there is ever-keener competition for skilled labour, the most significant risks for the company's own organisation relate to retaining its present staff and to obtaining the necessary new skilled employees. Achieving these aims Group-wide is promoted through good human resources policy with an emphasis on systematic training and knowledge transfer, active co-operation with schools and educational institutions as well as a positive and competitive employer image.

Other important resources for the company's operations are the special experts, designers, engineers, subcontractors and materials suppliers in the co-operation network that implements projects. The company seeks continually to fill out its network by searching for new partners in co-operation who are reliable and capable. SRV's subcontracting and implementation process is a smoothly functioning mechanism that embodies a number of different controls for quality assurance. The company is, and wants to remain, a forerunner in areas such as the management of occupational safety and the fight against the grey economy. In controlling the subcontractor processes, close co-operation is carried on continuously with the authorities.

► Managing projects

The technical and operational risks of projects are managed centrally by means of focused steering of the design and planning process, by using project-specific quality assurance plans and by tracking implementation. Competence is developed continuously. A priority at present is to utilise business synergies across the entire Group, particularly in property development, procurement and project management.

Additional information on SRV's risk management is also available on pages 28–30.

Information for shareholders

Basic information on the share

SRV Group Plc's shares are quoted on the Helsinki Stock Exchange (OMX Nordic Exchange). Trading commenced on the Prelist on 12 June 2007 and on the Main List on 15 June 2007.

The shares are listed on the OMX Nordic Exchange in Helsinki under the industry heading Industrial Products and Services in the mid-cap group. The share's trading code is SRV1V. The ISIN code of the share is FI0009015309.

Shareholders' changes of address

Shareholders are requested to make notification of changes in name and address to the branch office of the bank or securities broker where the shareholder's book-entry account is handled.

Financial information in 2008

The Annual General Meeting will be held on 14 April 2008.

Quarterly Report January–March 2008: 13 May 2008 at 8.30 a.m.

Quarterly Report January–June 2008: 19 August 2008 at 8.30 a.m.

Quarterly Report January–September 2008: 18 November 2008 at 8.30 a.m.

Quiet periods

The SRV Group does not provide guidance on the company's financial trend and does not meet with capital market representatives during the two weeks prior to publication of its annual earnings statement or quarterly reports (interim reports).

Investor relations contact persons

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Ordering publications

SRV's annual reports and other financial bulletins can be ordered from Group Communications.

SRV Group Plc/Group Communications

P.O. 500

02201 Espoo

Finland

tel. + 358 201 45 5200

Internet: www.srv.fi/order_publications

Board of Directors

31 DECEMBER 2007



Back row from left to right: Markku Sarkamies, Matti Mustaniemi, Jukka Hienonen. Front row from left to right: Ilpo Kokkila, Lasse Kurkilahti.

Ilpo Kokkila BORN 1947, M.SC. (ENG.)

Chairman of the Board of Directors and founding member as from 1987.

PRIMARY WORKING EXPERIENCE: Perusyhtymä Oy, Director (1974–1987).

OTHER PRIMARY BOARD MEMBERSHIPS IN FINNISH COMPANIES AND INSTITUTIONS: Kesko Oyj, Member of the Board of Directors; JTO School of Management and JTO-Palvelut Oy, Chairman of the Board of Directors; Pontos Ltd, Chairman of the Board of Directors and Managing Director; the Finnish-Russian Chamber of Commerce Association SVKK, Member of the Board of Directors.

Lasse Kurkilahti BORN 1948, M.SC. (ECON.)

Member of the Board and Vice Chairman as from 13 June 2007.

PRIMARY WORKING EXPERIENCE: Kemira Oyj, President and CEO (2004–2007); Elcoteq Network Oyj, President and CEO (2001–2004); The Raisio Group (2000–2001); Nokian Tyres plc (1988–2000) and Are Oy (1985–1988).

OTHER PRIMARY BOARD MEMBERSHIPS IN FINNISH COMPANIES AND INSTITUTIONS: Elisa Corporation, Member of the Board of Directors; Lassila & Tikanoja plc, Member of the Board of Directors.

Jukka Hienonen BORN 1961, M.SC. (ECON.)

Member of the Board as from 13 June 2007.

PRIMARY WORKING EXPERIENCE: Finnair Plc, President and CEO (2006–); Stockman Plc, Executive Vice President with responsibility for the Department Store Division (2000–2005), Director International Operations (1995–2000).

OTHER PRIMARY BOARD MEMBERSHIPS IN FINNISH COMPANIES AND INSTITUTIONS: Ilmarinen Mutual Pension Insurance Company, Member of the Board of Directors; The Helsinki Region Chamber of Commerce, Member of the Delegation.

Matti Mustaniemi BORN 1952, M.SC. (ECON.)

Member of the Board as from 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 PRIMARY BOARD MEMBERSHIPS IN FINNISH COMPANIES AND INSTITUTIONS: Tempo CSF Ltd, Chairman of the Board of Directors; Tempo Group Ltd, Member of the Board of Directors; Petromaa Oy, Managing Director and Member of the Board of Directors; Comptel Plc, Member of the Board of Directors; Astrum Invest, Managing Director and Member of the Board of Directors; Isamot Capital Oy, Deputy Managing Director and Deputy Board Member.

Markku Sarkamies BORN 1946, M.SC. (ENG. AND ECON.)

Member of the Board as from 2005.

PRIMARY WORKING EXPERIENCE: SRV Group Plc and Pontos Ltd, adviser to the Board of Directors and head of project financing (1998–2005); Polar construction companies, various management positions in financial administration and financing and Board membership (1971–1992).

OTHER PRIMARY BOARD MEMBERSHIPS IN FINNISH COMPANIES AND INSTITUTIONS: Oy Sanil Europe Ltd, Member of the Board of Directors; MSC Consulting Ltd, Member of the Board of Directors; Elielin Pysäköinti Oy, Managing Director; TM Management Oy, Managing Director and Deputy Member of the Board of Directors.

► Information on share ownership is presented on SRV's internet site www.srv.fi/insiders.

Corporate Executive Team

31 DECEMBER 2007



From left to right: Eero Heliövaara, Timo Nieminen, Hannu Linnonen.

Eero Heliövaara BORN 1956, M.SC. (ENG. AND ECON.)
President and CEO as from 2006. Joined the Group in 2006.

Timo Nieminen BORN 1958, M.SC. (ENG.)
Senior Executive Vice President, Deputy CEO, as from 2002. Joined the Group in 1987.

Hannu Linnonen BORN 1957, LL.M., M.SC. (ECON.)
Senior Executive Vice President, CFO, as from 2006. Joined the Group in 2006.



From left to right: Ari Beilinson, Juha-Veikko Nikulainen, Juha Pekka Ojala.

Ari Beilinson BORN 1963, M.SC. (ECON.)
Executive Vice President, SRV International, as from 2006. Joined the Group in 2006.

Juha-Veikko Nikulainen BORN 1961, M.SC. (ENG.)
Executive Vice President, Housing, as from 2007. Joined the Group in 2007.

Juha Pekka Ojala BORN 1963, M. (ENG.)
Executive Vice President, Business Premises, as from 2002. Joined the Group in 1997.

As from 11 February 2008

Veli-Matti Kullas BORN 1956, M.SC. (ENG.)
Executive Vice President, Russia as from 2004. Joined the Group in 2004.



Back row left: Jussi Ollila, back row right: Marja Sarnela.
In the middle: Anu Hämäläinen, front left: Pirjo Ahanen.

Jussi Ollila BORN 1967, M.SOC.SC.
Senior Vice President, Communications and Marketing, as from 2007. Joined the Group in 2007.

Marja Sarnela BORN 1945, LL.M.
Senior Vice President, Chief Legal Counsel, as from 2001. Joined the Group in 1999.

Pirjo Ahanen BORN 1958, M.SC. (ECON.)
Senior Vice President, HR, as from 2006. Joined the Group in 2006.

Anu Hämäläinen BORN 1965, M.SC. (ECON.)
Senior Vice President, Financial Administration, as from 2006. Joined the Group in 2006.

► Information on share ownership is presented on SRV's internet site: www.srv.fi/insiders.

- ▶ Design: Miltton Oy
- ▶ Photographs: Anna Huovinen, SRV
- ▶ Printing: Lönnberg Painot Oy
- ▶ Paper, cover: Novatech Ultimatt 1.1, 300g
- ▶ Paper, content: Novatech Ultimatt 1.1, 150g

