



Annual review 2004

SRV Group

Viitosen | Teräsbetoni | Westerlund | International

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Business idea

The SRV Group fulfils its customers' individual needs as users and owners of buildings in partnership with the customers.



Vision

The SRV Group will be the leading developer and project management contractor in its business area as well as a sought-after partner.

Values

In its business, the SRV Group applies the following key values:

Reliability

Open cooperation

Service-mindedness

Efficiency and productivity

Development and personal improvement



Strategy

The SRV Group's strategic targets are as follows:

Enhancing competitiveness In operations, particular effort is deployed in the development of customer-centredness and partnership as well as in personnel and operating processes.

Profitability The management of business foci, costs and risks will be concentrated on.

Growth Focusing on housing construction, regional business in Finland, and Russia and the Baltic countries.

Internationalisation Russia and the new EU member states are the main subjects.

Business diversification The main thrust is on augmenting and developing the construction value chain on the basis of the customers' needs.

SRV in brief

SRV Group Plc is Finland's leading project management contractor, building commercial and business premises, housing, and industrial and logistical projects as well as developing properties. The SRV Group's business area is Finland plus the Baltic countries and Russia. The main emphasis in and orientation of the services of the SRV Group are towards the innovative development of projects and project management contracting with the in-house SRV model. SRV carries out its projects in a broad-based partnership with a professionally skilled network of specialists and suppliers. Of key importance to the SRV model are network management and the reliable and customer-friendly implementation of the construction project process as well as professional total management.



A successful year of growth and development

For SRV, 2004 was marked by dynamic growth, a good net profit, and progress. The Group's net sales grew by almost 50 per cent and the net profit improved by more than 40 per cent. A number of development projects were launched during the year. The Viru Centre was completed and the other big project, the Kamppi Centre, made positive progress.

The SRV Group's profit before taxes was MEUR 16.2. The Group improved its profitability, particularly in respect of housing construction and commercial construction. The profitability of international business also remained good. Business also grew most dynamically in these same sectors. Return on equity was 35.3 per cent and the equity ratio including the capital loan was 31.2 per cent. Orders in hand stood at MEUR 320.8 at year-end.

The Group's biggest single project, the Kamppi Centre, made positive progress. Demand for the housing and business premises has outstripped expectations. Construction is ahead of schedule and the publicity that the project has received has been positive. The first part of Kamppi will be opened in spring 2005 and the entire complex will be completed in spring 2006. During 2004, another big project, the Viru Centre in Tallinn, was completed and opened to the public in the spring. The expertise and experience that these projects brought with them form an excellent basis for SRV's future projects as a developer and builder of shopping centres.

In addition to large projects, SRV has particularly increased its output in hous-

ing construction and initiated a number of other projects in cooperation with its customers. A significant concern, in addition to enhancing profitability, is to spread growth in operations more evenly in several market areas and segments. This will promote the Group's risk management and even out cyclic fluctuations, facilitating strong growth also in the future.

A number of development projects were carried out during 2004. The Group's management and incentive systems were upgraded, and the personnel's career development and training systems have been further augmented. The Group introduced a new key customer system and continued training for the personnel in customer service. Development work continued on environmental and safety matters, and at the same time efforts have been deployed in technical expertise in construction and project management. These and numerous other actions on development have strengthened SRV's competitiveness, both as a service provider and as a sought-after employer.

SRV will continue to invest strongly in developing its operations in the future. The key themes will be the development of service, expertise and innovativeness. This will ensure the exploitation of the opportunities afforded by constant changes in the business climate. The operations of the Group's subsidiaries will be streamlined at the same time with the goal of stronger focus on the specific market segment and its special features. In international operations, local organisations with excellent

knowledge of the country's business conditions will be strengthened.

The cyclic outlook for construction in 2005 is good. Construction of housing and business premises will continue to be brisk and office construction is expected to recover. For industrial, logistical and infrastructure construction, the year ahead will also be filled with work. In addition to the domestic market, SRV seeks growth through internationalisation. Growing business in Russia is on the rise alongside operations in the Baltic countries.

A good market situation, the streamlining of operative functions in line with the strategy, and deployments in boosting competitiveness, provide SRV with a good basis to expect the growth and favourable trend in earnings to continue in 2005.

I express my thanks to all our partners and to SRV's own personnel for a work-filled year and for excellent results.

Hannu Mikkonen

President and Chief Executive Officer



“The key themes are the development of service, expertise and innovativeness.”



Management Group

The President, CEO Hannu Mikkonen is the chairman of the Group's Corporate Management Group. The members of the Corporate Management Group are, back row, from left Timo Nieminen (Executive Vice President, Project and Real Estate Development), Marko Heino (SRV Westerlund), Risto Hiekka (SRV International), Matti Ukkonen (Chief Financial Officer). Front row from left Matti Kärnä (Executive Director, Development Affairs), Arto Toikkanen (SRV Teräsbetoni), Juhani Väisänen (Executive Director, Regional Operations), Hannu Mikkonen (President & CEO), Juha Pekka Ojala (SRV Viitokset), Virpi Ahonen (Manager, Corporate Communications).

Main events for the SRV Group in 2004

The inauguration of the Viru Centre in Tallinn was held on 7 May 2004. The Viru Centre contains an international-standard shopping centre, restaurants, apartments, offices, and an underground bus terminal and car park. The complex also includes the Sokos Hotel Viru, which was both renovated and extended. See a photo below.

In September, SRV Teräsbetoni started a significant rock excavation project in the Vallila district of Helsinki. The Rock Vallila underground car park will be completed by the end of 2006 and the facility will provide both long- and short-term parking.

SRV Viitokset Ltd and Restel Oy embarked on collaboration for the completion of a hotel project in the Ruoholahti district of Helsinki. Construction work began on the 250-room hotel in spring 2004 and it will be ready to welcome visitors to the World Championships in Athletics in summer 2005.



In the Tondi district of Tallinn, Estonia, the construction of a 15-storey apartment building was started in October. The modern high-rise building Osten Tor will have views over the whole of Tallinn. Osten Tor is being built as a partnership project by Group companies and it will be completed in the beginning of 2006.

SRV Viitokset won the occupational safety competition between major building companies for the fourth consecutive time. There were 22 corporate entrants from the building construction industry. SRV Teräsbetoni won the challenge cup in the series for building construction companies.

The topping-out ceremony was held at Finland's biggest building site, the Kamppi Centre, on 26 May 2004. In terms of time, the project was in midstream – the Kamppi Centre will be completed in spring 2006.



SRV Teräsbetoni's WISA 800 project for UPM Kymmene in Pietarsaari was completed. The lye recovery line was one of the biggest contracts in the history of SRV Teräsbetoni.

In August, SRV Westerlund began building the Puu-Ylästö housing area in Vantaa in partnership with VVO. The Puu-Ylästö district will have 123 modern detached and semidetached houses made of wood.

SRV Russia signed an agreement in October for the construction of the first Park Inn hotel in Yekaterinburg, Russia. The 160-room hotel will be opened in autumn 2005.

An extension to a retail facility in the northwest of St Petersburg, contracted by SRV Russia Ltd, was completed in December. The shopping centre is well-known in St Petersburg as the first Western-style facility of its kind. See a photo below.

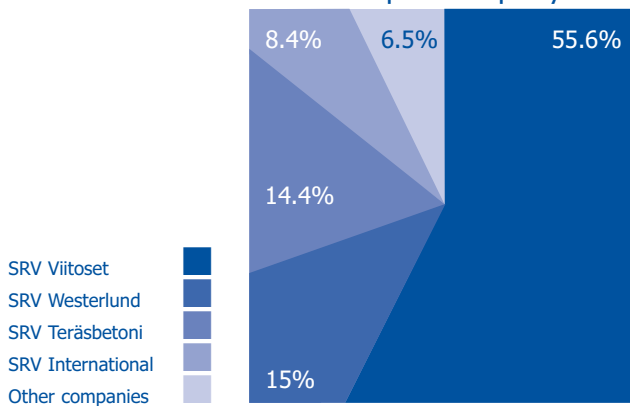


In November, SRV Viitokset received an award of distinction from the European Agency for Safety and Health at Work for its excellent practical solutions.

SRV Viitokset was selected in November as the subcontractor for IdeaPark, a shopping tourism facility in Lempäälä. The construction project will have 10 hectares of floor area. The earthwork on the 30-hectare site began in January 2005.

Key figures	2004	2003
Group net sales	MEUR 403	MEUR 276
Profit before taxes	MEUR 16.2	MEUR 9.8
Equity ratio	31.2%	26.5%
-including capital loan		
Return on investment	25.4%	24.6%
Return on equity	35.3%	29.2%
Personnel (average)	603	524

Net sales per company





Solutions for all requirements for premises

The SRV Group's project and real estate development serves building users, owners and investors in the construction of new building projects and in upgrading existing properties. Project and real estate development is led by Executive Vice President Timo Nieminen.


The operations include checking out the needs related to the project as well as developing the main attributes of the construction to make it a functioning unit. The developed project is then built to completion using the SRV project management contracting model.

Project and real estate development carries out the tasks related to properties and their development on a demand-controlled basis in partnership with the customer. The development of land use, property strategies, business idea plans and various life cycle solutions are among the basic services of SRV's project and real estate development. On many projects, the work also includes arranging investors and financing as well as handling contacts with officials.

Project development's innovative output also includes state-of-the-art commercial facility concepts: High Tech Centers (HTC) and Smart Tech Centers (STC) are modern retail and office facility solutions embracing broad arrays of services to match the customer's intended usage. Solutions can be developed for both international high-tech companies and for medium-sized operators who appreciate technically and functionally high-quality business premises. Two projects on the HTC model have been completed in Helsinki. The first phase of a facility built

on the same concept has been completed in Lahti. An HTC-project is also being planned for Espoo. The first STC-projects are being implemented in Espoo, Nummela and Vantaa.

SRV's project and real estate development also carries out various types of area development projects, in which the aim is to develop an extensive, separate area or an entire city district. Projects of this kind include the K2 urban development project in Vantaa, a development scheme for the area between Tikkurila and Helsinki-Vantaa airport, and a development project for the Kuninkaanportti district of Porvoo.



"We carry out projects
on a needs basis
in partnership
with the customer."

Photo: WM-Data's office building
in the Pitäjänmäki district of Helsinki.





Customised solutions for business needs

SRV Viitokset is the leading project management contractor in the commercial and business premises construction sector in Finland. The company's President is Juha Pekka Ojala. SRV Viitokset creates office premises, shopping centres, hotels and individualised packages based on the STC- and HTC-concept using its open project management model, according to the needs of companies. The cornerstones of SRV Viitokset's operation are its ability to create new-style, original and innovative solutions for construction projects.

The Kamppi Centre is the largest individual project for SRV Viitokset and the entire SRV Group. The topping-out of Finland's biggest building site, in Helsinki city centre, was held on 26 May 2004. The Kamppi Centre is scheduled for completion in spring 2006. The complex will be comprised of 37,000 square metres of commercial space, 12,500 square metres of offices, 5,700 square metres of apartments, parking facilities and a passenger terminal. The highest-profile new building in the Kamppi Centre will be a 6-storey commercial centre.

Among the other main projects in Helsinki was the head office of WM-Data in the Pitäjänmäki district, comprising a modern office building for 900 employees. Two large office buildings for TietoEnator were completed in Lassila. The construction of office building 3 will be completed before the end of 2005.

In Ruoholahti, a hotel project was started in partnership with Restel Oy. The construction of the 250-room hotel began in the spring and the hotel will be completed to accommodate visitors for the World Championships in Athletics in summer 2005. SRV Viitokset is also undertaking a number of major renovation

contracts at present, including the renovation of the main post office building's tallest section, a major renovation of the Graniittitalo building, and the renovation of Ratakatu 6.

In the Voutila district of Vantaa, contracting for Finland Post's logistics buildings continued in 2004 and in Kaivoksela the construction of Lidl's head office began.

In the Kanta-Häme area, SRV Viitokset was chosen as a contractor for the Idea-Park in Lempäälä. The shopping city construction project will have 10 hectares of floor area. The earthwork on the 30-hectare site began in January 2005. Other projects include the Kuninkanportti in Porvoo and Keravanportti area projects, where construction work is to commence in 2005.

Business premises in accordance with the STC (Smart Tech Center) concept are being designed for Nummela and Espoo in addition to Vantaa. An HTC (High Tech Center) project in Espoo is under development. An HTC facility in Helsinki was completed in the Ruoholahti district in 2001.

Construction of commercial and business premises in 2005 is forecast to be on a par with the 2004 level. Due to the large amount of vacant existing office space there is no great demand for new office facilities, but companies are willing to improve the quality of their office premises and to consolidate their operations in more efficient units. The occupancy rate for commercial premises is currently fairly high, but the major commercial property projects scheduled for construction in the next few years are likely to affect the market to some degree.





Site manager Jukka Nikkola, SRV Viitokset

I have worked for SRV Viitokset since 1990. I have worked as a site foreman and site manager on different jobs. Building process itself has not changed much in 15 years, I believe. However, projects are more tightly scheduled and they demand more planning in advance and process management than before.

At the moment, I am at the Kamppi Centre site, in charge of the completion of the long-distance coach terminal, the Espoo bus terminal, the cargo station and a parking facility. This section of the Kamppi Centre is scheduled for completion by 15 April. At the same time, a new eastern entrance to the metro will be opened. The other SRV Viitokset site managers' spheres of responsibility in Kamppi have been divided into the department store area, office and residential buildings, and streets and plazas. The entire Kamppi Centre will be completed in spring 2006.

In my opinion, the most interesting technical aspects of the site were related to the rock excavation and in-situ concrete work in the early stage of the project. The collaboration between the different parties in the project has been rewarding. The publicity that the site has got and the ongoing interest in the environment have added an extra dimension to the work. The most surprising things

have been the diversity and variety that the large number of personnel has brought to daily management.

"An unbiased approach and innovative solutions are the cornerstones of our operations."

I am responsible for the project management on the construction of a parking facility for Koy Rock Vallila. I have been responsible for similar excavation projects in the Helsinki area for about 18 years, spending the last year and a half with SRV Teräsbetoni Oy. I consider my present workplace as very dynamic. The lean organisation structure makes it possible to decide things independently and to make decisions rapidly.

When completed, the 700 parking places in the Rock Vallila underground car park will do much to facilitate parking in the business area of Vallila. Work is done on the excavation site in Vallila in two shifts. On each shift there are six operatives plus subcontractors. There are also two shift foremen, a site engineer and a site manager. The excavated stone is loaded and removed by a subcontractor. We perform the actual tunnelling excavation ourselves. SRV Teräsbetoni Oy has invested a great deal in rock excavation machinery.

“Quality assurance enables us to guarantee firm timetables.”





Efficient and economical construction

SRV Teräsbetoni provides industrial, logistical and infrastructural construction services. The company's Managing Director is Arto Toikkanen. SRV Teräsbetoni has as its sphere of operations the whole of Finland but with the main thrust on the Helsinki Metropolitan Area and the major concentrations of industry. The customers are mainly large industrial corporations.

In industrial construction, last year's most important job was the Wisa 800 project. The lye recovery line at the pulp mill built for UPM Kymmene in Pietarsaari was one of the biggest construction projects in the history of SRV Teräsbetoni. A module factory was built in Hartola for Finnforest. Its almost 20,000 square metres of facilities were completed on an accelerated timetable in half a year.

In logistics construction, the main project was an office building completed in Vantaa for Oy Beweship AB. In spite of the tight schedule, the project was brought to completion in just over eight months. Extensions to sheds 1 and 6 in Mustola were completed in the harbour zone in Lappeenranta.

The biggest project in infrastructure construction was the start-up of excavation for an underground car park in the Vallila district of Helsinki. The project, which is being built for Kiinteistö Oy Rock Vallila, is a spec project by SRV Teräsbetoni and it is located centrally among the workplaces of Vallila. It will have 700 parking spaces on two levels and the project will be completed in 2006. A major investment was made in infrastructure construction with the procurement of two Jumbo drills for tunnel excavation. To attain efficient and eco-

nomical operations and high quality, it is essential to have systematic quality assurance, and for this purpose SRV Teräsbetoni Ltd has developed the constantly updated Teräsbetoni Way operating system. The system specifies in detail the tasks, actions and responsibilities for projects. Characteristic of SRV Teräsbetoni projects are rapid timetables, with equipment installation taking place side by side with construction. Systematic project management is the surest guarantee that deadlines will hold.

Homes for the city centre and for the peace of the countryside

SRV Westerlund is responsible for housing construction within the SRV Group. The company's Managing Director is Marko Heino. SRV Westerlund's sectors of business include both construction and renovation. Construction services include partnership construction, housing development and competitive contracting. SRV Westerlund's sphere of operations is the Helsinki Metropolitan Area and the surrounding municipalities. The Group's internal collaboration on area development projects and international projects has been extremely productive.

The company enjoyed a year of growth in 2004 in terms of both net sales and net profit. The largest projects were the start of housing construction in the Kamppi Centre in the heart of Helsinki and the Puu-Ylästö area development in Vantaa. Among the major new openings were the start-up of housing development in the municipalities surrounding the Helsinki Metropolitan Area and the joint project Osten Tor in Tallinn.

SRV Westerlund provides its customers with a comprehensive package of partnership construction services. This includes land procurement, planning, project control, handling official matters, and construction. In partnership construction, the know-how and resources of the client, builder and designers are pooled at an early stage of the construction project. This ensures the best possible expertise and common goals throughout the project.

Among the projects in hand, the biggest are high-quality apartment buildings with a total of 99 apartments, forming part of the Kamppi Centre. The apartments will be located beside a

large, contiguous pedestrian area and a park plaza. The apartments will have a direct lift connection to the shopping centre and to the car park and passenger terminal areas.

Demand for low-rise house areas of houses in particular is growing constantly. In 2004, SRV Westerlund started major house projects in Vantaa, Porvoo and other places. In Vantaa, the first phase of the Puu-Ylästö low-rise area, a partnership project with the city of Vantaa, VVO and Finnforest, is reaching completion. The three-stage construction project will comprise a total of 123 homes representing a new, modern house architecture. In Porvoo, a house project has been started in Jokineito – nine detached houses, one semidetached house and two rows of terraced housing. The location is unique, offering city-centre homes by the Porvoo River next to Engel Park.

SRV Westerlund is carrying out a joint project with SRV International and SRV Kinnisvara AS in the form of a housing project in Tallinn. The Osten Tor apartment building will have 158 apartments on 15 storeys, with impressive views across Tallinn to the Gulf of Finland.

Housing construction continues in the centres of population and the number of housing starts is forecast to be on a par with the figure for 2004. Repairs and maintenance business continues to grow dynamically. In accordance with its growth strategy, SRV Westerlund Oy will aim for significant growth in its net sales and net profit in 2005.





Construction manager Ari Kallioma, SRV Westerlund Oy

I am construction manager responsible for the Puu-Ylästö housing project. In addition to Puu-Ylästö, I have three housing developments under my supervision in Kirkkonummi, Vihti and Riihimäki.

A total of 123 homes are being built in the Ylästö neighbourhood in three phases. Detached and semidetached houses, small and large homes, and single- and two-storey houses are being built here. The areas under construction in phase I have been named after berries.

Puu-Ylästö is being built under a partnership contract agreement, meaning SRV Westerlund is responsible for the project management contract, VVO acts as the client, and Finnforest supplies the prefabricated wooden panels to the site. Construction is done in the form of an open partnership, making it possible to figure in specific features of an individual project and the residents' needs and wishes for things like floor plans and materials at the design stage and to add to them during the construction period.

I have worked for SRV for seven years. I started with Tehorakentajat Oy as a site foreman, from which I was promoted through various building sites and corporate mergers to site manager and later to my present post. My varied earlier practical experience of work is still useful to me in doing my present job. There are many things about building that you can only learn through experience. The passing on of information from one professional to another is crucial.

"We provide a comprehensive package of services for partnership construction."



Large-scale projects in the Baltic countries and Russia

SRV International Ltd operates in the Baltic countries and Russia as a property developer and project manager. Each country has its own business unit with a local organisation to ensure a high level of local knowledge combined with expertise in the market and conditions.

The experience of the market in the Baltic countries and Russia accumulated in the past few years has provided SRV International with a solid basis for growth. The expertise of the entire SRV Group as a developer of both large and smaller combined retail, transport and residential centres in Finland and other countries is based on solid experience.

Among the major events in 2004 was the completion of the Viru Centre in Tallinn in April. The Viru Centre concentrates on fashion and leisure activities. The complex also includes Sokos Hotel Viru, which has been both renovated and extended.

During 2004, housing construction and renovation projects also got under way in Estonia.

In the autumn, the construction began of the 15-storey Osten Tor apartment building in Tallinn. The top storeys of the building will open up a unique view over the whole city. The building will have a total of 158 apartments and 2,000 square metres of commercial facilities. Osten Tor will be completed in 2006.

In the future, SRV will deploy greater efforts in housing construction in Estonia. Advantageous financing terms and interest on loans have given consumers more opportunities to buy homes as owner-occupiers or investors. International property investors are also active in the housing market.

An interesting construction project under way in Estonia is the Estonian Golf & Country Club 20 kilometers east of Tallinn.

In Latvia and Lithuania, output concentrates on trade and logistics. The customers are mainly international companies expanding into the Baltic countries which SRV International serves according to their specific needs. SRV's role includes land acquisition and when necessary its planning, project planning, and arrangement and implementation of finance on a project management basis.

The operations of SRV Russia Ltd focus on property and project development for Western companies and local Russian customers. SRV's experience of property development in Finland and the Baltic countries and the know-how this has earned it, combined with excellent networks of investors, tenants and financing, provide an excellent opening for the Russian market.

Business in Russia has focused on St Petersburg, regional centres, and on a project-specific basis also Moscow. The customers have mainly been Western users and property investors.

In 2004, the construction of a new Park Inn hotel in Yekaterinburg began, and in St Petersburg a shopping centre extension was completed.

In the immediate vicinity of St Petersburg city centre, on the Neva River banks, the international shopping centre District 700 is under development and the concept planning and market research for this were completed. The lease agreement for an office building to be built in Moscow was signed and



the design of the project was started. On the whole, the prospects for business and construction are expected to continue to improve in the future, both in the Baltic countries and in Russia.



Managing Director Veli-Matti Kullas, SRV Russia Ltd

I came to work for SRV Russia Ltd in June 2004. SRV Russia is in charge of the Group's Russian operations under the aegis of SRV International. The company currently has about 30 employees, including the representative offices and subsidiaries operating in Russia.

The Russian economy has developed dynamically in the early 21st century, resulting particularly in the expansion of the Russian middle class, thus substantially boosting purchasing power. Positive economic indicators therefore create good future prospects also for our business in Russia.

SRV Russia's strategy is to be involved in developing and upgrading property in Russia. Our main sphere of business is hotels, offices, shopping centres and logistical centres. In the next three years we also intend to launch housing construction. SRV Russia's operations in Russia are based on collaboration with local partners. We carry out all projects in compliance with SRV project management model, using local contractors.

The development of projects and project management is performed with Finnish resources. The development of projects is based primarily on in-house concept planning and expertise with financing. The SRV Group's excellent references and partners, both in Finland and in the Baltic countries, have convinced our customers in Russia that our expertise creates a clear added value for their business.

"Our country-specific
business units
guarantee the best
local knowledge."



Regional business growing profitably



Entrepreneur-driven regional business has proved itself a workable model for SRV. The SRV Group's regional business is headed by Juhani Väisänen. Regional business yielded growth for the Group in 2004, and future years the intention is to expand it further to other urban growth centres in Finland.

Business will be added in housing construction, commercial and office construction, and in industrial and infrastructure construction.

At SRV, we believe in the entrepreneur-driven business model and in local knowledge and partner networks.

SRV has a majority shareholding in the regional companies and a local entrepreneur always owns part of the company.

The regional companies benefit from the Group's centralised supporting services as the biggest projects can be handled in the form of consortiums with the parent company.

The most important contract completed by the Joensuu-based Rakennusliike Purmonen Oy was the ABC Marjala service station. Rakennusliike Erkki Huhdanpää Oy of Tampere completed a terraced house project for As Oy Ylöjärven Niittykumpu.

A project comprising two apartment buildings with 40 apartments owned by the holding company As Oy Kaarinan Aurinko was completed by SRV Teräsbetoni Ltd's Turku regional office. SRV Teräsbetoni Ltd's regional unit for Lappeenranta completed the modular building factory in Hartola as a project management contract.

Rakennus Pirttimaa Oy went into business in the Hämeenlinna economic

zone in 2003. The main project completed in 2004 was the Kauriala Upper Secondary School.

Renovating the old and building the new in Tampere

The largest project of 2004 for Pirkanmaan Projektitoimi Oy, which operates in the Tampere region, was the renovation and supplementary construction of the Pyynikki brewery, a building listed for preservation. Most of the building was converted into housing and an activities centre for the Sopimusvuori Association. The renovation section was exceptional as the old production facilities were converted into activity premises and stairwells to accommodate the new applications. The total scope of the project was 13,000 square metres of gross floor area.

During 2004, a privately financed 29-apartment project for Sato-Rakennuttajat Oy and a 14-home semidetached house development for YH-Asumisoikeus Oy were also completed.

During the business year, the construction of several new housing areas was begun in Kangasala and Pirkkala. A privately financed 19-home semidetached house development and a 44-apartment part-ownership apartment building were started in the Mannaniitty district of Kangasala. When it is completed, the area will have roughly 200 dwellings. The construction of 23 homes in semidetached and terraced houses for a property holding company began in the Takamaa district of Pirkkala. When completed, the housing area will have about 100 dwellings.





Occupational safety guiding activities

One of the most important values guiding SRV's operations is worksite safety, which is factored into all activities. A good standard of occupational safety comes from systematic management and from commitment by all employees and subcontractors to common ground rules. SRV Viitokset has won numerous occupational safety awards and last year it also received recognition in a national competition embracing the entire EU.

The SRV Group has worked systematically over the years to improve safety on building sites. One indication of this is many safety awards. In 2004, SRV Viitonen's Työmaavinkki ('Site Tips') CD-ROM and the Viisari guidelines case Kamppi Centre received an award of distinction in a nationwide competition held by the European Agency for Safety and Health at Work. SRV also won the occupational safety competition for the Uusimaa region for the fourth consecutive time.

The Työmaavinkki CD-ROM and Viisari guidelines developed by SRV started from the practical need to guide people working on sites in matters related to safety, the environment and quality. SRV wanted to make sure that all the employees at Finland's biggest worksite in the Kamppi district of Helsinki get the same and adequately comprehensive information also about safety and about standard procedures supporting operations. When the additional material was being developed, ease of use was the main criterion.

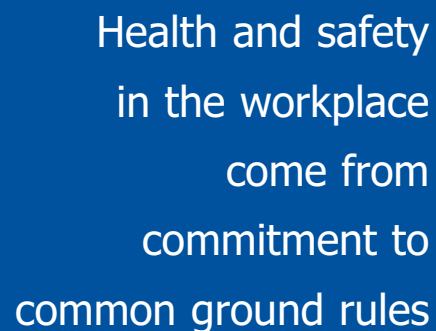
The Työmaavinkki site tips are currently in use at the sites for the Kamppi Centre and IdeaPark, and in the future its use will be extended to other sites as

well. The Viisari guide is distributed to all employees of contractors collaborating with SRV who have been familiarised with the building sites.

It is SRV's aim to step up collaboration on matters of occupational safety and to promote the formation of a harmonised safety culture in the construction industry. SRV both guides and supports its subcontractors' safety actions by monitoring and inspecting equipment and working methods as well as by arranging occupational safety training on an independent basis in cooperation with an insurer and other parties. The goal is zero tolerance for accidents on all building sites. SRV's philosophy of occupational safety and health emphasises commitment on the part of the personnel and the management. No less than 95 per cent of SRV Viitokset's employees have received an occupational safety and health card and training continues.

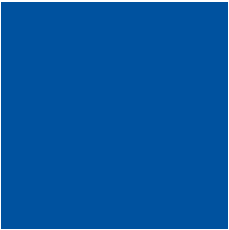
Good implementation of occupational safety and health has helped to strengthen the entire SRV as a reliable project management contractor, as occupational safety and health are closely linked to work quality and timetables. As a variety of project management models become widespread, the client's and main contractor's liability for occupational safety

and health and quality must be clear. When a construction project is divided into parts, it is important for a single organisation, which has quality and safety systems verified as practicable, to be clearly responsible for the whole.



Health and safety
in the workplace
come from
commitment to
common ground rules





Taking care of the environment is part of profitable business

The SRV Group is aware of the company's social responsibility and the goal is to be a front-rank company also in environmental management. Systematic effort is devoted to the wellbeing of the environment and related operational development work.

Environmental goals

SRV's objective is to reduce the environmental impacts of the buildings' total life cycle. From SRV's perspective, environmental impacts can be divided into the effects of actual construction operations and effects after the building is occupied.

A key goal for SRV is to minimise environmental disturbance from the company's actions during the construction stage. Worksite energy consumption and wastes formed on the sites cause the Group's major environmental impacts.

Another significant environmental goal is to contribute during the construction stage to reducing the environmental degradation resulting from the use of buildings, from the properties of construction materials and in the demolition stage. These actions are accordingly targeted primarily on the management of buildings' energy consumption and the environment impacts of building components.

Work for the environment in all units

The mission of the SRV Group's environmental manager is to supervise the Group's actions and development work related to environmental matters.

The Group's environmental committee convenes four times a year. In addition to the environmental manager, the committee includes the environmental

officers appointed for the subsidiary. It is the committee's duty to oversee the Group's environmental activities, to monitor ongoing environmental projects and to generate ideas for new improvement measures linked to the environment.

On building sites, environmental work is done by environmental officers appointed for the site on a project-specific basis. It is their duty to oversee and control the site's waste disposal, energy economy, and the operations of subcontractors.

Good results from environmental activities

Development projects related to the environment are carried out at SRV in cooperation with customers and other stakeholders. Development work done through partnerships yields better prospects for the application of broader-based expertise also in environmental matters.

The improvement of worksites' waste disposal in cooperation with Kuusakoski Oy in 2004 met expectations; the sorting of worksite wastes was made more efficient on the test sites through training, guidelines and detailed planning. The application of the project's excellent results will be extended to all of the Group's worksites.

To supervise the implementation of the Group's environmental targets and to monitor the results of development actions, an internet-based environmental reporting system for the sites was introduced. The system covers the sites' energy economy and waste disposal and it can also be used to generate real-time data on the situation at the sites for customers and authorities. The system was

readied for pilot use in June 2004 and came on stream in production in the beginning of 2005.

A vacuum waste disposal system to improve the handling and recycling of wastes was designed for the buildings in the Kamppi Centre. The system enables the monitoring of waste production on a user-specific basis. The Kamppi Centre worksite also yielded good results from the open and active development of communications. The operating model implemented at Kamppi will be applied in the future to the Group's other worksites.

Constant improvement

The improvement of the worksites' waste disposal together with partner companies is the most important single environmental project continuing in 2005. Its main goals are to streamline the sorting and reuse of wastes, to increase environmental awareness and to reduce the environmental impacts of transporting waste.

Environmental training and in-house communications will be upgraded dynamically in 2005. Training for personnel and suppliers, together with increasing environmental knowledge, is a key component of SRV's environmental work.

The development of environmental reporting continues. The aim of the project is to expand the annual disclosure of environmental matters.

SRV actively monitors and adopts the results of environmental development done elsewhere. For example, the PromisE environmental classification system for buildings will be tested in 2005 in cooperation with customers.



Standardised working methods throughout the Group

SRV made a further major deployment in standardised working methods in 2004 for matters concerning human resources. The cornerstone of this work is SRV's values, which have been harmonised Group-wide. The foundation of SRV's success is its skilled and motivated personnel, and employees' leisure pursuits and recreation are supported in a variety of ways.

In 2004, the SRV Group standardised its procedures for progress interviews. Supervisors were trained in the new progress interview system, in assessing skills and in giving feedback. All salaried staff were given personal targets and their performance is assessed at least once a year by a progress interview. Also, a progress plan is made for each salaried staff member in connection with the interview.

The incentive bonus system was extended to include office staff. The personal input of office staff into improving their own and the company's functions is rewarded. Building sites have project-specific incentive bonus systems in place.

A Group networking committee was formed and its first meeting was held in the autumn. The committee convenes twice a year and its mission is to create a basis for developing the Group's operations, for enhancing working relations, and for better corporate morale. The personnel are given a greater say, particularly in decisions affecting them, by improving the information flow and by disseminating the personnel's opinions and positions more widely to serve the planning and decision-making process.

The SRV Group's first personnel report was completed for internal use. Re-

porting is being improved systematically and the personnel report will be expanded in the future to cover all the Group companies. The personnel report has shown itself to be a useful tool in matters related to personnel development and on-the-job wellbeing, for example.

In collaboration with students, efforts were deployed, for example, in attending events aimed at students of construction and by arranging site visits and sauna evenings for students. Class mentoring was also started.

A boost for on-the-job wellbeing and fitness

The Group's keep-fit activities were consolidated in the hands of a single committee. The committee convenes at least twice a year to consider the entire Group personnel's common concerns related to on-the-job wellbeing. A particularly strong focus during the business year was on maintaining the ageing workforce's job motivation and fitness. Efforts were also made to improve on-the-job wellbeing with a talk held for the employees entitled "Where Does a Good Atmosphere in the Workplace Come from?". Fitness course activities were also continued. Twelve people took part in the week-long fitness course. Previous course attendees took part in follow-up weekends.

The Group's common personnel club SRV Viihdytys actively arranged a variety of exercise and cultural events for

the personnel and the company supports the personnel's exercise hobbies on a broad front.

In June, the annual personnel outing was held in Tallinn, where a visit was paid to the Viru Centre built by SRV International.

SRV's values

- reliability
- open cooperation
- service-mindedness
- efficiency and productivity
- development and personal improvement

In addition to the holiday home in Saariselkä, a holiday home for the personnel was purchased in Siuntio, close to the Pickala golf course.

The personnel are informed of common Group concerns by means of a weekly bulletin and other media. The personnel also gets information and an opportunity to discuss matters with the management four times a year at SRV Morning Coffee events as well as at briefings and training session held for the companies by the Managing Directors.

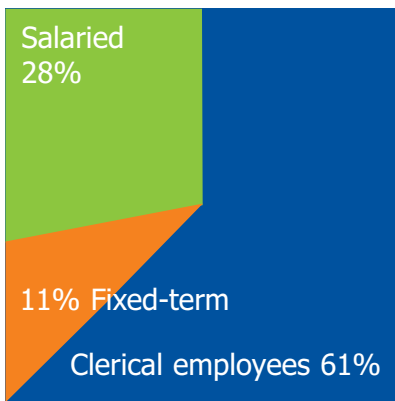
The personnel in figures

The SRV had an average of 603 employees in 2004. Women accounted for 15 per cent of the total. The average age in 2004 was 43 years.

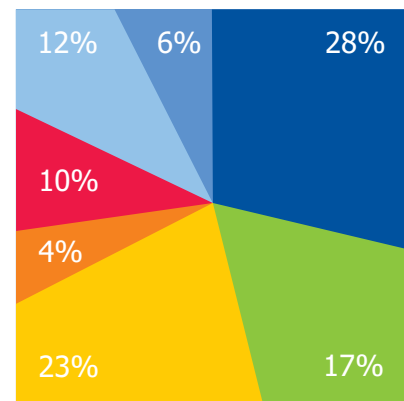
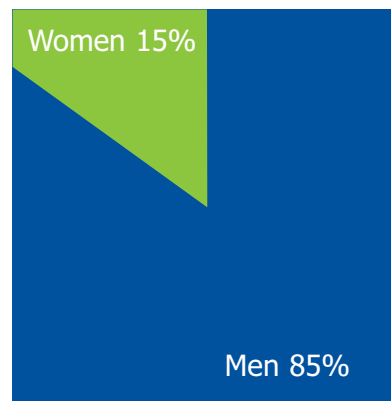
SRV Group
 SRV Viitosen
 SRV Westerlund
 SRV Teräsbetoni
 SRV International
 Regional companies
 Foreign subsidiaries



Type of employment

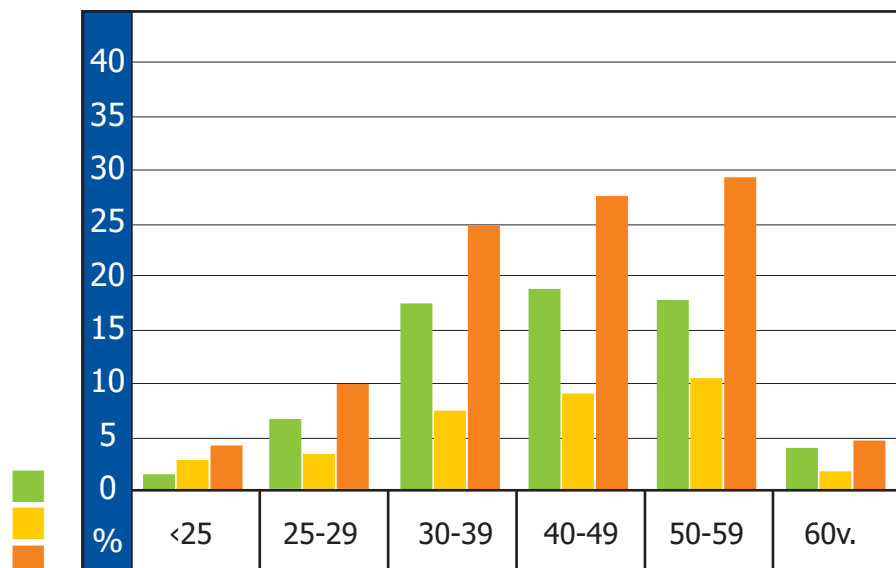


Men/women permanent employees



Age distribution of the entire personnel 31.12.2004

Clerical employees
 Salaried
 Total



The Board of Directors



SRV's governing bodies are the annual general meeting, the Board of Directors and the President. The annual general meeting was held on 27 April 2004. The Board of Directors convened on 17 occasions in 2004.

The members of the Board are (from left) Eero Nuutinen, Jorma Haapamäki, Kari Filppula and Ilpo Kokkila (chairman). The adviser to the Board is Markku Sarkamies and the secretary to the Board is Marja Sarnela, Director, Legal Affairs.

Group companies

SRV Group Plc SRV Group

Group companies	Domicile	Group 31.12.2004 holding %	Group 31.12.2003 holding %	Parent company´s 31.12.2004 holding %	Parent company´s 31.12.2003 holding %
HTC Espoo Oy	Espoo	100.0	100.0	-	-
HTC Jyväskylä Oy	Jyväskylä	100.0	100.0	-	-
HTC Vantaa Oy	Vantaa	100.0	100.0	-	-
Kampin Keskus Oy	Helsinki	100.0	100.0	-	-
Kiinteistö Oy Ahvenniska	Espoo	82.0	82.0	82.0	82.0
Kiinteistö Oy Nummelanrinne	Vihti	100.0	100.0	-	-
Kiinteistö Oy Turun Europortti	Turku	100.0	100.0	100.0	100.0
Kiinteistöviitonen Oy	Helsinki	100.0	100.0	100.0	100.0
OOO SRV-Stroi	Moscow	75.0	100.0	-	-
Pirkanmaan Projektitoimi Oy	Tampere	65.0	65.0	65.0	65.0
Porvoon Puurakennus Oy	Porvoo	100.0	100.0	-	-
Rkl Erkki Huhdanpää Oy	Tampere	70.0	70.0	-	-
Rakennus Pirttimaan Oy	Hämeenlinna	90.0	75.0	-	-
Rakennusliike Purmonen Oy	Joensuu	65.0	65.0	65.0	65.0
Rempro Oy	Espoo	disbanded	70.0	-	-
Rubertus UAB	Vilnius	51.0	51.0	-	-
SRV Develita UAB	Vilnius	100.0	100.0	-	-
SRV Ehituse AS	Tallinn	100.0	100.0	-	-
SRV International Oy	Espoo	100.0	100.0	100.0	100.0
SRV Kinnisvara AS	Tallinn	65.0	-	-	-
SRV Russia Oy	Espoo	100.0	100.0	-	-
SRV Statyba UAB	Vilnius	51.0	51.0	-	-
SRV Terbe Lat SIA	Riga	100.0	100.0	-	-
SRV Teräsbetoni Oy	Espoo	100.0	100.0	100.0	100.0
SRV Westerlund Oy	Helsinki	100.0	95.0	95.0	95.0
SRV Viitokset Oy	Espoo	100.0	100.0	100.0	100.0
TBE-Construction Oy	Espoo	100.0	100.0	-	-
Associated companies					
Klavciems SIA	Riga	18.1	18.1	-	-
Litbara	Minsk	50.5	36.0	-	-
OOO SRV Okhta	St Petersburg	50.0	-	-	-
ZAO ASK-Hotel	Yekaterinburg	50.0	50.0	-	-



Annual report of the board, 1 January – 31 December 2004

SRV Group Plc is the Group's parent company and it is responsible for matters related to the Group's management, strategic planning, project development, financing and financial administration services. The company is domiciled in Espoo.

In accordance with the strategy, business operations have been organised under four business areas, the main companies of which are SRV Viitokset Ltd, SRV Teräsbetoni Ltd, SRV Westerlund Ltd and SRV International Ltd.

Net sales and profit for the financial year

The SRV Group's net sales were MEUR 403.2 (MEUR 275.5 in 2003). Construction in Finland contributed MEUR 368.9 (MEUR 229.3) and foreign business generated MEUR 34.3 (MEUR 46.2). Profit before taxes was MEUR 16.2 (MEUR 9.8).

Company operations

SRV Group Plc's net sales came from administrative and financing services and rental income from the Group companies. The parent company's net sales were MEUR 8.0 (MEUR 5.3) and profit before taxes MEUR 5.4 (MEUR 0.7).

SRV Viitokset Ltd's net sales were MEUR 224.1 (MEUR 133.5), which is 61 per cent of the Group's net sales from construction in Finland. The company's profit before extraordinary items was good. SRV Viitokset Ltd's field of business is commercial and office construction. The main construction projects completed in Helsinki during the financial year were stage 2 of the Department of Veterinary Medicine and Food Science Institute, an office building and an indoor car park for the Novo Group, of-

office buildings for TietoEnator, in Vantaa the garden retailer Plantage and in Jyväskylä a Citymarket retail outlet. Of the projects under construction, the main items in Helsinki are the Kamppi Centre, the renovation of commercial and office space in the Graniittitalo building, Hotel Ruoholahti, repairs to the school building at Ratakatu 6, the conversion into offices of a residential building at Tukholmankatu 8, in Vantaa an extension to Finland Post's service warehouse, a transport station for Teboil and a head office for Lidl, and in Lempäälä the Ideapark shopping centre.

SRV Viitokset Ltd's main project is the Kamppi Centre in the heart of Helsinki. The construction work on the project has proceeded according to plan and on schedule. The first sections to be handed over will be the terminals serving the city of Espoo and long-distance transport, in April 2005. The terminals will enter into service in the beginning of June. The entire project will be completed in spring 2006.

SRV Teräsbetoni Ltd's net sales were MEUR 58.4 (MEUR 46.8). The net profit for the financial year fell short of the target. The company concentrates on industrial construction and logistical construction. The main projects completed during the financial year were stage 1 of a new building of Helsinki Business Polytechnic (Helia), an office building for the Federation of Espoo Parishes, and a modular house plant for Finnforest Corporation in Hartola. The biggest projects still under construction are stage 2 of Helia, the KOy Rock Vallila underground car park, a retail outlet for Datateema, an extension to Orient Occident's office building, and a training station for the Coastguard in Porkkala.

SRV Westerlund Ltd's net sales were MEUR 61.4 (MEUR 41.5). The company's profit before extraordinary items was good. The company has responsibility for the Group's housing construction. The biggest projects handed over during the financial year were HOAS 149 in Viikki, As Oy Vantaan Kisatie and Lintupuisto, and Jahtipuisto in Espoo. The most notable projects under construction are apartments in the Kamppi Centre, and the Ulrikanpuisto and Puu-Ylästö areas in Vantaa.

The Group also includes construction companies operating outside the Helsinki Metropolitan Area. The most significant of these is Pirkanmaan Projektitoimi Oy, which operates in the Tampere region and had net sales of MEUR 18.6 (MEUR 11.1).

The SRV International Ltd Group is responsible for foreign business. Its net sales were MEUR 34.3 (MEUR 46.2) and its net profit was satisfactory. During the financial year, the Viru Centre and Viru Square projects were completed, as were the renovation and extension of the Viru Hotel. In the Old Town of Tallinn, the renovation and extension of an historical building for residential use continued. The construction of a 15-storey apartment building was also started in Tallinn. In Latvia, two grocery outlets for Kesko, a logistical centre for Onninen on Riga, and a residential building project were completed. An extension to a corrugated board mill was completed for Stora Enso and an office building was completed for Seesam in Riga. In Lithuania, a retail outlet was built for Kesko Agro in Kaunas, and concrete frame work was completed in Vilnius. In Russia, two projects were built for the LDS church. During the financial year, the develop-

ment continued of the D700 shopping centre in St Petersburg and the Rezidor SAS Park Inn hotel projects in Russia. Towards the end of the year, an agreement was signed for the construction of a Park Inn Hotel in Yekaterinburg.

Orders in hand

The Group's orders in hand – i.e., the uninvoiced portion of construction contract agreements – were MEUR 320.8 (MEUR 301.7) at year-end. Foreign business accounted for MEUR 20.0 (MEUR 13.4) of this.

Personnel

The Group had an average of 603 (524) employees, of which 396 (347) were salaried staff. The parent company had an average of 34 (33) salaried staff. At year-end, the Group had 591 (522) employees, of which the parent company had 34 (32).

Financing and financial status

The Group's interest-bearing liabilities were MEUR 27.2 at year-end. The short-term liabilities for the financial year include MEUR 11.6 of debt for the acquisition of plots in Kamppi, which will be settled with the contract instalments for the construction of the terminal. Net financing expenses were MEUR 1.0. The equity ratio was 22.6 per cent (17.3) or 31.2 per cent (26.5) with the capital loan included. The Group's liquid assets were MEUR 25.0 (MEUR 22.6) at year-end.

The company plans to pay off a MEUR 15 quasi-equity loan maturing in 2007 ahead of schedule and to refinance it with long-term liabilities.

Investments

The Group's investments amounted to MEUR 3.0 (MEUR 1.5). During the financial year, the company acquired a 5 per cent minority holding in SRV Westlund Ltd as well as 65 per cent of the issued stock in the Estonian construction and property development company SRV Kinnisvara AS. The Estonian company owns a number of apartment and building holding companies.

Administration

Hannu Mikkonen served as President of SRV Group Plc since 17 January 2004. The Executive Vice President is Timo Nieminen. The chairman of the Board of Directors is Ilpo Kokkila. The members of the Board of Directors were Kari Filppula, Jorma Haapamäki and Eero Nuutinen.

The auditors are Authorised Public Accountant Jarmo Lohi with the APA firm of Ernst & Young Oy as deputy, with Mikko Ryttilahti, APA, as the auditor in charge.

Post balance sheet events

SRV Viitokset Ltd has signed agreements for a postal terminal in Jyväskylä for Finland Post Corporation and for car showrooms in Kerava for Autosalpa Oy.

Environmental issues

The development of the environmental reporting system started within the Group was continued in 2004. The system plays a key part in the Group's ongoing environmental and social responsibility project.

Proposal for the distribution of profit

The Board of Directors propose that a dividend be paid of 84 cents per share, or a total of EUR 1,094,688.00, and that the remainder of the profit for the financial year, being EUR 4,166,568.98, be posted to shareholders' equity.

Outlook for 2005

Construction in Finland will grow in pace with economic growth and is forecast to be in the order of two per cent. Building construction is forecast to grow even faster than this, particularly in the housing and commercial construction sectors. Business premises construction is beginning to recover and renovation is still growing. Growth in civil engineering will slow. Growth in construction will continue in the Baltic countries and Russia.

The Group's net sales will grow slightly compared with the previous year and the profit before extraordinary items is forecast to improve.





Key figures

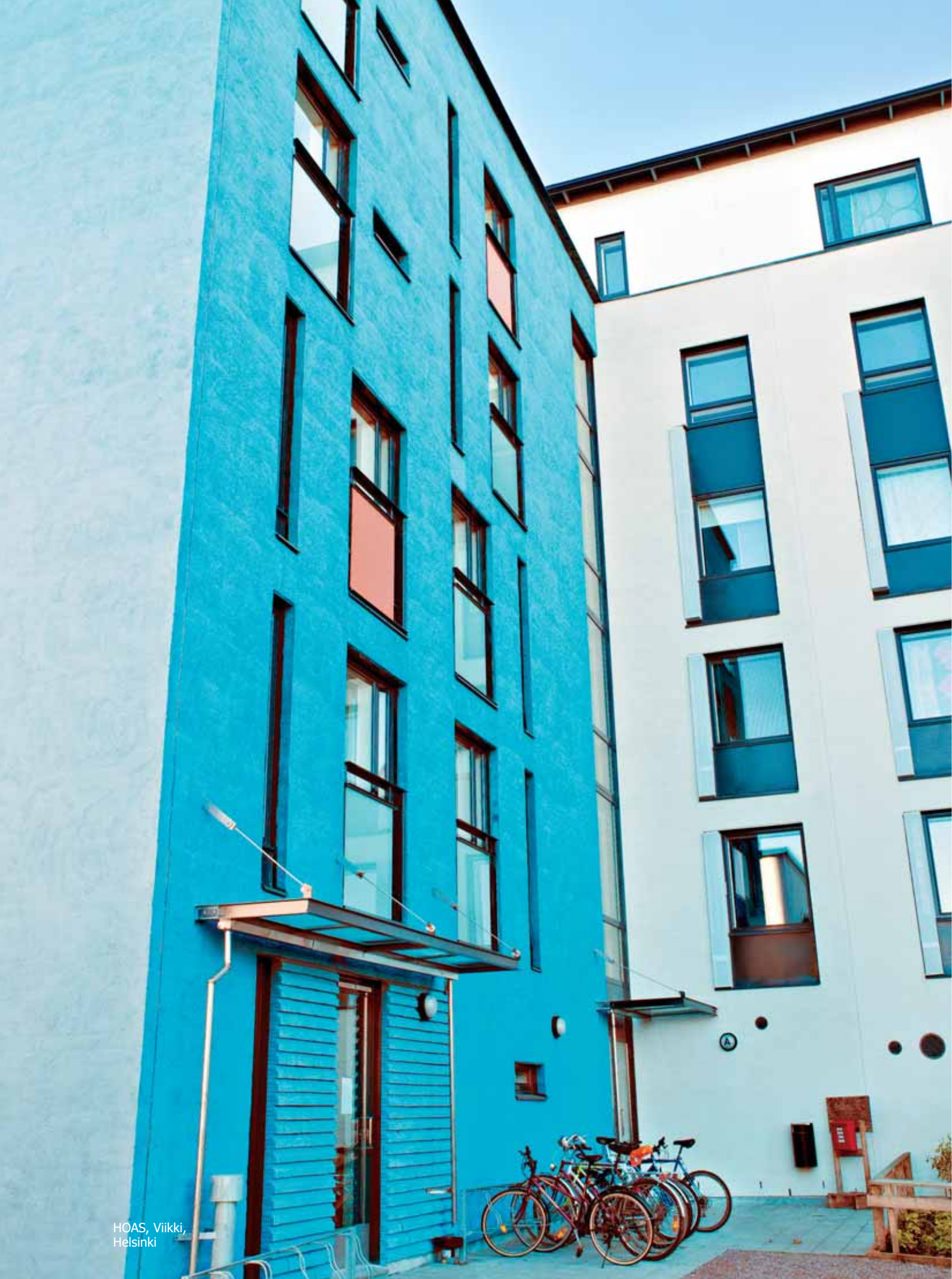
SRV Group

	2004	2003
Return on investment, %	25.4	24.6
Return on equity, %	35.3	29.2
Equity ratio, %	22.6	17.3
-including capital loan, %	31.2	26.5
Gearing, %	3.9	7.6
Uninvoiced orders held, 31 Dec. 2004, MEUR	320.8	301.7
Personnel (average)	603	524

Formulas for key figures

Return on investment, %	$\frac{\text{Profit before extraordinary items and taxes} + \text{interest and other financial expenses}}{\text{Balance sheet total} - \text{non-interest-bearing debts (average)}}$
Return on equity, %	$\frac{\text{Profit before extraordinary items} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest (average)}}$
Equity ratio, %	$\frac{\text{Shareholders' equity (incl. capital loan)} + \text{minority interest}}{\text{Balance sheet total} - \text{advances received}}$
Gearing, %	$\frac{\text{Interest-bearing debts} - \text{cash in bank and at hand}}{\text{Shareholders' equity} + \text{minority interest}}$





HOAS, Viikki,
Helsinki



Consolidated profit and loss account

(EUR 1,000)	1.1.–31.12. 2004	1.1.– 31.12. 2003
Net sales	403,246	275,521
Change in inventories of completed products and work in progress	-15,520	-7,943
Production for own use	8	3
Other operating income	60	44
Materials and services	312,424	210,098
Personnel costs	28,741	24,490
Depreciation and write-downs	2,157	2,155
Other operating expenses	27,276	18,138
	370,598	254,881
Operating profit	17,196	12,744
Financial income and expenses	-969	-2,901
Profit before taxes	16,227	9,843
Income taxes	-4,287	-2,437
Minority interest	-336	- 286
Net profit for the year	11,604	7,120

Consolidated balance sheet

(EUR 1,000)	31.12.2004	31.12.2003
ASSETS		
Fixed assets		
Intangible assets		
Consolidation goodwill	645	905
Other long-term expenditure	547	616
	1,192	1,521
Tangible assets		
Land and water areas	307	307
Buildings and structures	2,820	3,037
Machinery and equipment	4,102	2,697
Other tangible assets	175	168
	7 404	6,209
Investments		
Other stocks and shares	589	660
Other receivables	-	154
	589	814
Fixed assets, total	9,185	8,544
Current assets		
Inventories		
Materials and supplies	31	33
Work in progress	11,054	20,838
Land areas	3,854	63,333
Other inventories	27,882	7,972
Advance payments	3,413	1,788
	46,234	93,964
Receivables		
Long-term		
Loan receivables	49 775	2 122
Other receivables	191	-
Current		
Accounts receivable	29,780	19,621
Loan receivables	6,398	3,818
Other receivables	4,814	23,548
Prepaid expenses and accrued income	34,449	22,093
	125,407	71,202
Cash in bank and at hand	25,039	22,621
Current assets, total	196,681	187,787
Assets, total	205,867	196,331

(EUR 1,000)	31.12.2004	31.12.2003
LIABILITIES AND SHAREHOLDERS' EQUITY		
Shareholders' equity		
Share capital	1,303	1,303
Share premium account	1,759	1,759
Retained earnings	22,741	16,351
Net profit for the year	11,604	7,120
Capital loan	15,048	15,000
Shareholders' equity, total	52,455	41,533
Minority interest	2,204	1,462
Provisions		
Other provisions	3,028	1,966
Liabilities		
Long-term liabilities		
Loans from financial institutions	26,297	15,737
Pension loans	-	116
Other liabilities	87	67
	26,384	15,920
Current liabilities		
Loans from financial institutions	742	9,537
Pension loans	116	420
Advances received	30,799	34,234
Accounts payable	26,519	29,405
Other liabilities	34,327	51,111
Accrued expenses and prepaid income	29,292	10,742
	121,795	135,449
Liabilities, total	148,179	151,369
Liabilities and shareholders' equity, total	205,867	196,331



TietoEnator,
Pitäjänmäki,
Helsinki