







Annual review 2005

SRV in brief

SRV is a leading Finnish project management contractor, also offering comprehensive property and construction services on a partnership basis. The company is engaged in the development and construction of commercial and office premises, housing, industrial, logistics and civil engineering sites as well as entire business parks and housing estates in Finland, Russia and the Baltic states.

The company applies its own SRV model and adopts an individualized and fresh approach to resolving its customers' property development and construction needs. The SRV Model addresses the whole life span of a piece of real estate, starting with the development of the business idea and the acquisition of the building land and finance, on through the planning and construction stages all the way to the management of the property. In collaboration with its extensive network of experts and partners, SRV assumes responsibility for the overall project management as well as the practical execution to the highest level of quality.

SRV's turnover amounted to 431.8 million euros in 2005. On average, the company had 671 employees.

www.srv.fi



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Net sales grow and profitability improves

In 2005, SRV's net sales increased by 7% and profitability by 25%. The company honed its operating processes, stepped up spec projects and both continued and started up numerous major development and construction projects. It is estimated that further growth will be seen in construction in 2006.

Greater efficiency in the construction of commercial and business premises

SRV Viitosen Ltd's net sales amounted to EUR 208.9 million (224.1) and its profit before extraordinary items and taxes to EUR 9.0 million (9.2).

The decline in net sales was affected by the finishing of the company's largest-ever project, the Kamppi Centre. Profitability was enhanced by more rigorous quality systems and the company's focus on its core business.

Growth in logistics and infrastructure construction

SRV Teräsbetoni Ltd's net sales increased by 5.7% to EUR 61.7 million (58.4). Profit before extraordinary items and taxes was EUR 4.8 million (-0.2). Industrial and logistics construction both accounted for 30% of net sales and infrastructure construction for 20%. The rest was mainly generated by the construction of housing and commercial premises in Turku.

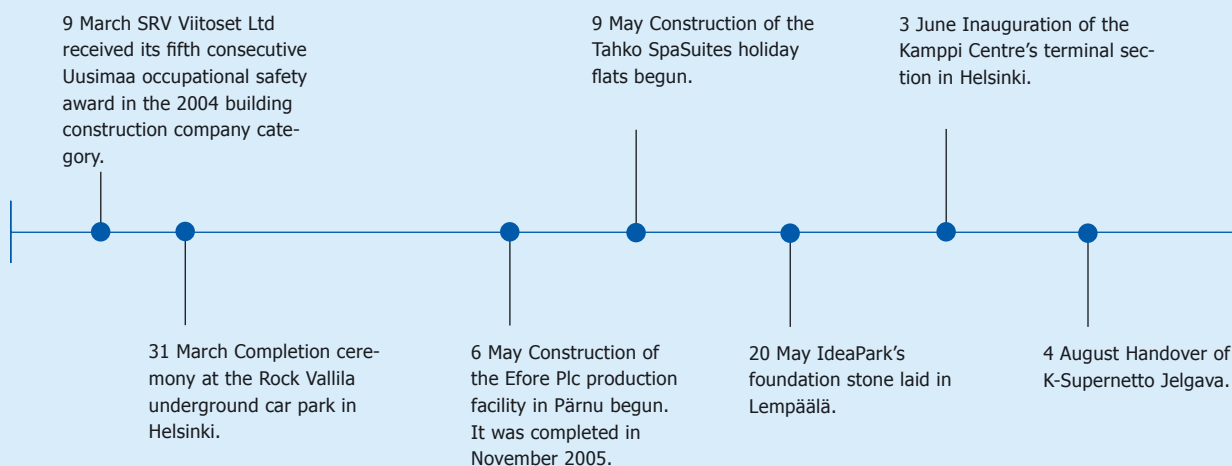
Net sales and operating profit were improved by strengthening the spec and negotiated programme of works, the development of the tunnelling and underground construction business in line with plans, better management of the risks associated with operations and closer co-operation within the Group.

Robust growth in housing construction

SRV Westerlund Ltd's net sales increased by 44.5% to EUR 88.7 million (61.4). Profit before extraordinary items and taxes was EUR 5.8 million (3.9). New construction accounted for two thirds of net sales and renovation works for the rest.

Completion of the housing at the Kamppi Centre and the successful implementation of projects, as well as the expansion of operations to surrounding municipalities contributed to growth in net sales and operating profit. Operations were enhanced by standardising operating processes, developing service concepts, streamlining management systems and restructuring the organisation.

Events in 2005



Read more about the projects we implemented in 2005 on page 42.

Key figures

	2005	2004	2003
Net sales, EUR million	431.8	403.2	275.5
Operating profit, EUR million	20.4	17.2	12.7
- % of net sales	4.7	4.3	4.6
Profit before taxes, EUR million	20.3	16.2	9.8
- % of net sales	4.7	4.0	3.6
Equity ratio, %	24.4	22.6	17.3
- including capital loan	24.4	31.2	26.5
Return on investment, %	22.7	26.2	25.4
Return on equity, %	31.7	35.3	29.1

	2005	2004	2003
- including capital loan	27.3	24.5	22.5
Debt/equity ratio, %	124.8	43.5	65.2
- capital loan, as equity	124.6	4.0	7.6
Interest-bearing net debt, 31 Dec., EUR million	66.0	2.2	3.3
- including capital loan	66.0	17.2	18.3
Uninvoiced backlog of orders, 31 Dec., EUR million	203.4	320.8	301.7
Average personnel	671	603	524

Stronger international operations

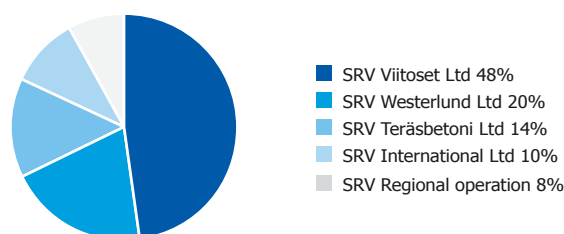
SRV International Ltd's net sales increased by 29.7% to EUR 44.5 million (34.3). International operations accounted for 10% of SRV's net sales. Profit before extraordinary items and taxes was EUR 2.1 million (1.7).

Net sales and operating profit were affected by the systematic acquisition of property and land, well-oiled co-operation with investors – especially Vicus Ltd – and the strengthening of local organisations.

Regional Business is in a firm position

Net sales for SRV's Regional Business rose by 6% to EUR 36.2 million (34.1). Profit before extraordinary items and taxes was EUR 1.7 million (1.2). Spec housing production accounted for about 50% of net sales and the rest was generated by construction of business and commercial premises, public spaces and logistics locations.

Share of the Group's net sales



Factors behind the improvement in net sales and operating profit included development work carried out in the companies, enhanced control in joint operations between regional businesses and standardisation of operating methods.

9 August Construction of DHL's logistics centre in Riga begun.

29 September SRV Henkilöstö Oy becomes a shareholder in SRV Group Plc.

16 November SRV Teräsbetoni Ltd's 60th anniversary.

The 2005 Concrete Structure of the Year award went to the Kamppi Centre's transport terminals.

18 August Handover of K-Supernetto Liepaja in Latvia to Kesko.

1 November The 2005 Rakeva award went to Chief Information Officer Majja Saastamoinen.

31 December The Turku regional unit becomes SRV Lounais-Suomi Oy.

An excellent year sows the seeds of success

SRV had a very good year in 2005. The year saw SRV put the finishing touches to the company's greatest project to date, the Kamppi Centre. It was handed over to the end-users in March 2006. The company's result grew by 25%, and every business unit strengthened its standing in its market segment. Housing, logistics and infrastructure construction showed particularly strong growth.



2005 was an excellent year for SRV. The company's largest ever project, the Kamppi Centre, was completed and handed over to the end-users in March 2006. The project was very successful, whether we measure the outcome financially or in terms of the design or the construction technology applied. The successful completion of this project has bolstered both SRV's financial position and its credibility as a company that can be trusted to take on very demanding construction projects.

In financial terms as well, 2005 was a good year for the company. The SRV Group's profit before taxes grew to EUR 20.3 million. Group profitability improved by 25% on the previous year. Return on equity was 31.7% and the equity ratio was 24.4%.

Economic cycles favour construction

Demand held firm in the construction of housing and commercial premises. In industrial construction, the focus shifted from new building to extensions and replacement investments. Concerted efforts to further develop the company remained on track in 2005. The company zeroed in on housing construction and the consolidation of regional operations, both in Finland and in the Baltic states.

The Turku regional unit was incorporated into the SRV Group. At the beginning of 2006, SRV opened a regional unit in Central Finland with responsibility for the Jyväskylä region. The local organisations in the Baltic states were strengthened, and property and land were systematically acquired and partnerships forged. Thanks to these steps, the company is well poised for ongoing growth.

SRV's reputation as an innovative and reliable construction company hinges on its highly competent personnel and the SRV Model.

Close co-operation under the SRV operating model

SRV's reputation as an innovative and reliable construction company hinges on its highly competent personnel and the SRV Model. SRV takes responsibility for the entire project, starting with the planning process right through to the building of the property.

As project manager, SRV guarantees effectiveness of implementation.

Property development projects require a thorough knowledge of the land, end-user and investor markets as well as very close co-operation with the customer. SRV provides its customers with a high level of service, which translates into new and improved business opportunities for the customer. The SRV Model includes close co-operation with the customer. As SRV's strength lies in its skilled and competent personnel, we must build upon our core competences – vision, excellent service and efficient communication.

Strategic priorities

SRV has set as its goal to be the leading construction project developer and project management contractor as well as a sought-after partner, bringing added value to the property users, owners and investors. The company's strategic priorities are to increase profitability and assure growth.

Growth is sought primarily from residential construction and international operations. New business opportunities in housing emerge as people have more leisure time and funds at their disposal and the proportion of older people in the population increases. SRV is focusing on creating new living concepts and on providing good service for people who are in the market for housing.

Increased profitability is sought by increasing the share of spec contracting and harmonising operating processes.

My predecessor, Hannu Mikkonen, set up excellent conditions for continued corporate development. Under his guidance, SRV advanced in leaps and bounds – he created new service concepts and honed efficiency by harmonising operating processes. As the company is in peak financial form following Mr Mikkonen's leadership, I am well placed to steer SRV towards the next phase in its development. We are currently investigating the feasibility of listing SRV on the stock exchange, as this would further increase the company's resources for the implementation of challenging projects.

I would like to extend my thanks to all of you, our customers and partners, for a profitable year. To all the employees of SRV, I would like to express my gratitude for your excellent work. We now embrace new, shared opportunities.

Eero Heliövaara
President and CEO

Growth in construction output

The current economic trend favours construction. In Finland, both the production of housing and the construction of other property are increasing. The property market in the Baltic countries and in Russia continues to see strong growth.

Spurred on by private consumption, Finland's economy is predicted to grow at an annual rate of three per cent over the next few years. Combined with the growth predictions for the Baltic countries and Russia, this creates good growth conditions for building production. Not only office premises but also business premises, logistics and industrial sites and residential property are increasingly being selected as targets for investment.

In Finland, the concentration of the population in Greater Helsinki, in the satellite municipalities and in growth centres increases the need for business premises, housing and underground transport links, along with parking areas. Migration and the increase in international players as well as the Vuosaari port decision and the needs of enterprises to enhance their operations are creating pressures for new logistical solutions.

More business premises; an upturn in office demand

In Finland, 2005 was a strong year for business and office premises construction. In particular, work was carried out on commercial projects, the demand for which will probably remain strong over the next few years. Office construction in Greater Helsinki was subdued; new production was sustained by the need for high-quality business premises. Demand for office premises is forecast to pick up from 2006 onwards.

Industrial construction a mixed picture

The area of emphasis in industrial projects has shifted from new investments to expansion and replacement investments. There is growing interest among companies in investment abroad. Civil engineering construction increased during 2005, and this trend is expected to continue. The most rapid annual growth is predicted to be in underground construction.

The construction of logistics sites, which for the most part involves storage and terminal projects, was in a period of transition, which will probably continue over the next few years. Logistics operators, technical wholesalers and commercial warehouses are seeking business efficiency by outsourcing and centralising operations.

Housing demand brisk

Demand for housing continued to be strong, especially in Greater Helsinki and in growth centres. High-density, low-rise area development is likely to increase. Renovation construction saw strong growth, and the growth is forecast to continue. Migration, consumer confidence, a good employment situation and a low level of interest rates will probably keep housing demand growing over the next few years. The growth of market financed housing construction in Greater Helsinki is hampered by the shortage of sites and the high prices of these sites.

Increased demand in growth centres

Finland's property and construction market is divided. Outside Uusimaa, construction is increasingly concentrated in a few regional growth centres, where (in addition to housing and business premises) there is also growing need for public services such as schools and day-care centres. In 2005, the demand for housing and for business premises grew particularly strongly in Pirkanmaa.

Regional centre construction is likely to remain strong in the next few years. The ageing of the population is increasing the demand for various types of sheltered and assisted accommodation for senior citizens. The growth in wealth, increasing leisure time and the emphasis on looking after oneself are increasing the demand for second homes and leisure homes. Industrial delivery models are being developed for detached houses, and renovation work is increasing. A factor which is starting to curb growth is the shortage of skilled manpower, which is also reflected in subcontracting and material costs.

Pace of construction picks up in Baltic countries and Russia

In the Baltic countries GNP is forecast to grow by 5–7% in the next few years. The strongest growth is expected in Lithuania. In Estonia, growth is evening out. Levels of unemployment will probably remain low.

The property development and construction markets of the Baltic countries and Russia are growing more rapidly than those of

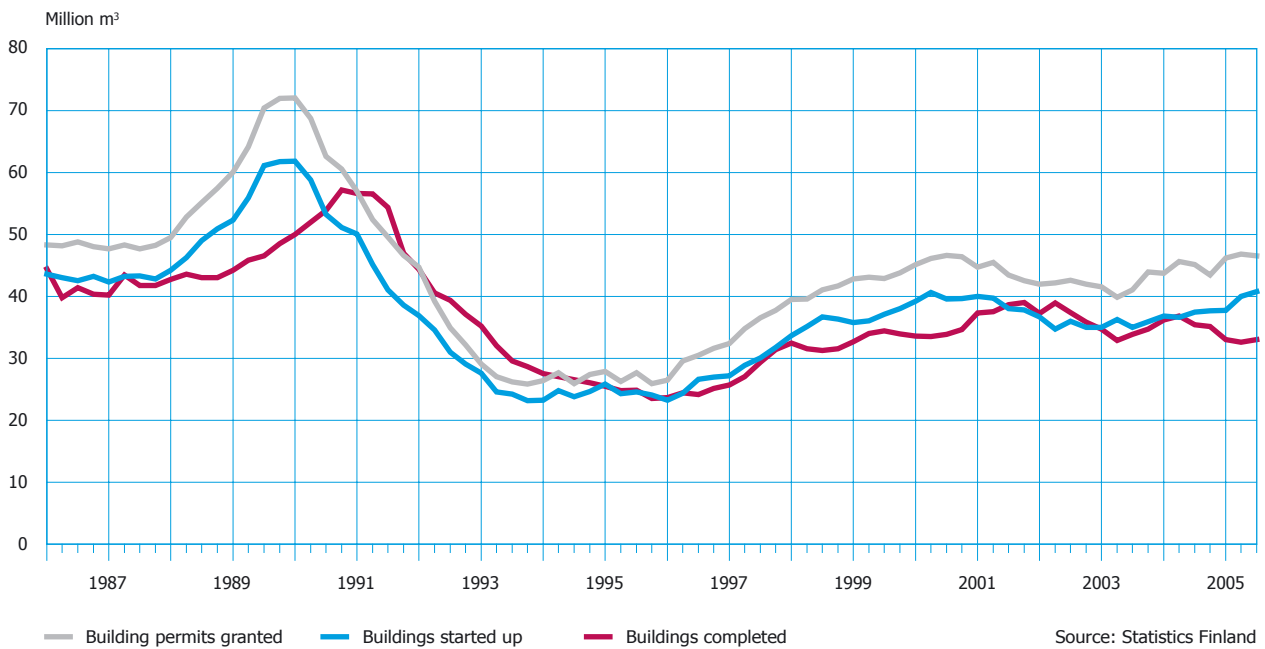
other countries. Material and subcontracting costs in 2005 were around 40-50 per cent of the corresponding costs in Finland, even though the level of costs has been rising at an annual rate of 10-15%. During the last two years site costs have grown more rapidly than other costs. The rise in the level of costs is expected to continue. It is anticipated that the shortages in skilled personnel will continue in all the countries.

In the next few years, construction volume is expected to increase significantly in the Baltic region and, in particular, in Russia. The area of emphasis has shifted from office building to housing construction. Factors influencing this have included the improved availability of housing credit and a rise in the level of earnings. Detached houses are gaining in popularity in Estonia. In Latvia,

housing construction is very brisk and will continue to grow in 2006. Lithuania has experienced the most rapid growth in housing production, and it is expected to become the largest housing property market in the Baltic region.

Competition is intensifying in housing construction and in property development projects in the Baltic region. In addition to building contractors, competition for projects in the next few years will come from development consultants and project management contractors. Local players have strengthened their position, and the number of property investors in the Baltic countries has increased significantly. There is a shortage of suitable targets for investment, and the level of production is approaching that in Finland.

New construction in Finland, rolling annual figures



Setting sights on growth and profitability

The SRV Group is a partner and project management contractor offering end-to-end services for the real estate and construction industries.

SRV aims to be the leading developer of construction projects and project management contractor in its field of business as well as a highly sought-after co-operation partner. SRV implements its customers' individual needs as property users and owners in co-operation with the customers.

SRV's business comprises the development and construction of commercial and business premises, industrial and logistics facilities, housing and infrastructure. Operations are carried out by subsidiaries in Finland, the Baltic countries and Russia.

The Group seeks leadership in terms of the innovativeness of projects and the comprehensiveness of the services offered to customers. SRV is in great demand as a partner whose long and in-depth customer relations lay the foundation for the implementation of demanding development projects.

Favourable trends in the real estate and construction industries are affected by factors such as financial trends in Finland and close-by areas as well as the ageing of the population and its centralisation in the growth centres. The internationalisation of the field steps up competition and also opens up opportunities for expanding operations. Real estate is becoming more and more popular as an investment. Individuality and flexibility requirements are now increasingly emphasised in customer solutions.

Service at all stages of the value chain

SRV provides its customers with end-to-end services for real estate and construction projects. The SRV Model encompasses the entire life cycle of property projects, from the idea to controlled implementation and property management solutions. In the project stage, the Group serves the customer in matters such as specifying space

requirements, selecting the location, securing zoning changes, budgeting the project, arranging financing and acquiring user customers with targeted marketing.

Construction is carried out under a project management contract in accordance with the specified schedule, cost and quality requirements. SRV's experts choose suitable designers and supervise implementation in line with objectives agreed with the customer. SRV takes on main contractor responsibilities for implementation. Overlapping planning and construction shortens the implementation schedule and provides more time for decision-making. If required, SRV helps the customer to select partners for each subarea of property management.

Ensuring customer satisfaction by delivering on promises

The values that guide SRV's operations put the accent on the desire to ensure customer satisfaction and the success of the company with excellent products and services provided by contented personnel. Reliability means always living up to the confidence customers have in the company and responsibility for occupational safety and the environment. Open co-operation is teamwork with customers towards a shared goal. Service-mindedness entails actively taking customer needs into account, rapid reaction and flexible operations. Efficiency and high performance guide the company to engage in systematic operations, awareness and management of risks, and shouldering responsibilities. Honing and development entail continuously upgrading professional skills and operations, initiative and innovation to generate added value for customers.

Group strategy

In the strategic period lasting until 2008, the Group will use the following business strategy to bolster its position:

Improving profitability

SRV focuses on developing its core expertise, the management of costs and risks and sourcing, and steps up spec projects.

Growth

SRV's particular growth focuses in Finland are housing construction and, in the country's regional growth centres, the construction of residential, commercial and business premises, while in the Baltic countries and Russia the company seeks growth especially from the construction of residential, commercial and business premises.

Internationalisation

SRV is going international and builds on its prior achievements in Finland's close-by areas, especially the Baltic countries and Russia. The company is looking into expanding into new EU member states.

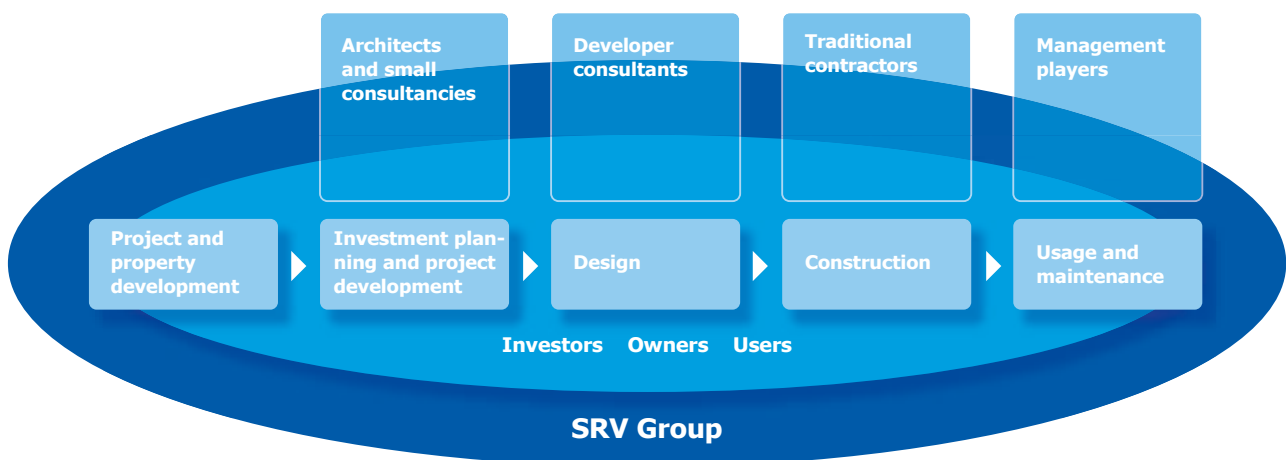
Honing competitiveness

A solid foundation is laid for maintaining and developing competitiveness by making outlays particularly on upgrading service concepts and customer services, intra-Group joint efforts and developing personnel and operating processes.

Putting business on a broader footing

SRV seeks to broaden its business operations by rounding out the construction value chain and developing it on the basis of changing customer needs.

SRV Model



Personnel as a success factor

SRV aims to be a successful and profitable company providing its employees with a challenging and rewarding work environment, where competence is promoted. The objective of personnel management is to support strategic implementation.

Personnel management promotes profitability, reinforces the conditions for growth and competitiveness and serves to expand the scope of the overall operation. Personnel management aims to protect the skills development of current employees and safeguard the availability of professionally competent employees in the future.

Reinforcement of uniform operating modes

In 2005, the remuneration system applying to technical and industrial staff of SRV was reorganised. The criteria used to evaluate how challenging the post is and to assess the competence of the employee concerned were defined. An equality plan was drafted for each Group company.

In spring 2006, training will be organised for senior management and superiors with the objective of consolidating the common operating culture and leadership model. The training will serve to improve management and people skills and deal with issues relating to age and business management. Training of site managers will commence in autumn 2006.

In the same connection, a new apprenticeship model will be adopted. Under the system, newly qualified construction graduates will spend 12 months working alongside an older employee in the company. This practice will ensure that existing information and knowledge are transferred to new people, thus supporting the implementation of the common operating model and quality standards.

The scope of the Group personnel report was extended, and it now covers all Group companies.

Performance bonus and SRV Henkilöstö Oy

The Group employs a system of performance-related bonuses covering all personnel.

With regard to office personnel the amount of the bonus is dependent not just on the actual result achieved, in relation to the budget, by the whole Group and by the individual company concerned, but also on the degree to which the personal targets defined in development discussions have been achieved as well as on how well the person concerned enforces Group values in his/her work.

SRV Henkilöstö Oy was established in 2005; it owns 48% of SRV Group. The entire staff of SRV was able to subscribe to the shares of SRV Henkilöstö Oy; 172 employees subscribed to a total of 143,200 shares. The system is designed to give all employees the opportunity to profit from the success of the company as well as encouraging them to commit to an entrepreneurial work model.

Personnel risks minimised

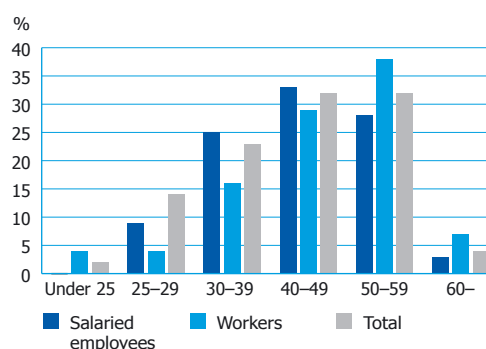
The competition for professionally competent people is accelerating, and in the next few years a significant number of experienced and skilled employees will enter retirement. SRV is preparing for this by making efforts to increase current employees' work satisfaction and enhance the company's image as an employer.

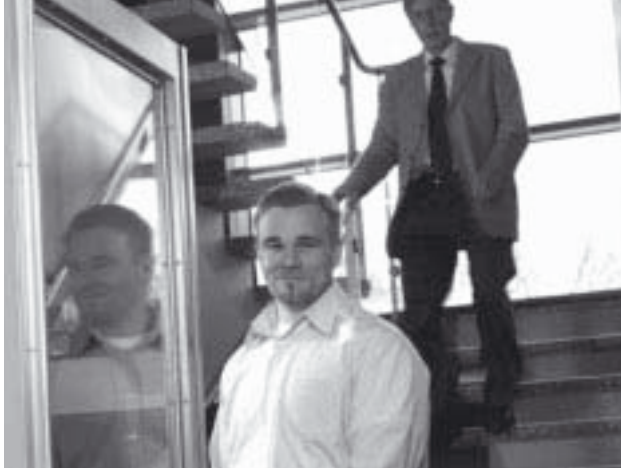
In 2005, the SRV Fit for Work project was launched. The project aims to improve employees' working capacity and motivation and minimise early retirement. With a view to maintaining employees' working capacity, more attention is paid to employees'

Average number of employees

	2005	2004	Change, %
SRV Group	47	34	38.0
SRV Viitaset	164	164	-
SRV Westerlund	120	104	15.4
SRV Teräsbetoni	147	142	3.5
SRV International	24	25	36
SRV Regional operation	64	64	4.0
Foreign subsidiaries	105	70	50
Total	671	603	11.3

Age distribution, Salaried employees/workers





genetic risks as well as those caused by lifestyle and modes of work. Working practices and working capacity are improved in order to reduce the physical as well as the psychological stress caused by work. One of the ways of achieving this is by organising activities for the older workers. The 50+ Club has the aim of increasing employee contentment, sharing experience and promoting the maintenance of professional competence.

Sick leave absence by employees and near misses at construction sites are monitored on an ongoing basis. This allows the identification, and correction at an early stage, of potential stress factors. Construction site personnel will be trained in 2006 to report and process near misses.

A new programme was launched in the review period to ensure the availability of skilled personnel for key jobs and develop the company's image as an employer. In 2005, 120 trainees worked in SRV; this represents 20% of Group personnel. The foster class and student visit and event programmes were continued in 2005.

Key personnel and the newly recruited are given a chance to develop their skills in different demanding and challenging duties by means of a system of work rotation. For the first time, SRV participated in the Best Jobs Competition as well as in the study of student perceptions which was carried out by Universum Communications.

Training in customer account management

The development of the company's solutions delivery capability requires that the entire personnel of SRV adopts a new mode of operation. Alongside solid skills in construction and project management there is a need for a profound understanding of customer needs

and an ability to exploit the competence on offer in the Group as a whole when offering solutions to customers. Training events that were organised during the year took as one of their key concerns customer service and the diagnosis of customer requirements. Forty-two SRV employees participated in the training. Training in negotiation skills was also organised for project and works managers.

During the year, a project was launched for the deployment of marketing which has the objective of ensuring the expansion of the customer base. Forty-eight employees participated in the project, and it will continue in 2006.

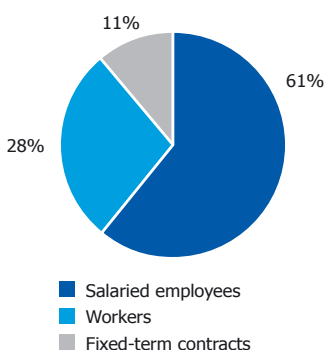
In order to generate more work-related innovation, SRV commenced collaboration with the Innovation Centre of the Helsinki University of Technology. The project, which will run until 2007, will chart the factors that play a role in the creation of innovations, such as the work environment, leadership, organisational culture, structure and atmosphere. The results thus achieved will be exploited to develop a positive work environment.

Skills charting has been employed in order to map out the strengths and the areas for further development in terms of employee skills. Any special training needs are determined in connection with the annual development discussions, and participation in training is decided accordingly.

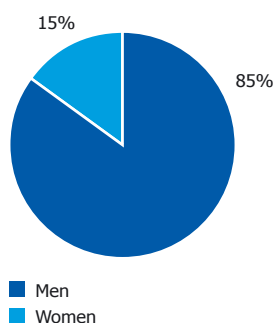
Number of personnel

In 2005, the Group employed on average 671 (603) persons. At the end of the year, employees numbered 632 (591). The net increase in employees was xx. Women accounted for 14.5% of employees and the average age of employees was 43.9.

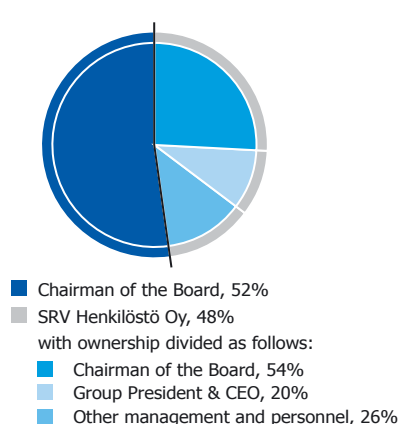
Nature of employment relationship



Employees' gender distribution



Ownership of SRV Group Plc, 1 March 2006



Part of an extensive risk management programme

Corporate security forms an important part of SRV's high-quality business operation. It is one link in the company's risk management process.

Corporate security safeguards SRV's legitimate operating prerequisites. It ensures the continuity of the operation and the undisturbed production of services as well as providing a safe operating environment. Corporate security protects SRV's employees, property, information, environment and reputation, as well as those of its partners and clients, against accidents, damage and criminal action.

The objective of SRV's corporate security function is to increase productivity and promote competitiveness. It aims to achieve this by minimizing the amount of uncontrolled security risks and improving the company's readiness to act in situations arising from accidents, danger or damage.

In order to achieve this objective, the company requires an efficient leadership organisation. Furthermore, SRV's own personnel and the subcontractors that it employs must be committed to a common operating model which takes into account the statutory security requirements, SRV's values and all identified risks.

Part of the leadership organisation

Corporate security forms part of SRV's leadership organisation. The Managing Director is liable for the appropriate organisation of corporate security in the group, while the Group Security Manager is in charge of the development and coordination of security, the provision of operational support and guidelines as well as reporting. Each subsidiary and business segment organizes its own corporate security and reports to the Group Security Manager. Security on site is the responsibility of the relevant person in charge at the construction site. The persons in charge of industrial safety on site are supported by the company's operating model, auxiliary equipment and ongoing personnel safety training.

SRV aims to secure a safe working environment on construction sites. As early as the bidding stage SRV checks that potential subcontractors meet certain safety requirements. Once collaboration is underway SRV offers support to its subcontractors by instructing them in procedures that are universally applied in the company as well as putting operating models at their disposal.

Subcontractors' compliance with safety requirements is systematically monitored and immediate correction is expected where shortcomings are noted. Subcontractors are obliged to report to SRV any risk situations or accidents encountered on site.

In 2005 a couple of dozen risk incidents were reported to SRV, mainly from the larger sites. All information thus received is exploited in the development of risk management.

Development of operating models and reporting

Corporate security is based on co-operation with the customer's security organisation. In 2005, SRV launched a programme to develop an operating model for that purpose.

In 2004, all units adopted an electronic environmental reporting system at group level. If necessary, a construction project customer may use the Internet to monitor the amount and the final location of all building debris that is produced during the project.

The company has also concentrated on the development of information security. In 2005, some preparatory work has been carried out to enable group-level data security classification of documents as well as the drafting of a related contract model intended for developer consultants. Further investments have been made in the supervision of foreign workers, and the authorities have given positive feedback on SRV's long-term operating model in this respect.

Within the framework of the general development of risk forecasting by means of various safety tools, development work was commenced on a new hazard reporting system. The system provides procedures for monitoring the processing of reports and giving feedback. It will be adopted at all construction sites during spring 2006. The form used to report hazards has also been included in the Viisari guidelines which provide advice on on-site safety, the environment and issues relating to quality. SRV's goal is to further lower the threshold for filing a report, in order that all risk situations on construction sites are reported.

Good levels of occupational safety

SRV employs a system of weekly checks ("TR assessments") on occupational safety and the rescue facilities at construction sites as well as the level of environmental and personal protection on site. The checks give an indication of the safety of catwalks, ladders and scaffolding, machines and equipment, work procedures, electricity and lighting as well as general tidiness and waste management. The goal of occupational safety is an accident-free site, where the TR index is 100%.

By the end of 2005, almost 100% of SRV's employees had undergone safety training and now hold an occupational safety card. In spring 2005, the company launched a project to train its subcontractors in safety matters, as well, and the training is ongoing in 2006. There were no serious work accidents in 2005.

Another facet of the drive to promote safety at work is the project entitled SRV Fit for Work which was launched at the end of 2005. The project incorporates numerous measures which are linked to



Components of SRV corporate security

employees' working capacity, ageing as well as safety at work. As part of the noise prevention year, employees were offered the opportunity to purchase, at minimal cost to themselves, personal 'musicians' ear plugs. The ear plugs were well received.

For the fifth time running, SRV Viitaset won the occupational safety competition organised in the Uusimaa region. The company also attained the highest average of TR measurement results for the year.

SRV takes an active part in the general development of safety at construction sites and is involved in the panel of specialists of the Confederation of Finnish Construction Industries. The company's Security Manager acts as Chairman of the Occupational Safety Card Committee.

Investment in subcontractors' safety training

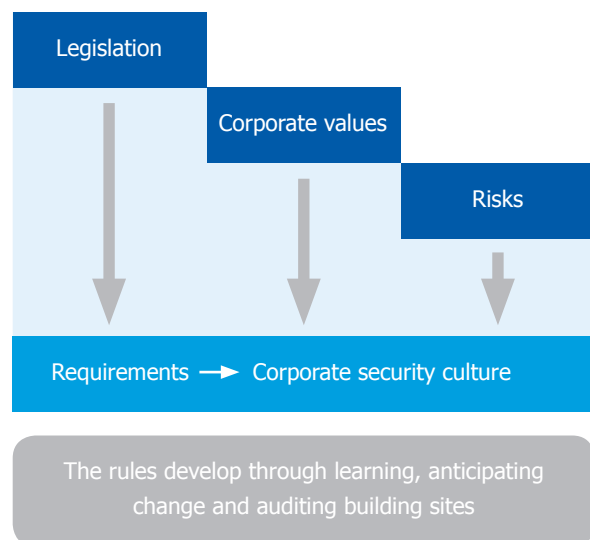
SRV offers support to subcontractors by instructing them in the company's own operating model and making available to them the auxiliary tools and the guidelines developed by SRV. The goal is safe and high-quality work procedures.

In addition to the training for subcontractors culminating in the occupational safety card, in 2005 SRV also collaborated with the Tampere Regional Institute for Occupational Health and another construction company to organize a training event entitled RAKSA-KYMPPI. The project was financed by the Finnish Work Environment Fund, and the aim was to train subcontractors in safety management. Twice a year, the company organises co-operation seminars for its partners. In 2005, the discussions centred on the environment, quality and occupational safety, alongside issues of co-operation. SRV also continued the tradition of twice-yearly afternoon seminars with the risk management unit of Pohjola Insurance, on topical safety issues.

Ongoing development

In 2006, SRV will concentrate on the practical implementation of the security practices which are common to the whole group as well as the further development of reporting procedures. With a view to improving the comprehensive management of security, cooperation with clients' security organisations will be enhanced. The development of information security and the procedures for managing foreign manpower will receive special attention. Recording the operating policy for security practices and developing risk management will be ongoing priorities.

Management of safety at SRV building sites



A significant part of quality management

SRV is one of the forerunners in the construction industry when it comes to developing environmental responsibility. Environmental responsibility forms an important part of the company's sustainable and high-quality operations. SRV wants to rank among the best in the industry in Finland for environmental responsibility.

SRV's environmental activities are based on a commitment to developing responsible operations and reporting the impacts of the company's own business operations. The company's objective is to minimise environmental impacts over a building's entire life cycle. SRV monitors and reduces environmental loading caused by construction, and both develops and introduces methods that can be used to manage environmental impacts when buildings are in use.

Based on life cycle thinking

Environmental solutions also affect occupational safety, quality and costs during construction. Some of the major environmental impacts during construction are caused by energy and water consumption on the site, as well as the wastes generated and their transportation.

Environmental impacts arising when a building is in use can be reduced, for example, in the design and implementation phase of the project with solutions that affect energy consumption and by the choice of materials to be used.

SRV's objective is to reduce the amount of waste generated on construction sites, increase the degree of recycling and step up the collection of useful waste and the recycling of parts of demolished buildings.

Energy consumption when a building is in use is many times that during construction. During the design phase, SRV aims to give clients sufficient information about the factors that affect running costs, giving them a good basis on which to make decisions.

Environmental officers on every construction site

The welfare of the environment is taken into account in all of SRV's projects. A subsidiary's managing director is responsible for organising appropriate environmental responsibility in that company. The Group's environmental manager is responsible for developing, coordinating, supporting, providing guidelines and organising reporting on environmental operations throughout the Group.

Every subsidiary has its own environmental officer, who takes care of that company's environmental issues during the design and

implementation phases of projects. A project-specific environmental officer is appointed to every construction site. This officer supervises and directs waste management, energy and water consumption, the handling and storage of hazardous substances, and subcontractors' environment-related activities. In addition, the environmental officer is also responsible for disseminating environmental information and awareness on the site.

The Group's environmental manager and subsidiaries' environmental officers form an environmental committee. This committee meets three times a year to supervise the Group's environmental operations, come up with measures to reduce environmental impacts and monitor ongoing projects.

Supervision and reporting being developed

An environmental reporting system for supervising construction sites and monitoring the results of development measures was introduced at the end of 2004. The system monitors energy and water consumption, the amount of waste at construction sites – based on the type of waste and degree of recycling – and also how far this waste is transported. In 2005, the degree of waste recycling was 83%. This figure includes over 65% of Finnish construction sites. The first comparison figures will be published in the 2006 Annual Report.

A construction site's environmental officer logs site-specific energy and water consumption in the system. The partner in co-operation responsible for waste management enters the amount of waste generated, its degree of recycling and transportation details into the system. The partner also reports directly to the construction site on any anomalies in waste handling. Waste management on a construction site is continuously supervised to ensure that it is carried out according to plan and, when construction is complete, results are compared to those from other projects.

During 2005, not a single significant environmental accident or dangerous situation related to hazardous substances was reported.

Close co-operation

In 2005, SRV made a concerted effort to develop waste management at construction sites in association with Kuusakoski Oy. Waste collection tools for each stage of work were specified for the sites, waste skip solutions were developed and guidelines issued for waste sorting. The launch of the Hanke-PromisE environmental classification system was initiated in the design stage of projects for use in the life-cycle control of new buildings. The clarity of the environmental reporting system was improved and the consistency of data reporting honed.

The commitment of the Group's own employees and subcontractor network to the realisation of environmental objectives was supported by training environmental officers on sites, organising more site-specific information sessions and releasing information on environmental issues in the Group's weekly employee bulletins. In addition, environmental issues were also dealt with at the annual co-operation seminar for subcontractors.

Greater customer demands

SRV reports to customers on the construction-stage environmental impacts of its sites. Customers may continuously track the status of their projects through the company's reporting system.

In taking care of customer relationships, environmentally responsible operations are increasingly to the fore. In particular, municipalities, public sector bodies and large international companies require that environmental impacts be managed effectively during the design, construction and usage phases alike. Information

from SRV is often used to support their own environmental reporting and in the selection of environmentally friendly solutions in project implementation.

Customers expect their partners to continuously develop the management of environmental compliance, to have efficient on-site waste management, to provide design solutions that feature low costs over their life cycle, are flexibly adaptable and effective, to use building materials and methods that are environmentally sound and safe, and to openly release information on the effects of sites to residents and other parties in the vicinity. In recognition of his good work on communications regarding the Kamppi construction site, SRV Viitosen's Communications Manager received a RAKEVA award from the Building Information Foundation RTS in 2005. Proven communications practices will also be used at other construction sites in the future.

Outlays on environmental awareness

In 2006, SRV's environmental activities focused on forging consistent operating methods for all sites and developing the use of information gained during monitoring. Training in environmental awareness will continue both directly at sites and during the annual co-operation seminars held for new subcontractors. The supervision of environmental compliance at sites will be honed by specifying workable benchmark values for project-specific control. The implementation of methods for calculating the environmental effects of building use will continue in association with customers.



Risk management

Risk management is vital for the success of SRV's operations and projects. Operational risks and preparations for them are anticipated by assessing prior, completed projects and by both identifying and analysing the critical areas and tasks in operations and projects.

Construction risks

In all its projects, SRV employs technical design and implementation solutions that are well known in the industry and have proven their worth. Technical risks on construction sites are managed as part of a project-specific quality plan whose implementation is monitored with internal on-site quality inspections.

Organisation risks

The Group's business operations hinge to a great extent on the long-term experience of the Group's management and the expertise of the whole Group's personnel. The experience and expertise of employees represent a key competitive edge for the Group.

The completion of SRV's largest project, the Kamppi Centre, in March 2006 poses great challenges for the company to start up new projects and ensure employment for its personnel. The company has been able to smoothly place personnel no longer working on Kamppi into new projects and the Group's undertakings because the workload has remained steady in spite of the completion of Kamppi.

SRV's share ownership arrangement for personnel, carried out in autumn 2005, was geared towards not only the development of the company in the long run, but also eliciting commitment from personnel. Large projects have bolstered SRV's public image and the company has become more attractive as an employer.

Financial and funding-related risks and commitments

The SRV Group operates in the construction and real estate markets, which are directly impacted on by the general business cycle and changes in the business environment of customers. If economic trends and economies in Finland and the euro area were to swing down in the next few years, this would have an adverse effect on construction and the development of the real estate markets. Changes in business cycles or in the business environment of the Group's customers could have a substantial effect on the SRV Group's business operations, financial position and result of operations.

As a construction company, the Group must meet customary construction-stage and post-construction liability and warranty obligations, which last 10 years at the most. Spec production, turnkey contracting and developer contracting also involve risks concerning market cycles, the availability of finance and client solvency.

Contractors may also incur financial losses due to the operations of their selected subcontractors or if the latter are unable to perform the work. Losses are primarily covered with the collateral lodged by the subcontractor.

General changes in interest rate levels have direct effects on the SRV Group's cash flow from ordinary operations as well as financial expenses. The purchasing decisions of homebuyers and the investment decisions of investors are significantly tied to the general interest rate level and changes therein.

Successful sales of flats in the Kamppi Centre had a significant effect on earnings in 2005. The renting of the Trigora office premises also played an important role in earnings accrual. Commercial risks are managed by means such as monitoring and anticipating changes in the market and reacting to them at the right time.

Business Activity





The Kerava logistics centre, which is being built in the hub where land, rail, marine and air traffic routes meet, offers the city of Kerava the opportunity to develop into the logistical gateway of Greater Helsinki and the rest of Finland. The area is earmarked for new services in the fields of logistics and forwarding as well as industry and commerce, which will supplement the service provision on offer in the port of Vuosaari.

“The logistics centre will bring hundreds of new jobs to Kerava and boost our economy. We also believe that the benefits will radiate into the neighbouring municipalities”, says Harri Nikander, Development Manager for the City of Kerava.

Supporting customers' business through innovation

SRV's objective is to bring together the needs of the property user, owner and investor, and to be a sought-after partner and a producer of added value. SRV innovates and implements property projects which help customers to develop their own business.

SRV Project Development specialises in the development and upgrading of properties, and in the development of business, logistics and residential areas. The aim is to ensure solutions for premises which will meet the individual requirements of the user, improve the owner's income from rent or sale, and ensure growth in the value of investments by creating interesting targets for investment. The customer base consists of companies, municipalities and landowners, and domestic and international financiers and investors.

Project Development innovates and enhances new business opportunities for SRV. The unit concentrates on long-term projects, which start from the planning of investments and in which several Group companies participate.

SRV's reputation as a reliable and innovative implementor of construction projects is based on the high level of competence of its personnel and on the SRV Model, whereby SRV takes responsibility for the entire project as project manager, safeguarding efficiency of implementation from the development phase to the actual building of the property.

Close co-operation

Property development projects require thorough knowledge of the site, end-user and investor markets as well as close co-operation with the customer. Development projects offer customers new business opportunities. Project implementation is based on ongoing updates to the customer and on controlled forecasting.

Services offered by the project and property development unit include needs charting, project plans, acquisition of sites and finance, amendments to land use plans, business idea development, property lifecycle solutions and the acquisition of user-clients via targeted marketing.

The development and project planning stage is crucial in terms of the success of a project. Any decisions will have a bearing on implementation costs and schedule and the yield obtained from the project and on the project's practicality and functionality. SRV prefers to be involved in projects at the earliest possible stage, in order to ensure that the project progresses according to plan and that the final outcome meets the needs of the customer.

Significant area development projects underway

A number of important property development projects were ongoing in 2005. The largest of them, the Kamppi Centre, was largely com-

pleted during the course of the year. In co-operation with the City of Helsinki, a commercial centre was created in the heart of the city, combining transport terminals, office and business premises and inner-city residential developments.

Following years of preparatory work, King's Gate in Porvoo reached the construction stage. This 16 hectare business and enterprise park, which will be implemented in co-operation with the City of Porvoo, will improve the provision of services in Porvoo. The area will host hardware, automotive, furniture, and furnishing and decorating businesses.

New concepts for commercial and business premises

SRV Project Development crystallises into product form concepts for business and commercial premises which combine the interests of the user, the owner and the investor. The High Tech Centre (HTC) and Smart Tech Centre (STC) combine technically and functionally exacting business premise solutions to provide a wide range of services.

The plan for HTC Keilaniemi was confirmed, and building work will commence in 2006. The building work for STC Nummela started in May, and the project will be completed in spring 2006.

The Trigora office complex, which lies in the densely built heart of the city of Helsinki, was launched in autumn 2005 in the Kamppi Centre. The cluster of three office buildings is among the last new buildings in this fully developed urban environment.

Expanding operations a goal

SRV Project Development works to develop relationships with international investors, financiers and users and aims to bring about closer co-operation with Group companies. Operational development centres on the planning and efficient implementation of extensive development projects. The know-how and experiences gained from highly demanding implementations such as the Kamppi Centre are exploited increasingly effectively.

The objectives of the strategic period ending in 2008 include the implementation of the first international HTC project and the extension of the STC concept outside Greater Helsinki. The feasibility of extending the Trigora office concept outside the Greater Helsinki area is being investigated. New concepts are being developed for residential, logistics and business construction.



The Kamppi Centre, with its comprehensive range of services, was opened to the public on 2 March 2006.

“We needed to find new commercial premises in the centre of Helsinki, and the sheer numbers of people who pass through the Kamppi Centre was a considerable attraction to us. The Kamppi shop is our flagship outlet. We have also opened a separate jewellery shop for men on the fourth floor. Now that all the services, attractions and shops are open, I believe that the Centre will attract even more customers”, says Kimi Siitari of Ninja, a shop selling costumer jewellery, accessories and sunglasses.

Focus on development of commercial sites

SRV's goal is to be a sought-after project partner and management contractor, providing a comprehensive service in the construction of commercial and office buildings

SRV Viitokset specialises in commercial and business building in Finland. The company's principal customers are the end-users of the premises, the owners of the property or the building plot, property investors as well as local authorities, the state and other public corporations. The specialist expertise of SRV Viitokset in the development and implementation of commercial and office buildings is exploited at Group level in the planning and execution of shared projects.

Unprejudiced solutions

SRV Viitokset produces office premises, commercial centres, hotels and tailored business premise units under the STC and HTC concepts, applying an open co-operation model. One of the company's strengths lies in its ability to offer objective and innovative solutions to customers' needs concerning office premises. To every project in which it is involved the company contributes the solid skill and expertise it has gained of the building plot, end-user and investor markets. In the project, SRV Viitokset assumes the overall responsibility for the implementation. The company is able to make decisions quickly and carry through a project accurately and systematically; this optimises overall operational effectiveness.

Flexible and comprehensive

SRV Viitokset adopts an individual approach to resolving the customer's premises requirements. The customer gets all the required services from one source. The planning, financing and building expertise, for example, are available as soon as the need arises to alter premises. The overlapping of the planning and building phases speeds up completion and allows the customer extra time for decisions. The building work is carried out as a project management contract observing the agreed scheduling, cost and quality requirements. If the customer wishes, they will also be provided with a service to arrange the management of the property. The majority of SRV Viitokset's order book in 2005 comprised project management contracting.

Profitable and competitive

The goals set for SRV Viitokset for the strategic period ending in 2008 comprise increased profitability and competitiveness as well as steady growth. The point of emphasis will shift to self-generated projects as well as projects which add value to the customer's investment. New products will also be developed. Both co-operation parties, the customer and the company, will benefit from good project profits thanks to the shared objectives stemming from the customer's

Key figures

	2005	2004	Change, %
Net Sales, EUR million	208.9	224.1	-6.8
Operating profit before extraordinary items and taxes, EUR million	9.0	9.2	- 2.5
Personnel on average	164	164	-

own needs as well as the open and flexible co-operation. By ensuring the sufficiency of personnel resources and developing the exploitation of data systems, the maintenance and development of competitive advantages will be on a solid basis.

Construction of office premises gathering pace

In the construction of office premises SRV Viitokset is a competent and trusted partner. The company's order book of office and commercial building in 2005 remained at the previous year's level.

The key projects implemented in 2005 were the three modern office buildings built for TietoEnator Corporation in Helsinki and the Lidl head office building in Vantaa.

Of the ongoing projects, the most significant are the Nokia Corporation office building in Espoo, the Halti office premises in Vantaa and the refurbishment and extension of the Vuorikatu 3 premises in Helsinki, belonging to the University of Helsinki. An STC (Smart Tech Centre) office building is under construction in Nummela near Helsinki. In Espoo, HTC (High Tech Centre) Keilaniemi is being developed for the needs of high technology enterprise.

More commercial sites

In the field of commercial and business construction SRV specialises in developing customers' business. Many of the projects implemented in 2005 involved the development of commercial centres.

The most extensive project in 2005 was the construction of the Kamppi Centre in Helsinki. In June 2005, the new Helsinki bus and coach terminal was opened for use. The Matkahuolto (Travel Services) freight terminal, the terminal for Espoo public transport, 45 retail outlets and restaurants as well as parking facilities were also opened. SRV Viitokset and SRV Westerlund co-operated in the construction of the 99 apartments which are located within the Kamppi Centre. Demand for the apartments exceeded expectations.

Trigora, which consists of a cluster of three office buildings in the Kamppi Centre, and the most visible new building in the Centre, which is a six storey commercial block, will both be completed in March 2006. The Kamppi project provided SRV with a unique opportunity to build new office space in the Capital city's already built-up and crowded centre. The refurbishment of the neighbouring properties, the Granite Building, the President Hotel and the Electric House is underway.

Other sites completed in 2005 consisted of the 250 room Hotel Ruoholahti in Helsinki and the Teboil traffic terminal in the Tammisto area of Vantaa.



Sites completed in 2005:
The Kamppi transport terminal,
Hotel Ruoholahti and Autosalpa Kerava.



Several major projects were launched in the reporting year. SRV is the principal contractor in the Ideapark project in Lempäälä, which consists of a commercial centre of 100 000 floor square metres. The commercial conurbation will be completed by Christmas 2006. Work was commenced on the Porvoo King's Gate project. The site is an area development project which is implemented in co-operation with the City of Porvoo and SRV Project Development. A business park of 16 hectares will be built next to the motorway. It will accommodate commercial businesses which require extensive amounts of space, such as hardware, furniture, furnishing and decorating and automotive stores. In December 2005, a car showroom was completed for Autosalpa in the Keravanportti area development site in Kerava.

SRV Viitosen's objective is to migrate ever closer to the customer's business in the value chain. Projects are selected to reflect as closely as possible the core skills of SRV Viitosen.

Other business premises

Besides office and business premises, SRV also develops other sites for its customers. The refurbishment of the main post office building in Helsinki was completed in 2005, while the new postal sorting centre in Jyväskylä got to rooftop height. The first phase of the refurbishment of the Ratakatu 6 premises in Helsinki, owned by Helsinki University, was completed at the beginning of 2006.

Developing the customer's value chain

SRV Viitosen's goal is to form close partnerships with its customers and co-operation network. One of the most important ongoing devel-

opment projects involves an innovative co-operation model in which a simulation of the building project in its initial stages is produced. The development process has been systematically discussed with parties representing customers in several building projects. The simulations have allowed us to develop new operating models to improve co-operation and the flow of information between the participants in a project. The development project forms part of the Helsinki University of Technology's SimLab Co-Create research project which is financed by the National Technology Agency (Tekes). The research into the building project process will be ongoing, and the intention is to create new permanent practices to improve co-operation.

Efficiency from product model

The other large development project undertaken in the reporting year involved the development of the way in which the product model is utilized. The office building in Espoo for Nokia Corporation, in which SRV Viitosen is the project management contractor, is the prime project in which the product model is being applied. The product model is extensively utilized in co-operation with our partners in the project's cost accounting. It is also applied in production control functions, in particular in scheduling, cost control, planning control and in the management of any changes. The development of the exploitation of the product model in the different phases of a building project will be continued.

Collaboration at Group-level was intensified in 2005, by harmonising operating models and practice; co-operation will be further intensified in 2006. The development of marketing will also be a focus of attention.





Rock Vallila will be opened to the public in summer 2006.

"The availability of parking facilities is an absolute requirement when competing for tenants. As parking in Vallila is generally insufficient for the current volume of vehicles there, when SRV suggested constructing an underground parking facility, we jumped on board with alacrity", says Timo Sotavalta, Property Director of Etera. "When you are dealing with a development project that runs for several years, success depends on the company in charge having absolute professional competence in their field. Thanks to SRV's expertise in similar demanding rock construction projects the investor was able to rest assured that the budgets and computations were accurate and precise, and I must say that the project has run reassuringly smoothly in line with the forecasts and schedules."

Solid progress in logistics construction and civil engineering

SRV's objective is to be the leading construction project developer and project management contractor in industrial, logistics and civil engineering construction as well as a sought-after co-operation partner.

SRV Teräsbetoni specializes in industrial, logistics and civil engineering projects in Finland. The company's principal market is located in the Greater Helsinki area and the industrial centres of southern Finland. The company's main customers are industrial companies, public corporations, investors and logistics companies. SRV Teräsbetoni's special expertise in rock and underground construction and in logistics construction is exploited in the planning and implementation stages of projects carried out at Group level.

SRV Teräsbetoni serves its customers through the regional units, which are located in Greater Helsinki and in the town of Lappeenranta. The Turku regional unit was incorporated into SRV Group plc at the end of 2005.

The company's strengths lie in solid expertise in industrial and project management, competent personnel and, at Group level, the pool of professional skills in finance, technology and law. Our excellent reputation is based on our unfailing ability to deliver: "We are disciplined and competitive in the management and delivery of construction projects: quality, schedule and costs are prime factors in the process. We produce underground premises on a turn-key basis, starting with project planning."

In 2005, the company's order book consisted equally of self-generated, negotiated and tender-based projects.

In the strategic period 2006 to 2008, the objective is to increase turnover year-on-year by 10% to 15% and improve profitability. In order to achieve this, the company will need to extend its customer base as well as its market area. It will also need to further increase the share of self-generated and negotiated work, engage in close cooperation with the Group and systematically apply the company operating model in project implementation.

New markets sought for industrial construction

SRV Teräsbetoni is well-established as a leading project manager employed by forest industry production plants in South-East Finland. Demand for extension and renovation projects at industrial plants remained at the previous year's level in 2005.

The most notable industrial construction projects of 2005 comprised the extension of the Finnforest laminated timber mill in Punnakarju, the Vekarajärvi tank hangar and the Koskisen Oy power station in Kärkölä.

Provisions are being made for the possible flow of investment abroad by identifying means to strengthen our position in projects within other industries and by increasing the number of project management contracts nationally and abroad.

Key figures

	2005	2004	Change, %
Turnover, EUR million	61.7	58.4	5.7
Operating profit before extraordinary items and taxes, EUR million	4.8	-0.2	2,647.4
Personnel on average	147	142	3.5

More self-generated civil engineering projects

SRV Teräsbetoni has consolidated its position as a civil engineering contractor. In 2005, we concentrated on self-generated and negotiated contracts for construction into rock in Greater Helsinki. The development of the operating process was also the target of increased attention.

The most significant ongoing projects are the Rock Vallila parking facilities, which will be completed in spring 2006, and the extension of the Kamppiparkki facilities in Helsinki.

SRV Teräsbetoni's goal is to move deeper into the value chain. Underground projects dictated by the customer's requirements are implemented on a turn-key basis, and the projects are selected with increasing care and discernment.

Separate concept for logistics centre

SRV Teräsbetoni has solid expertise in logistics construction. In 2005, demand grew for logistics projects managed by the company.

Significant projects completed in 2005 comprise the extension of the Orient Occident warehouse in Espoo, the extension of the Altia warehouse in Rajamäki and the Scan-Auto service facilities in Lohja. The oil pollution control depot in Santahamina and the extension of the Pameto warehouse in Vantaa are some of the projects launched in 2005.

The LBC (logistics business centre) concept was evolved specifically for logistics centres. It is intended that the first LBC project implementations will be started in 2006.

SRV Teräsbetoni will increase the number of self-generated logistics projects run in the capital city region. In the acquisition of land, the emphasis will be on reservation and co-operation agreements and, where necessary, land will also be purchased for temporary ownership.

Stronger operating model

The special characteristics of civil engineering were integrated into the SRV Teräsbetoni operating model. The model takes into account the specific requirements of civil engineering projects, such as the planning required for the blasting work and issues of occupational safety and quality control.

Training and audits will be conducted in 2006 to firmly establish the operating model. The planning of production schedules will also see further development.



A new city quarter is under construction in Vantaa. It will comprise blocks of flats as well as terraced and semi-detached housing.

“In Ulrikanpuisto we want to achieve an architecturally superior and polished residential area which has its own distinctive character, embodying city living – in short, a model of quality building”, says Tuula Hurme, a land use engineer employed by the City of Vantaa. **“Feedback received so far indicates that we will achieve our objective: the public likes the building facades and the stone wall which marks the boundary of the parking area. The masonry work for the facades is done on-site.”**

Successful growth in housing construction

SRV's objective is to be the market leader in all aspects of housing. Alongside new building, renovation is a significant part of housing construction.

SRV Westerlund specialises in housing construction within Greater Helsinki and in the surrounding areas. The customer base consists of consumers, professional building contractors and public corporations. SRV Westerlund's expertise in new building and renovation building in the housing sector is exploited in the planning and execution of joint Group projects.

In partnership with our customers

Developer contracting is based on solid know-how in area development as well as our own product ideas and the site reserve that is created through project development work. Our success in partnership construction projects can be attributed to excellent service, competent employees, good co-operation skills and positive customer relationships as well as partnership work. In contract building we are able to rely on efficient project management, cost and scheduling control as well as up-to-date design and product management procedures. The whole operation is guided by the pledges we make: "We achieve what we promise", "In partnership with our customers", "We construct with people for people" and "We take pride in our skills".

The housing projects take the form of partnership projects, developer contracting and competitive contracting. In 2005, 60% of the order book consisted of developer contracting and the remainder was divided equally between partnership construction and competitive contracting.

In the strategic period ending in 2008, the company aims to improve profitability, increase the share of developer contracting annually by 30% and double the turnover of renovation building. In partnership construction and competitive contracting the market position and volume will be maintained. This requires heavy investment in the marketing and sale of sites as well as development of products for developer contracting and renovation construction, improvement of internal processes and customer service and increase in site reserves.

More emphasis on developer contracting

In developer contracting, SRV Westerlund consolidated its position as a player in area development. In 2005, partnership developer contracting projects executed on the basis of sole or shared business risk grew in number. There was considerable operational development, and one of the outcomes was a new living concept for senior citizens. Extra recruitment was carried out with the aim of reinforcing the skills-base in sales, marketing and product development.

A total of 783 dwellings were completed in the review period. The most notable of the projects consisted of 99 dwellings in the district of Kamppi in Helsinki. Of the projects launched in 2005 the most

Key figures

	2005	2004	Change, %
Turnover, EUR million	88.7	61.4	44.5
Operating profit before extraordinary items and taxes, EUR million	5.8	3.9	48.7
Personnel on average	120	104	15.4
Number of private dwellings, completed as developer contracting projects	184	29	

significant were Ratsupuisto and Kuninkaankartano in Espoo, Päivölänpuisto in Kerava and the second phase of Puu-Ylästö in Vantaa. In 2006, the following projects will be launched: Marsalkka in the Martinlaakso district of Vantaa, Kommodor in Eiranranta in Helsinki and the Ridali area development project in Vihti.

Co-operation projects on a stable basis

SRV Westerlund is a trusted construction partner in co-operation projects. One of the projects completed in the review period was a block of flats called Omenämäki which was built in timber in the Vuosaari district of Helsinki. The project was realised in collaboration with the Asuntotuotetoimisto (Housing Production Office) of the City of Helsinki. The co-operation will continue in 2006 with the Keltakaneli project.

Competitive contracting for prestigious refurbishments

In contracting, SRV Westerlund concentrates on renovation building and serving its key customers. In 2005, the total contracting order book grew by one fifth.

Some of the more notable projects included the refurbishment of the office building used by the Mannerheim League for Child Welfare and the conversion into housing of the Ilmarinen Insurance Company's head offices, which will be completed in 2007.

The company intends to develop a comprehensive service concept which can be applied to renovation construction. The company also aims to concentrate on the refurbishment of prestigious living accommodation and the conversion of office buildings.

Managing growth is a challenge

SRV Westerlund will aim to bolster the common operating model, develop the production process and services and maintain the high quality of the operation. The launch of the Kommodor construction project in the Eiranranta area of Helsinki provides the company with an excellent stage for exhibiting the high level of its skills and know-how. In spring 2006, when SRV opens a new housing sales office and publishes its own housing brand, housing sales will get renewed visibility.

The company's objective is to safeguard the availability of skilled manpower by presenting itself to competent professionals as the top employer in the field. It aims to achieve this by offering opportunities for vocational development by means of good training and work rotation as well as highly interesting work sites.



Osten Tor, being built in Tallinn, is the largest residential building project in the country since its independence. The building will feature 158 flats.

“Design posed a challenge due to the stacked housing, carpark and commercial premises, the positioning of the yard areas and maintenance functions, and the height of the building. The wedge-shaped, cramped plot and the central location ramped up the difficulty level. Implementation was facilitated by the use of post-tensioned, cast-in-situ vaulted structures, which are commonly used in Estonia, but unusual in Finland,” says architect Juha Mutanen about the design phases of Osten Tor.

Solid footing in the Baltic states and Russia

In the Baltic region, SRV aims for success in housing construction and the development of logistics sites. In Russia, the company intends to become a significant property developer and project management contractor. SRV is sought-after as a partner of western export companies and international property investors.

SRV International specialises in property development and construction in the Baltic countries and the regional centres of Russia. In selected markets, the company also engages in self-generated housing construction. SRV's product range covers housing, office and commercial premises as well as logistics and industrial sites. The company's customer base consists primarily of Finnish and international companies which are expanding into the region, investors in real estate and consumers. SRV International's expertise in the international construction market is exploited in the planning and implementation of shared projects at Group level.

SRV International has subsidiaries in Estonia, Latvia, Lithuania and Russia which are able to provide local service. In each country, the operating strategy is tailor-made to the specific needs of the country, which vary greatly due to the varying stages of development, the different operating environments and cultures as well as the priorities and market situations that apply to these countries. The construction process follows the SRV Model and uses local subcontractors.

SRV International's strengths lie in its knowledge of country-specific circumstances and operating cultures, locally forged partnerships, its product range, good references and an operating model that covers the acquisition of land, the finance and the co-operation with real estate investors. Thanks to schedule management, cost effectiveness, reliability, competent personnel and good project management, the company has been able to fulfil its pledge to customers: "we achieve what we promise".

In the next few years, SRV International aims to increase overall profitability and achieve a year-on-year growth level of about 20% in the Baltic region. The company also wants to increase operations in Russia significantly. This means that skilled workers must be recruited locally, investments made in the Russian markets and risk management developed.

Company achieving solid footing in Latvia and Russia

SRV International holds a solid reputation as a reliable Finnish partner in property development projects. In Estonia the company is already a recognised property developer, while in Latvia the company is known for its demanding development projects. In Lithuania and Russia the company is launching its property development operations.

The number of property development projects undertaken by the company grew in 2005. New production and office facilities were completed for Efore Plc Pärnu. The development of a logistics centre was launched in Saue, which is located south of Tallinn in Estonia.

Key figures

	2005	2004	Change, %
Turnover, EUR million	44.5	34.3	29.7
Operating profit before extraordinary items and taxes, EUR million	2.1	1.7	23.5
Personnel on average	129	95	36

The design was completed for the development of an extension to the Sokos Hotel Viru.

In Latvia SRV International has built two Supernetto stores for Kesko, and the construction of the Juglas Jauda CHP plant was started. In Lithuania, property development did not go according to plan in 2005. Four small projects were carried through in the region.

The first western hotel, Rezidor SAS Park Inn, was completed in Yekaterinburg in Russia. The second phase of the Etnia office building project will be launched in the centre of Moscow.

The company will be consolidating its position as a property developer, particularly in Latvia, by launching several commercial and industrial development projects in 2006. Operations in Russia will be expanded significantly.

Large housing projects in Estonia

SRV International has considerable expertise in housing construction. In Estonia the company is the fourth largest housing construction company.

In 2005, there was an increase on the previous year in the number of housing projects. In Tallinn, the company launched the construction of the Kollane Street apartment block, and the renovation of the housing in Pikk-Sulevi Hill was completed. SRV International will start work on several housing projects in the regional centres across Estonia in 2006. The first housing project in Russia, in the Papula district of the city of Vyborg is in the development stages. In Estonia, the company is keen to expand further in the housing market. In Latvia, housing construction will be launched in 2006.

Closer co-operation between subsidiaries

SRV International is intensifying its co-operation with investors and will be combining local and Finnish know-how in the solutions it provides.

In 2006, the cooperation between the subsidiaries in the Baltic States and Russia will be intensified and strong support given to the implementation of the project management model. Good practice, the transfer of know-how and the development of a common operating model will be promoted by increasing personnel exchanges between the projects implemented in the different countries. In Russia and the Baltic States, closer co-operation will be sought with the financiers and planners operating in both regions. In recruitment, the concentration will be on employing competent local manpower and generating an atmosphere of commitment.



The new Audi Centre Turku was opened at the beginning of January 2006.



A firm footing was established in growth centres

SRV's aim is to be a nationally important player in selected business areas. Through its local offices, the company is able to offer solid construction know-how to its clients in the growth centres.

SRV's regional operations cover the construction of office and commercial buildings and housing in Finland as well as property development. The customer base consists of consumers, housing contractors, operators in commerce and trade and municipalities. The company's regional operations participate in the planning and development of shared Group projects, contributing their solid local know-how as well as the benefits of their own co-operation networks.

Simplified structure

SRV is represented in the growth centres by six different companies. In the solutions that they offer their customers, the companies rely on Group project and product development know-how, financier and stakeholder contacts and the SRV operating model. With Group support, the companies are able to execute sizeable projects with innovative and effective results. The Director of Regional Operations coordinates the companies' work and development and acts as a link between the companies and the customers in the rest of the country.

At the end of 2005, the Turku regional unit was incorporated and renamed SRV Lounais-Suomi Oy. In January 2006, SRV Keski-Suomi Oy commenced operations. The other participating companies are Rakennusliike Purmonen Oy in Joensuu, Rakennus Pirttimaa Oy in Hämeenlinna as well as Rakennusliike Erkki Huhdanpää Oy and Pirkanmaan Projektitoimi Oy in Tampere and the surrounding areas. Apart from the Managing Director of SRV Lounais-Suomi Oy, the other companies' Managing Directors are minority shareholders in their respective companies. They report in all matters to the Director of Regional Operations. About one half of the regional order book in 2005 was self-generated.

In the next few years, SRV aims to increase regional activities significantly and improve profitability by developing the business activities of the companies concerned on an individual basis. This requires that each company evolves a more diverse product base and develops the acquisition of land. They will also need to enhance property development and planning capabilities. The feasibility of expanding into other growth centres will also be studied.

Accommodation concepts and development projects

SRV has considerable expertise in regional housing construction in the Pirkanmaa area and in the city of Turku. Housing construction is undergoing strenuous development in other areas, and skills will be strengthened in property development projects.

Work was launched in 2005 on the construction of holiday

Key figures

	2005	2004	Change, %
Turnover, EUR million	36.2	34.1	6.0
Operating profit before extraordinary items and taxes, EUR million	1.7	1.2	37.9
Personnel on average	64	64	-
Valmistuneiden asuntojen määrä	212		
Aloitettujen asuntojen määrä	190		

accommodation entitled Tahko SpaSuites, comprising 30 apartments. The first phase of this complex, located near the spa, will be completed in spring 2006. Rakennusliike Purmonen Oy, in co-operation with SRV Viitosen, is responsible for practical work on the site.

The Jukola MultiCentre in Riihimäki was built by Rakennus Pirttimaa Oy. In the city of Turku the Turku regional unit built the Kaarinan Aurinko apartment block.

Pirkanmaan Projektitoimi Oy, in co-operation with SRV Project Development, is developing the Pirkkala CLX commercial zone adjacent to the airport. In Tampere, the company launched the construction of the Hennerinkylä housing estate and also continued work on the housing estates in the Takamaa area of Pirkkala and the Vatiala area of Kangasala.

Erkki Huhdanpää Oy was engaged in construction at four self-generated housing sites: Juoksuhaudan Rakuuna in Tampere, Kelta-sirkku in Nokia and Kurjenkello and Aurinkoinen in Ylöjärvi. The company entered into a contract with VVO, a provider and developer of housing services, to start work on the Villa Aquarius housing complex at the beginning of 2006.

The regional units and SRV Westerlund co-operate with SRV with a view to developing housing concepts and the production of housing. The regional companies will aim to acquire land in a more systematic manner, and efforts will be made to sign co-operation agreements with land owners.

Several new projects will be launched in 2006, among others in the district of Erkinkalle in Nokia, and work will be started on the Mäkkylänrinne housing estate in Ylöjärvi.

Co-operation brings synergy

In 2005, operating processes were developed by streamlining the work undertaken by the Management Groups and the Boards in the regions. Operational control was improved by adopting reporting practices and project management tools which are common to the whole Group.

The objective for 2006 is to develop resourcing. Training, seminars and audits will be carried out in order to develop employee skills and the implementation of the common operating model. Occupational safety will be promoted by means of safety training and by the adoption of a system for processing accidents at work. Regional organisation will be reinforced. Property development projects will receive extra support from increased customer contact and closer co-operation with the Group.

Corporate governance

SRV Group Plc aims at transparent administration at all levels of the organisation. In its operations, the company complies with the Companies Act, other applicable legislation and the Articles of Association of SRV Group Plc.

In 2006, the Group will evaluate the adoption of IFRS financial statement practices.

In the case of developer contracting, the Group has already changed over at the beginning of 2006 to the general instructions issued by the Ministry of Trade and Industry's Accounting Board, which eliminated double net sales and led to adjustments to balance sheet items.

Audit fees:

During the financial year, auditors were paid total fees of EUR 209,696.86, including consultation. The auditors were paid a total of EUR 193,263.49 in audit fees.

Administrative bodies

The Annual General Meeting, the Board of Directors and the President are responsible for SRV's administration and operations. The President of SRV Group Plc is responsible for line operations at the Group level, in which he is assisted by the Corporate Management Group, and the Managing Directors of the subsidiaries are responsible for the operations of their companies, assisted by the company-specific Management Groups.

Annual General Meeting

The Annual General Meeting is held annually before the end of June. The Annual General Meeting adopts the company's and Group's income statement and balance sheet. It also decides on the distribution of profit, releasing the members of the Board of Directors and the President from liability, the number of Board members and the remuneration paid to Board members and auditors, as well as elects Board members to replace those who are due to resign as well as the auditors.

In 2005, the Annual General Meeting was held on 28 April 2005.

Board of Directors

The Board of Directors attends to the company's administration and the due organisation of operations. It executes the resolutions of the General Meeting and both appoints and dismisses the company's President and Executive Vice President.

The Board of Directors is responsible for the company's strategic policies and decisions that are of particular significance due to

their scope or in terms of the company's operations financially, legally, generally or otherwise.

The Board of Directors has four to eight members who are elected for two-year terms by the Annual General Meeting. The Board of Directors convenes monthly and extraordinary meetings are held when required. A meeting has a quorum when more than half of the members are present and one of them is the Chairman or Vice Chairman. In addition to the directors, the President, the secretary to the Board and, if necessary, the CFO and other members of the company's Management Group participate in the meetings.

The Board of Directors has no committees or internal distribution of tasks.

The company does not have a pension scheme that would apply to Board members who are not on the company's payroll.

Until 24 October 2005, the Board members were Ilpo Kokkila (Chairman), Kari Filppula, Jorma Haapamäki and Eero Nuutinen. Markku Sarkamies served as the advisor to the Board of Directors. An Extraordinary General Meeting held on 24 October 2005 accepted the resignation of Filppula, Haapamäki and Nuutinen on their request and elected Eero Heliövaara, Matti Mustaniemi and Markku Sarkamies as new Board members to replace the resigning directors for the remainder of the term of office, with Ilpo Kokkila staying on as Chairman of the Board.

The Board of Directors had four members and it convened 13 times. The Chairman of the Board, Ilpo Kokkila, owns shares in SRV Group Plc and SRV Henkilöstö Oy. The other directors own SRV Henkilöstö Oy shares.

President and Executive Vice President

The President manages and supervises the company's line operations and day-to-day administration in accordance with the decisions of the Board of Directors and sees to the legality of the company's accounting and the reliable organisation of asset management.

The Executive Vice President serves as the deputy to the President when necessary.

The Corporate Management Group

The Corporate Management Group assists the President in the management of the Group and it includes the President and the executives of the Group and its subsidiaries who are appointed by the President.

The Corporate Management Group meets once a month as a rule

and is led by the President. It deliberates on decisions that are of material significance to the subsidiaries and administration. Among other tasks, it prepares the Group's strategy and business plan as well as supervises its realisation. The Management Group prepares significant investments and supervises reporting.

Members of the Management Group are paid a flat monthly salary whose amount is proposed by the President and approved by the Board of Directors. The members of the Management Group are covered by a performance bonus scheme. The members of the Management Group are covered by the Employee Pensions Act, which provides statutory pension coverage based on length of service and work earnings.

In 2005, the Management Group had 11 members and it convened 11 times.

Administration of the subsidiaries

The members of the Board of Directors of SRV Group Plc also comprised the Boards of Directors of the subsidiaries until 24 October 2005.

SRV Viitokset Ltd

- Board of Directors: Ilpo Kokkila (Chairman), Kari Filppula, Jorma Haapamäki and Eero Nuutinen in the period from 1 January 2005–24 October 2005
- Board of Directors: Ilpo Kokkila (Chairman), Hannu Mikkonen and Marja Sarnela in the period from 24 October 2005–31 December 2005
- Annual General Meeting: 28 April 2005

SRV Teräsbetoni Ltd

- Board of Directors: Ilpo Kokkila (Chairman), Kari Filppula, Jorma Haapamäki and Eero Nuutinen in the period from 1 January 2005–24 October 2005
- Board of Directors: Ilpo Kokkila (Chairman), Hannu Mikkonen and Marja Sarnela in the period from 24 October 2005–31 December 2005
- Annual General Meeting: 29 March 2005

SRV Westerlund Ltd

- Board of Directors: Ilpo Kokkila (Chairman), Kari Filppula, Jorma Haapamäki and Eero Nuutinen in the period from 1 January 2005–24 October 2005
- Board of Directors: Hannu Mikkonen (Chairman), Jorma Haapamäki, Ben Grass and Pekka Kettunen in the period from 24 October 2005–31 December 2005
- Annual General Meeting: 28 April 2005

SRV International Ltd

- Board of Directors: Ilpo Kokkila (Chairman), Kari Filppula, Jorma Haapamäki and Eero Nuutinen in the period from 1 January 2005–24 October 2005
- Board of Directors: Ilpo Kokkila (Chairman), Hannu Mikkonen and Marja Sarnela in the period from 24 October 2005–31 December 2005
- Annual General Meeting: 28 April 2005

SRV Russia Ltd

- Board of Directors: Ilpo Kokkila (Chairman), Kari Filppula, Jorma Haapamäki and Eero Nuutinen in the period from 1 January 2005–24 October 2005
- Board of Directors: Ilpo Kokkila (Chairman), Hannu Mikkonen and Marja Sarnela in the period from 24 October 2005–31 December 2005
- Annual General Meeting: 28 April 2005

The Managing Directors of the subsidiaries are responsible for the operations of these companies with the assistance of their Management Groups.

Compensation

All of the SRV Group's salaried employees are covered by a performance bonus scheme. The Board of Directors of SRV Group Plc ratifies the grounds for performance bonuses annually, within which limits the Managing Director of each company decides on the bonuses to be paid at his company. The objective is to offer competitive bonuses. Operations in line with values and the achievement of personal objectives are taken into consideration when setting the bonuses.

Audit

The company has one regular auditor and one deputy auditor. If the auditor chosen is a firm of accountants authorised by the Central Chamber of Commerce, there is no need to appoint a deputy auditor. The auditor's term of office ends at the conclusion of the subsequent Annual General Meeting.

The Group's auditor in the 2005 financial year was Jarmo Lohi, Authorised Public Accountant, and the deputy auditor was Ernst & Young Oy, with Mikko Ryttilähti, Authorised Public Accountant, as chief auditor.

Members of the Board of Directors, 31 December 2005

On 24 October 2005, three new members were appointed to the Board of Directors when three directors resigned from the Board after they sold their holdings to SRV Henkilöstö Oy.

Ilpo Kokkila

Born 1947, M.Sc. (Eng.), Chairman of the Board of Directors of SRV Group Plc, 1987–, primary working experience: Perusyhtymä Oy, Director, 1974–1987, other Board memberships: member of the Boards of the Central Chamber of Commerce, the Espoo Chamber of Commerce, the Confederation of Finnish Construction Industries, JTO School of Management and the Finnish-Russian Chamber of Commerce SVVK as well as the Chairman of the Boards of Pontos Ltd, PBH Invest Oy and SRV Henkilöstö Oy.

Eero Heliövaara

Born 1956, M.Sc. (Eng.), M.Sc. (Econ.), President of SRV Group Plc as from 1 March 2006 and member of the Board of Directors 24 October 2005–. Primary working experience: Pohjola Group plc, President and CEO, 2001–2005, Ilmarinen Mutual Pension Insurance Company, Senior Vice President, 2000–2001, Investment Manager, 1998–2000, Merita Asset Management Oy Ab, Managing Director, 1996–1998, Merita Bank private bank, Unit Manager, 1994–1996, Union Bank of Finland International S.A., Luxembourg, Managing Director, 1991–1994, Actors Capital Oy, Managing Director, Partner, 1987–1991. Other Board memberships: Member of the Boards of Directors of the Foundation for Economic Education, the Finnish Foundation for Share Promotion as well as the Boards of the Finnish Business and Policy Forum (EVA), the Research Institute of the Finnish Economy (ETLA), the Helsinki Chamber of Commerce and the Central Chamber of Commerce.

Matti Mustaniemi

Born 1952, M.Sc. (Econ.), member of the Board, 24 October 2005–, primary working experience: Wihuri Ltd, President, 2004–2005, Vice President, 1999–2003, CFO, 1994–1999, Amer Group, management positions in financial administration, 1990–1994, other Board memberships: Comptel Corporation, Astrum Invest Oy, Isamot Capital Oy, deputy member of the Board.

Markku Sarkamies

Born 1946, M.Sc. (Eng.), M.Sc. (Econ.), advisor to the Boards of Directors of SRV Group Plc and Pontos Ltd, 1998–2005, and head of project financing, member of the Board of Directors of SRV Group Plc as from 24 October 2005. Primary working experience: various management positions in financial administration and financing at the Polar construction companies, 1971–1992. SRV Henkilöstö Oy Board membership.

Marja Sarnela

Born 1945, LL.M., SRV Group Plc: Director, Legal Affairs and the Group's Chief Legal Counsel, 2001, the Group's attorney, 1999–2001. Primary working experience: Helsingin Suomalainen Säästöpankki bank, Suomen Säästöpankki bank and property management company Arsenal Oy, Real Estate and Investment Director, 1983–1998. Keskus-Sato Oy, developer's attorney and commercial development department, Director, 1971–1983. Secretary to the Boards of Directors of SRV Group Plc and Pontos Ltd. SRV Henkilöstö Oy Board membership.

Management Group, 31 December 2005

Hannu Mikkonen

Born 1963, EMBA, Major, President of SRV Group Plc and Chairman of the Management Group from 7 January 2004 to 28 February 2006. Primary working experience: Securitas AB, Director, Security Services Europe, 2000–2003, Securitas AB, Development Manager, Corporate Administration, 1998–2000, Securitas Oy, various management positions, 1995–1998, STV Oy, various management positions, 1990–1995, the Finnish Defence Forces, 1986–1990. Other Board memberships: Vice Chairman of the Board of Directors of Securitas Oy, 2004–2006, and a member of the Boards of Directors of SRV Group Plc subsidiaries, 2004–2006.

Timo Nieminen

Born 1958, M.Sc. (Eng.), SRV Group Plc, Executive Vice President, 2002–, SRV Viitokset Ltd, Managing Director, 1997–2002, Director, 1992–1997, Kiinteistöviitonen Oy, Managing Director, 1991–1992, Project Manager, 1987–1991, Perusyhtymä, Design Manager, 1986–1987.

Juha Pekka Ojala

Born 1963, M.Sc. (CE), SRV Viitokset Ltd, Managing Director, 2002–, Production Manager, Project Manager, Project Director and Project Engineer at Viitokset since 1997. Project Manager in the USA, 1995–1996.

Arto Toikkanen

Born 1965, M.Sc. (Eng.), SRV Teräsbetoni Ltd, Managing Director, 1999–, SRV Viitokset Ltd, Project Director, 1995–1998, and Project Engineer, 1994–1995; Haka-Stroi Oy, Site Engineer, Belorussia, 1993–1994; Karpro-Konsultointi, Project Engineer, 1990–1993; Rakennustoimisto A.Puolimatka Oy, Site Engineer, 1988–1990.

Marko Heino

Born 1969, M.Sc. (Eng.), SRV Westerlund Ltd, Managing Director as from 15 November 2004, YIT Construction Ltd, Unit Director, 2000–2004, Project Manager, 1999–2000, Project Engineer, 1998–1999.

Other Board memberships: SRV International's subsidiary AS Kinnisvaara, SRV Teräsbetoni's subsidiary Porvoon Puurakennus Oy, SRV Lounais-Suomi Oy.

Risto Hiekka

Born 1961, M.Sc. (Eng.), SRV International Ltd, Managing Director, 1 January 1999–31 March 2006, primary working experience: 20 years of experience in construction contracting and project development, of which the last 14 years in international tasks.

Other Board memberships: SRV International Ltd's subsidiaries SRV Ehituse AS, SRV Kinnisvara AS, Satabild AS, EGCC Oü, SRV TerbeLat Sia, Tiangel Sia, Klavciems Sia, SRV Develita UAB, SRV Statyba UAB, SRV Russia Ltd, TBE-Construction, SRV.

Martti Ukkonen

Born 1962, M.Sc. (Econ.), SRV Group Plc, CFO, 1998–, Secretary to the Boards of Directors, 1998–2002, Polar Yhtymä Oyj, Financial Manager, 1997–1998, Polar-BEK Company, USA Vice President and Polar Property Development Inc., President, 1995–1996, Polar Yhtymä Oyj, 1994, Polar-BEK & Bakes Pship, USA Director of Finance and Administration, 1990–1993.

Timo Nurminiemi

Born 1966, M.Sc. (Econ.), SRV Group Plc, Group Controller as from 16 March 2005. Private business management consultant, 2002–2005, TJ Group Plc, Group Controller, 2001–2002, and Fortum Corporation, Controller, 1999–2000, and Neste Corporation, financial administration and Controller tasks, 1990–1999.

Virpi Ahonen

Born 1971, BBA, M.Sc. (Forest Economics), SRV Group Plc, Communications Manager as from 1 November 2004, Elisa Corporation, Communications Manager, 2003–2004, Radiolinja Oy, Financial Communications Officer, 2001–2003, Metsäliitto Group, various communications tasks, 1999–2000.

Matti Kärnä

Born 1960, Lic. Tech., EMBA, SRV Group Plc, Executive Director, Development Affairs, 2002–, SRV Viitokset Ltd, Development Manager, Director and Engineer in 1987–2002.

Juhani Väisänen

Born 1959, M.Sc. (Eng.), SRV Group Plc, Executive Director, Regional Operations as from 1 January 2005, Lohja Rudus Ympäristöteknologia Oy, Managing Director, 2003–2004, NCC Construction Ltd, Regional Business Director, 2002–2003, YIT Corporation, Housing Production Director, 1983–2000, other Board memberships: Länkelin Oy, Board member, 2006–. Member of the Boards of Directors of SRV's regional business subsidiaries, 2005, and Chairman since March 2006.

Members of the Board of Directors

31 December 2005



Chairman of the Board **Iipo Kokkila**

Members **Eero Heliövaara, Matti Mustaniemi, Markku Sarkamies**

Secretary of the Board **Marja Sarnela**, Director, Legal Affairs

Additional information on Board members is presented on page 38.

Members of the Management Group

31 December 2005



Arto Toikkanen

Managing Director
SRV Teräsbetoni Ltd

Juhani Väisänen

Executive Director,
Regional Operations
SRV Group Plc

Matti Kärnä

Executive
Director, Develop-
ment Affairs
SRV Group Plc

Hannu Mikkonen

Managing Director,
Chairman of the
Management Group*)
SRV Group Plc

Risto Hiekka

Managing Director**) SRV International Ltd

Virpi Ahonen

Communications
Manager
SRV Group Plc

Timo Nurminiemi

Group Controller
SRV Group Plc

Martti Ukkonen

CFO
SRV Group Plc

Juha Pekka Ojala

Managing Director
SRV Viitokset Ltd

Marko Heino

Managing Director
SRV Westerlund Ltd

Timo Nieminen

Executive Vice
President
SRV Group Plc

*) Eero Heliövaara has served as President and CEO and Chairman of the Management Group as from 1 March 2006.

**) until 31 March 2006

Additional information on Management Group members is presented on page 38-39.

SRV's key property development sites in 2005

Completed by 31 December 2005

Altia warehouse extension, Rajamäki
Audi Centre Turku
Autosalpa car showroom, Kerava
Datateema warehouse outlet, Vantaa
Efore Plc production and office premises, Pärnu
Finnforest Corporation - extension of laminated timber mill, Punkaharju
Helsinki Business Polytechnic (Helia) - second phase of the new building
Hotel Ruoholahti, Helsinki
Housing Association Kaarinan Aurinko, Turku
Housing Association Kirkkonummen Neidonrinne
Housing Association Riihimäen Neuvoksenpuisto
Housing Association Vihdin Hopeaseppä
Jukola Multi-Centre, Riihimäki
Kamppi Centre, Helsinki
- Helsinki Bus and Coach Station
- The Matkahuolto Freight Terminal
- The Espoo Traffic Terminal
- 45 retail outlets and restaurants
- Parking facility
- Housing Association Helsingin Anna
- Housing Association Helsingin Fredrik
- Housing Association Helsingin Salomo
Kesko - two Supernetto superstores, Latvia
Koskisen Oy power station, Kärkölä
Lidl Head Office, Vantaa
MLL - refurbishment of office premises, Helsinki
Omenamäki apartment block in timber, Helsinki
Orient Occident - extension of warehouse, Espoo
Pikk Street apartment block, Tallinn
Post Office - renovation of main building, Helsinki
Post Office service warehouse, Vantaa
Puu-Ylästö - first phase of residential area, Vantaa
Rezidor SAS Park Inn Hotel in Yekaterinburg, Russia
Scan-Auto service facilities, Lohja
Siilitie renovation work, Helsinki
Teboil Traffic Terminal, Vantaa
TietoEnator Plc office buildings, Helsinki
Vekarajärvi tank hangar

Ongoing

DHL Logistics Centre, Riga
Electricity Building renovation, Helsinki
Granite Building renovation, Helsinki
Halti office premises, Vantaa
Hennerinkylä residential area, Tampere
Housing Association Espoon Kuninkaankartano
Housing Association Espoon Ratsupuisto
Housing Association Kangasalan Siniheinä
Housing Association Keravan Päivölänpuisto
Housing Association Nokian Keltasirkku
Housing Association Porvoon Jokineito
Housing Association Tampereen Juoksuhaudankadun Rakuuna
Housing Association Ylöjärven Aurinkoinen
Housing Association Ylöjärven Kurjenkello
Ideapark business park, Lempäälä
Ilmarinen - conversion of Head Office into housing, Helsinki
Juglas Jauda CHP plant, Latvia
Kamppi Centre, Helsinki
- Commercial centre
- Trigora office complex
- Extension of Kamppipark
K-Hardware Liepaja, Latvia
Kollane Street residential property, Tallinn
Nokia office premises, Espoo
Osten Tor apartment block, Tallinn
Pameto - extension of warehouse, Vantaa
Porvoo King's Gate commercial and business park
Postal sorting centre, Jyväskylä
Puu-Ylästö - second phase of residential area, Vantaa
Ratakatu 6 renovation,
owned by the University of Helsinki, Helsinki
Riha Centre business real estate, Hyrylä
Rock Vallila parking facilities, Helsinki
Santahamina oil pollution control terminal
SLO Distribution Centre, Riga
STC office building, Nummela
Tahko SpaSuites holiday accommodation
Takamaa residential area, Pirkkala
Vatiala residential area, Kangasala
Vuorikatu 3 renovation and extension,
owned by the University of Helsinki, Helsinki

Financial



Report of the Board of Directors 1 January – 31 December 2005

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

In line with its strategy, operations are organised in four business areas, the main companies of which are SRV Viitokset Ltd, which is specialised in commercial and office construction; the logistics and infrastructure builder SRV Teräsbetoni Ltd; the housing construction unit SRV Westerlund Ltd; and SRV International Oy. The regional entrepreneur-driven construction companies that operate outside the Greater Helsinki area are under the stewardship of the parent company's SRV Regional Business unit.

Net sales and profit for the financial year

The SRV Group's net sales were EUR 431.8 million (403.2 million in 2004). Construction in Finland accounted for EUR 387.3 million of net sales (368.9) and international operations for 44.5 million (34.3). Profit before taxes was EUR 20.3 million (16.2).

SRV Group Plc's net sales came from administrative and financing services and rental income from Group companies. The parent company had net sales of EUR 7.3 million (8.0) and reported profit before taxes of EUR 11.4 million (5.4).

Operations

Commercial and office premises

SRV Viitokset Ltd's net sales were EUR 208.9 million (224.1), amounting to 54% of the Group's net sales from construction in Finland. The company's profit before extraordinary items and taxes was EUR 9.0 million (9.2). SRV Viitokset Ltd's field of business is commercial and office construction and property development. The main construction projects completed during the financial year were the Hotel Ruoholahti, the renovation of commercial space in the Graniittitalo building and office building 3 for TietoEnator in Helsinki, the extension to Finland Post's service warehouse and a head office for Lidl in Vantaa. The most important of the projects under construction are the Kamppi Centre, the renovation of the Graniittitalo office premises, the renovation of the Sähköotalo building (Helsinki Energy), repairs to the school building at Ratakatu 6 in Helsinki, a product development and office building for Nokia in Espoo, an office building for Halti in Vantaa and the Ideapark shopping centre in Lempäälä.

The main project for SRV Viitokset Ltd is the Kamppi Centre. The construction work on the project has proceeded according to plan and on schedule. The terminal serving the City of Espoo and the country coach terminal were handed over in April, and they along with the commercial premises in the terminal level went into operation at the beginning of June. Apartments and one office suite were completed during the latter part of the year. Two office suites were handed over in the early part of 2006. The shopping centre's stores and other business premises were opened on 2 March 2006.

Industrial, logistics and infrastructure construction

SRV Teräsbetoni Ltd reported net sales of EUR 61.7 million (58.4). The company's profit before extraordinary items and taxes was EUR 4.8 million (a loss of 0.2 million in 2004). The company focuses on industrial, logistics and infrastructure construction. The main projects completed during the financial year were Stage 1 of a new building for the Helsinki Business Polytechnic (Helia), a warehouse outlet for Datateema in Vantaa, an army tank depot in Vekarajärvi, an extension to the Finnforest gluelam factory in Hartola, the Audi Center Turku and two residential projects on a developer basis in Kaarina. The largest of the projects under construction are the KOY Rock Vallila underground car park, an extension to the Kamppi-parkki car park and an oil cleanup depot as well as the Riha Center commercial property in Hyrylä.

Housing construction

SRV Westerlund Ltd's net sales were EUR 88.7 million (61.4). The company's profit before extraordinary items and taxes was EUR 5.8 million (3.9). The company is in charge of the Group's housing construction. The largest projects handed over during the financial year were the apartments in the Kamppi Centre as well as the wood-built apartment units in Puu-Ylästö Stage I in Vantaa, two apartment buildings for ATT in Helsinki on a competitive contracting basis and renovation of the Mannerheim League for Child Welfare's offices. The most important of the projects under construction are the developer-based residential projects for As Oy Espoon Ratsupuisto and As Oy Porvoon Jokineito, the partnership construction areas at Ulrikanpuisto and Puu-Ylästö II in Vantaa as well as the renovation and conversion into apartments of Ilmarinen Insurance Company's former head office in Helsinki as a contract project.

Regional business

The construction companies operating in growth centres outside the Greater Helsinki area are organised within the SRV Regional Business unit, which had net sales of EUR 36.2 million (34.1). Regional Business accounted for EUR 1.7 million of the Group's profit before extraordinary items and taxes (1.2).

The largest of the regional companies operating outside the Greater Helsinki area is Pirkanmaan Projektitoimi Oy, whose sphere of operations is the Tampere area. The company had net sales of EUR 22.0 million (18.6). The other of SRV's regional units are the contractors Rakennusliike Erkki Huhdanpää Oy in Tampere, Rakennusliike Purmonen Oy in Joensuu, Rakennus Pirttimaa in Hämeenlinna and SRV Lounais-Suomi Oy in Turku, which started operating in southwest Finland in 2005, and SRV Keski-Suomi Oy in Jyväskylä, which was established at the beginning of 2006 to handle operations in central Finland. At the close of the financial year, SRV Lounais-Suomi Oy, which is wholly owned by the Group's parent company, purchased SRV Teräsbetoni Ltd's business operations in the Turku area.

International operations

SRV International Ltd Group posted net sales of EUR 44.5 million (34.3) and profit before extraordinary items and taxes of EUR 2.1 million (1.7).

SRV International strengthened its position in a number of market areas. During the financial year, the renovation of a building and its expansion into apartment units was completed in the Old Town district of Tallinn, and office premises were built for Wihuri Oy and Plastone Oy. A production plant was completed for Efore AS in Pärnu, Estonia. A 15-storey residential building in Tallinn is under construction and already partially completed.

A number of retail and industrial development projects were started in Latvia. Two Supernetto stores for Rimi Baltic were completed in Latvia in 2005 and under construction is a power plant in Riga, a distribution centre for the logistics company DHL at the Riga airport, an extension to a hardwood plywood factory Rezekne and a K-Rauta hardware outlet in Liepāja.

Smaller projects were carried out in Lithuania during the year, notably the construction of concrete frames for apartment buildings and a hotel.

In Russia, a Park Inn hotel was built in Yekaterinburg and was handed over to the client in March 2006. Development of the large D700 shopping centre, which is in the planning stage, was continued

in St Petersburg. Preparations were started for the Etmia II office premises project in Moscow, and agreement was reached on financing for the project. Furthermore, planning of the Papulanniemi residential area in Vyborg, Russia, was continued and the construction works will start during 2006.

Orders in hand

The Group's orders in hand, i.e. the invoiced portion of construction contract agreements, totalled EUR 203.4 million at the close of the financial year (320.8), of which international operations accounted for EUR 18.7 million (20.0).

Personnel

The Group had an average of 671 employees (603), of whom 432 were salaried staff (396). The parent company had an average of 37 salaried staff (34). At the end of the financial year the Group's payroll was 632 employees (591), of whom the parent company employed 51 (34).

Financing and financial position

The Group's interest-bearing liabilities totalled EUR 84.0 million at the end of the financial year (37.2). The company paid off prematurely an EUR 15 million quasi-equity loan and obtained EUR 78.5 million of long-term syndicated bank lending, EUR 60.0 million of which was in use at the end of the financial year. The company had EUR 5 million of issued commercial paper at the close of the financial year. Net financing expenses were EUR 0.2 million. The Group's liquid assets at the end of the review period amounted to EUR 23.0 million (25.0).

The return on investment was 22.7% (26.2) and the return on equity 31.7% (35.3, and 23.5 including the capital loan). The equity ratio was 24.4% (22.6 and 31.2 including the capital loan).

Investments, acquisitions and divestments

The Group's investments amounted to EUR 2.0 (3.0) and went mainly for machinery and equipment.

Risks and risk management

SRV Group Plc's risk management is in line with the Group's operations system, and control is exercised in accordance with the Group strategy approved by the parent company's Board of Directors.

Environmental compliance

The Group seeks to operate in accordance with the principles of sustainable development and to minimise harmful environmental impacts deriving from the life cycle of buildings. The environmental reporting system that was placed partly in use in 2004 is a central element of the Group's environmental and social responsibility projects. Implementation and development work on it was continued in 2005.

Corporate governance

Hannu Mikkonen, who served as the president and CEO of SRV Group Plc, resigned from the company's employ on 28 February 2006. Eero Heliövaara took over as president and CEO on 1 March 2006. The executive vice president is Timo Nieminen. The chairman of the Board of Directors is Ilpo Kokkila. The other directors were Kari Filppula, Jorma Haapamäki and Eero Nuutinen, up to 24 October 2005, and, from 24 October 2005, Eero Heliövaara, Matti Mustaniemi and Markku Sarkamies.

The company's auditor is Jarmo Lohi, Authorised Public Accountant, and the deputy auditor is the independent firm of public accountants Ernst & Young Oy, with Mikko Ryttilahti, Authorised Public Accountant, acting as principal auditor.

Shareholder structure

The minority shareholders in SRV Group Plc sold their 48% holding to the SRV Henkilöstö Oy personnel fund in September, and the fund arranged a share issue directed at the Group's personnel. At the end of the financial year, Ilpo Kokkila owned 52% of SRV Group Plc and SRV Henkilöstö Oy 48%. The shareholding in SRV Henkilöstö Oy at 31 December 2005 was: Ilpo Kokkila 54%, Eero Heliövaara 20% and the SRV Group's other management and personnel 26%.

Events after the balance sheet date

SRV's regional business was expanded to Jyväskylä by establishing SRV Central Finland Ltd in January 2006. SRV Russia Ltd acquired a minority stake in OOO SRV Stroi. SRV International Ltd sold its holding in SRV Statyba UAB of Lithuania.

The Kamppi Centre bus terminals won the Concrete Structure of the Year award in 2005 for their skilful architectural and structural

design and high-calibre implementation. This is SRV Viitaset Ltd's third Concrete Structure of the Year award. Previously, the company won the award for the Biomedicum project in 2000 and for the Stakes (National Research and Development Centre for Welfare and Health) and Senate Properties office premises in 2002.

The Kamppi shopping centre was handed over to the client on 1 March 2006 and opened to the public on 2 March 2006.

On 5 April 2006, SRV Viitaset Oy (30%) and Pontos Oy Group (70%) signed an agreement with Boulton Construction Ltd and The Royal Bank of Scotland Plc concerning the sale of the shares in Helsinki Kamppi Center Ltd. The freehold purchase price is EUR 345.0 million. The contract agreement between SRV Viitaset Oy and Helsinki Kamppi Center Ltd includes costs of additional and modification works, the total value of which has yet to be agreed between the client and the contractor at the time of signing the financial statements.

Proposal for the disposal of profits

The Group's distributable funds are EUR 42,330,242.27. The parent company's distributable funds are EUR 19,694,603.00, of which the net profit for the financial year is EUR 12,802,241.41. The Board of Directors proposes that a dividend of EUR 1.70 per share be paid, i.e. a total of EUR 2,215,440.00, and that the remainder of the net profit, EUR 10,586,801.41, be posted to shareholders' equity.

Outlook for 2006

Construction output will continue to grow in Finland in 2006. There are clear indications of demand for high-quality commercial and business premises. Demand for retail projects is likely to remain brisk. Within industrial construction, enlargement and renovation projects will be favoured over new investment projects. Demand for housing will probably continue to be robust, with strong demand for renovation of residential units.

The volume of construction is estimated to grow in both the Baltic countries and Russia, but the rise in the cost level and a shortage of skilled staff will pose challenges for our operations.

Owing to the completion of the major Kamppi complex, comparable net sales in 2006 are estimated to come in slightly below the level reached last year. Net profit is forecast to be on a positive trend.

Profit and loss account

EUR thousands	Group 1 Jan. - 31 Dec.	Group 1 Jan. - 31 Dec. 2004	Parent company 1 Jan. - 31 Dec. 2005	Parent company 1 Jan. - 31 Dec. 2004
NET SALES	431,822	403,246	7,255	7,954
Change of completed products and work in progress	-21,919	-15,520	-	-
Production for own use	21	8	-	-
Other operating income	23	60	-	-
Materials and services	329,079	312,424	-	-
Personnel costs	31,877	28,741	3,375	2,403
Depreciation and write-downs	2,085	2,157	264	189
Other operating expenses	26,467	27,276	4,492	3,477
	389,508	370,598	8,132	6,070
OPERATING PROFIT (LOSS)	20,439	17,196	-877	1,884
Financial income and expenses	-159	-969	-14	-536
PROFIT BEFORE EXTRAORDINARY ITEMS	20,280	16,227	-891	1,348
Extraordinary items	-	-	12,330	4,024
PROFIT BEFORE TAXES	20,280	16,227	11,439	5,372
Income taxes	-5,608	-4,287	193	-111
Minority interests	-1,869	-336	-	-
NET PROFIT FOR THE FINANCIAL YEAR	12,802	11,604	11,632	5,261

Balance sheet

EUR thousands	Group 31 Dec. 2005	Group 31 Dec. 2004	Parent company 31 Dec. 2005	Parent company 31 Dec. 2004
ASSETS				
NON-CURRENT ASSETS				
Intangible assets				
Goodwill on consolidation	454	645	-	-
Other capitalised expenditure	770	547	541	335
	1,224	1,192	541	335
Tangible assets				
Land and water areas	307	307	41	41
Buildings and structures	2,675	2,820	200	208
Machinery and equipment	4,135	4,102	318	187
Other tangible assets	150	175	-	-
	7,267	7,404	559	436
Investments				
Shares in Group companies	-	-	14,845	14,824
Other shares and participations	1,223	589	857	270
	1,223	589	15,702	15,094
Non-current assets, total	9,714	9,185	16,802	15,866
CURRENT ASSETS				
Inventories				
Raw materials and consumables	30	31	-	-
Work in progress	45,287	11,054	-	-
Land areas	11,210	3,854	-	-
Other inventories	22,803	27,882	-	-
Advance payments	3,686	3,413	-	-
	83,016	46,234	-	-
Receivables				
Non-current				
Loan receivables	26,620	49,775	-	-
Other receivables	-	191	-	-
Current				
Accounts receivable	44,755	29,780	632	7
Receivables from Group companies	-	-	74,243	28,327
Loan receivables	13,338	6,398	-	-
Other receivables	1,654	4,814	30	15
Prepaid expenses and accrued income	50,968	34,449	20	67
	137,336	125,407	74,925	28,416
Cash in hand and at bank	22,980	25,039	6,179	13,411
Current assets, total	243,332	196,681	81,104	41,827
ASSETS, TOTAL	253,046	205,867	97,906	57,693

EUR thousands	Group 31 Dec. 2005	Group 31 Dec. 2004	Parent company 31 Dec. 2005	Parent company 31 Dec. 2004
SHAREHOLDERS' EQUITY AND LIABILITIES				
SHAREHOLDERS' EQUITY				
Share capital	1,303	1,303	1,303	1,303
Share premium account	1,759	1,759	1,759	1,759
Retained earnings	33,251	22,741	8,062	3,896
Net profit for the year	12,802	11,604	11,632	5,261
Capital loan	48	15,048		15,000
Shareholders' equity, total	49,164	52,456	22,757	27,220
MINORITY INTERESTS	3,785	2,204	-	-
PROVISIONS				
Other provisions	3,912	3,028	-	-
LIABILITIES				
Non-current				
Loans from financial institutions	67,434	26,297	60,000	25,000
Other liabilities	191	87	-	-
	67,625	26,384	60,000	25,000
Current				
Loans from financial institutions	16,343	742	3,500	673
Pension loans	-	116	-	116
Advances recieved	36,411	30,799	-	-
Accounts payable	26,265	26,519	252	183
Liabilities to Group companies	-	-	1,028	469
Other liabilities	21,684	34,327	5,280	648
Accrued expenses and prepaid income	27,857	29,292	5,088	3,384
	128,560	121,795	15,149	5,473
Liabilities, total	196,185	148,179	75,149	30,473
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	253,046	205,867	97,906	57,693

Cash flow statement

EUR thousands	Group 31 Dec. 2005	Group 31 Dec. 2004	Parent company 31 Dec. 2005	Parent company 31 Dec. 2004
Cash flow from operating activities				
Operating profit	20,439	17,196	-877	1,884
Adjustments to operating profit	2,644	2,848	264	189
Change in net working capital	-65,254	37,667	-39,546	2,910
Interest	-453	-973	-157	-738
Dividends received	294	4	143	143
Taxes	-5,608	-4,287	193	-1,696
Net cash flow from operating activities	-47,938	52,456	-39,979	2,692
Cash flow from investing activities				
Purchases/sales of shares	-634	-169	-608	-531
Purchases/sales of other property, plant and equipment	-1,980	-2,860	-593	-136
Change in other non-current investments	-	154	-	-
Cash flow from investing activities, total	-2,614	-2,876	-1,200	-667
Cash flow before financing activities	-50,552	49,580	-41,180	2,025
Cash flow from financing activities				
Increase/decrease in capital loans	-15,000	48	-15,000	-
Increase/decrease in long-term loans	41,241	1,365	37,711	407
Increase/decrease in non-current receivables	23,347	-47,845	-	200
Dividends	-1,095	-730	-1,095	-730
Group contributions received and paid	-	-	12,330	5,668
Cash flow from financing activities, total	48,493	-47,162	33,947	5,545
Increase/decrease in liquid assets	-2,059	2,418	-7,233	7,570
Liquid assets at beginning of year	25,039	22,621	13,411	5,841
Liquid assets at end of year	22,980	25,039	6,178	13,411

Notes to the financial statements

1. Extent of the consolidated financial statements; accounting policies

The Group's parent company is SRV Group Plc, which is domiciled in Espoo, Finland. Copies of the consolidated financial statements can be obtained at the parent company's head office, at the address: Niittytaival 13, 02200 Espoo, Finland.

The consolidated financial statements comprise the parent company and the subsidiaries in which the Group holds more than half of the voting rights conferred by the shares in the subsidiaries at the end of the financial year. Group companies are consolidated and intra-Group share ownership has been eliminated using the purchase method, whereby the acquisition cost of shares in subsidiaries is eliminated against their equity according to the balance sheet at the time of acquisition. As a rule, property companies and condominiums are left unconsolidated in the financial statements because they are of minor significance for the Group's net profit and equity. For the SKV Kinnisvara subgroup that belongs to the SRV International Ltd Group, the companies held in inventories which have ongoing operations have been consolidated. Project-specific companies held in inventories are not consolidated. The elimination difference between a subsidiary's shares and its equity at the time of purchase, which arises on elimination, is allocated to those balance sheet items to which they are judged to be attributable. The unallocated goodwill is stated in the consolidated balance sheet and amortised over its useful life. The goodwill thus arising is amortised over five years.

Intra-Group transactions and receivables and liabilities as well as the distribution of profits have been eliminated. Minority interests are stated in the profit and loss account and balance sheet as an individual item.

The profit and loss accounts of foreign subsidiaries are translated into euros at the average exchange rate during the financial year and the balance sheets are translated at the average rate at the balance sheet date. The translation differences arising are recorded in shareholders' equity.

2. Pensions

The statutory pension security of the Group's Finnish employees has been arranged through a pension insurance company. The pension security of the staff of foreign subsidiaries is handled in accordance with local practice.

3. Measurement of property, plant and equipment

Property, plant and equipment is measured at cost less depreciation according to plan. The depreciation according to plan is the maximum depreciation allowable under current tax legislation.

4. Measurement of items denominated in foreign currency

Receivables denominated in foreign currency are measured at the lower of the average rates quoted by the Bank of Finland at the balance sheet date or the rates when they arose.

5. Recognition of income from long-term projects

Income from long-term projects has been recognised on the basis of degree of completion. The degree of completion has been calculated using actual costs and the total cost estimate. The margin on developer contracting projects has been recognised as income in accordance with the total degree of completion (construction's degree of completion X proportion of condominium shares sold).

6. Extraordinary items

Group contributions adjusted for tax effects are recorded in extraordinary items.

7. Income taxes

The items recorded in income taxes in the profit and loss account are the estimated taxes on profits for the financial year and adjustments to taxes in previous financial years as well as income taxes on extraordinary items.

8. Future costs and losses

Revenues are stated less future costs that will not generate corresponding income as well as losses which are likely to be incurred and can be estimated with sufficient accuracy.

9. Contingent liabilities

The parent company has granted directly enforceable guarantees on behalf of Group companies. The guarantees are connected with construction operations.

EUR thousands	Group 31 Dec. 2005	Group 31 Dec. 2004	Parent company 31 Dec. 2005	Parent company 31 Dec. 2004
Notes to the profit and loss account				
1. Income recognised according to degree of completion				
Amount of net sales recorded as income in the financial period according to the degree of completion	362,308	361,389	-	-
Cumulative amount of projects not handed over	290,628	264,634	-	-
Amount not recorded as revenue	190,816	345,872	-	-
2. Net sales				
Construction operations	372,832	358,011	-	-
Earthwork contracting	11,414	-	-	-
Other operations	47,574	45,234	7,255	7,954
	431,822	403,245	7,255	7,954
Geographical breakdown				
Finland	387,452	368,891	7,255	7,954
Baltic countries	36,610	29,706	-	-
Rest of Europe	7,758	4,646	-	-
	431,822	403,245	7,255	7,954
3. Other operating income				
Gains on sale of property, plant and equipment	-	34	-	-
Other income	23	25	-	-
	23	60	-	-
4. Breakdown of personnel costs				
Management's salaries and other remuneration				
Presidents	1,075	945	-	-
Members of the Board of Directors	177	16	-	-
Average number of employees				
Salaried employees	432	396	47	34
Blue collar	239	207	-	-
5. Depreciation and amortisation				
Other capitalised expenditure	282	202	182	117
Goodwill on consolidation	349	423	-	-
Buildings	173	258	16	8
Machinery and equipment	1,278	1,253	65	62
Other tangible assets	-	19	-	-
Total	2,085	2,157	264	189
6. Other operating expenses				
Rents	6,377	6,158	1,474	1,401
Other variable costs	14,853	15,223	-	-
Other fixed costs	5,236	5,892	3,017	2,075
	26,467	27,275	4,491	3,477

EUR thousands	Group 31 Dec. 2005	Group 31 Dec. 2004	Parent company 31 Dec. 2005	Parent company 31 Dec. 2004
7. Financial income and expenses				
Dividend income				
From companies belonging to the same Group	-	-	143	201
From others	293	3	1	-
Other interest and financial income				
From companies belonging to the same Group	-	-	2,780	1,964
From others	4,744	2,549	126	218
Interest and other financial expenses				
Paid to companies belonging to the same Group	-	-	-14	-27
To others	-5,198	-3,522	-3,051	-2,893
	-159	-969	-13	-536
8. Extraordinary income				
Group contributions received	-	-	16,992	6,000
Group contributions given	-	-	-329	-332
	-	-	16,662	5,668
9. Income taxes				
Income taxes for the financial year	-5,606	-4,593	192	-427
Income taxes from previous financial years	-	306	-	316
Income taxes on ordinary operations	-5,606	-4,286	192	-110
Avoir fiscal credit	-	-	-	58
Income taxes on extraordinary items	-	-	-4,332	-1,643
Income taxes for the financial year (net)	-5,606	-4,286	-4,139	-1,695

Notes to the balance sheet

1. Changes in property, plant and equipment

Goodwill on consolidation					
Carrying amount	1.1.	645	905	-	-
Increases		158	240	-	-
Amortisation		-349	-501	-	-
Carrying amount	31.12.	454	645	-	-
Other capitalised expenditure					
Carrying amount	1.1.	547	615	334	370
Increases		505	133	388	82
Depreciation and amortisation		-282	-202	-182	-117
Carrying amount	31.12.	769	547	540	334
Land and water areas					
Carrying amount	1.1.	306	306	41	41
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Carrying amount	31.12.	306	306	41	41
Buildings					
Carrying amount	1.1.	2,820	3,037	208	217
Increases		28	103	-	-
Decreases		-	-61	-	-
Depreciation and amortisation		-173	-258	-8	-9
Carrying amount	31.12.	2,674	2,820	200	208

EUR thousands		Group 31 Dec. 2005	Group 31 Dec. 2004	Parent company 31 Dec. 2005	Parent company 31 Dec. 2004
Machinery and equipment					
Carrying amount	1.1.	4,101	2,695	187	195
Increases		1,374	2,686	204	54
Decreases		-63	-28	-	-
Depreciation		-1,278	-1,252	-73	-62
Carrying amount	31.12.	4,134	4,101	318	187
Other tangible assets					
Carrying amount	1.1.	175	168	-	-
Increases		-	31	-	-
Decreases		-8	-5	-	-
Depreciation		-16	-19	-	-
Carrying amount	31.12.	150	175	-	-
2. Investments					
Shares in subsidiaries					
Acquisition cost	1.1.	-	-	14,823	14,296
Increases		-	-	20	527
Decreases		-	-	-	-
Acquisition cost	31.12.	-	-	14,844	14,823
Other shares and participations					
Acquisition cost	1.1.	588	659	269	266
Increases		586	46	586	3
Decreases		-62	-117	-	-
Acquisition cost	31.12.	1,113	588	856	269

		Group 31 Dec. 2005	Group 31 Dec. 2004	Parent company 31 Dec. 2005	Parent company 31 Dec. 2004
3. Group companies					
	Domicile	Holding, %	Holding, %	Holding, %	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	-	-
Kiinteistö Oy Nummelanrinne	Vihti	100.0	100.0	-	-
Kiinteistö Oy Turun Europortti	Turku	100.0	100.0	100.0	100.0
Kiinteistöviitonen Oy	Espoo	100.0	100.0	100.0	100.0
Porvoon Puurakennus Oy	Porvoo	100.0	100.0	-	-
SRV International Oy	Espoo	100.0	100.0	100.0	100.0
SRV Lounais-Suomi Oy	Turku	100.0	-	100.0	-
SRV Russia Oy	Espoo	100.0	100.0	-	-
SRV Teräsbetoni Oy	Espoo	100.0	100.0	100.0	100.0
SRV Westerlund Oy	Espoo	100.0	100.0	100.0	100.0
SRV Viitokset Oy	Espoo	100.0	100.0	100.0	100.0
TBE-Construction Oy	Espoo	100.0	100.0	-	-
Rakennus Pirttimaa Oy	Hämeenlinna	100.0	90.0	-	-
Toppilan Mallaskiinteistöt Oy	Oulu	99.0	-	-	-
Kiinteistö Oy Ahvenniska	Espoo	82.0	82.0	82.0	82.0
Rkl Erkki Huhdanpää Oy	Tampere	70.0	70.0	-	-
Pirkanmaan Projektitoimi Oy	Tampere	65.0	65.0	65.0	65.0
Rakennusliike Purmonen Oy	Joensuu	65.0	65.0	65.0	65.0
SRV Develita UAB	Vilnius	100.0	100.0	-	-
SRV Ehituse AS	Tallinn	100.0	100.0	-	-
SRV Terbelat SIA	Riga	100.0	100.0	-	-
Satabild AS	Tallinn	88.3	88.3	-	-
OOO SRV-Stroi	Moscow	75.0	75.0	-	-
SRV Kinnisvara AS	Tallinn	65.0	65.0	-	-
Pikksulevimägi Oü	Tallinn	65.0	65.0	-	-
SRV Arenduse Oü	Tallinn	65.0	65.0	-	-
Brennon Oü	Tallinn	65.0	65.0	-	-
Rohepunkt Oü	Tallinn	65.0	-	-	-
Baltland Group Oü	Tallinn	65.0	-	-	-
Mark Invest Oü	Tallinn	64.6	64.6	-	-
Rubertus UAB	Vilnius	51.0	51.0	-	-
SRV Statyba UAB	Vilnius	51.0	51.0	-	-
Associated companies					
Helsingin Kamppi Center Oy	Helsinki	30.0	30.0	-	-
Kampin Keskus Oy	Helsinki	12.0	100.0	-	-
Litbara	Minsk	50.5	50.5	-	-
OOO SRV Ohkta	St Petersburg	50.0	50.0	-	-
Zao Ask-Otel	Yekaterinburg	50.0	50.0	-	-
OOO MMSG	Moscow	50.0	50.0	-	-
JV Merks-Terbelat	Riga	50.0	50.0	-	-
Kivitoetet Group AS	Tallinn	45.5	45.5	-	-
SRV Ballista AS	Tallinn	45.5	45.5	-	-
Ribido Oü	Tallinn	39.0	39.0	-	-
Jüri Arenduse Oü	Tallinn	32.6	32.5	-	-
Klavciems SIA	Riga	18.1	18.1	-	-

EUR thousands	Group 31 Dec. 2005	Group 31 Dec. 2004	Parent company 31 Dec. 2005	Parent company 31 Dec. 2004
4. Specification of consolidated balance sheet items				
Prepaid expenses and accrued income corresponding to income according to degree of completion	225,667	127,702	-	-
Advance payments from clients for projects	196,757	114,442	-	-
Project receivables included in balance sheet prepaid expenses and accrued income	28,910	13,259	-	-
Advance payments received	81,899	99,133	-	-
Income recognised according to degree of completion	71,979	68,345	-	-
Advance payments received, in balance sheet	9,920	30,788	-	-
5. Receivables				
From Group companies				
Accounts receivable	-	-	445	117
Loan receivables	-	-	55,025	22,031
Other receivables	-	-	90	-
Prepaid expenses and accrued income	-	-	18,681	6,178
	-	-	74,243	28,326
From external parties				
Accounts receivable	44,755	29,780	632	6
Loan receivables	39,958	56,172	-	-
Other receivables	1,654	5,005	30	15
Prepaid expenses and accrued income	50,967	34,449	19	67
	137,335	125,407	682	89
Receivables, total	137,335	125,407	74,925	28,416
Loan receivables from external parties includes an EUR 545,628.85 capital loan receivable from a company held in inventories and in accordance with the Companies Act.				
6. Prepaid expenses and accrued income: material items				
Project periodisations	28,910	13,259	-	-
Group contributions	-	-	16,992	6,000
Other interest and financial income	4,409	-	1,689	-
Taxes	2,270	188	-	-
Other items	15,376	21,001	-	246
	50,967	34,449	18,681	6,246
7. Changes in shareholders' equity				
Share capital	1,303	1,303	1,303	1,303
Share premium account	1,759	1,759	1,759	1,759
	3,062	3,062	3,062	3,062
Retained earnings, 1 Jan.	22,741	16,351	3,895	3,901
Retained earnings	11,604	7,120	5,261	724
Dividend payout	-1,094	-729	-1,094	-729
Retained earnings, 31 Dec.	33,251	22,741	8,062	3,895
Profit/loss for the financial year	12,802	11,604	11,632	5,261
	46,053	34,345	19,694	9,157
Shareholders' equity, 31 Dec.	49,115	37,408	22,757	12,219

EUR thousands	Group 31 Dec. 2005	Group 31 Dec. 2004	Parent company 31 Dec. 2005	Parent company 31 Dec. 2004
8. Statement of distributable funds				
Retained earnings	33,251	22,741	8,062	3,895
Net profit for the year	12,802	11,604	11,632	5,261
Deferred tax liability, Estonia	-3,723	-3,351	-	-
Total	42,330	30,994	19,694	9,157
9. Capital loan				
Capital loan I/2003, interest 12% p.a.	-	15,000	-	15,000
Capital loan, interest rate 6% p.a.	48	48	-	-
The principal of the loan will be repaid according to a separate agreement and as allowed under the provisions of the Companies Act.				
10. Provisions				
Guarantee provisions	3,911	3,027,862	-	-
11. Liabilities				
To Group companies				
Accounts payable	-	-	4	2
Other liabilities	-	-	680	370
Accrued expenses and prepaid income	-	-	343	95
	-	-	1,028	468
To external parties				
Loans from financial institutions	83,778	27,033	63,500	25,672
Pension loans	-	116	-	116
Advances recieved	36,411	30,799	-	-
Accounts payable	26,264	26,518	251	183
Other liabilities	21,874	34,419	5,280	648
Accrued expenses and prepaid income	27,856	29,291	5,088	3,384
	196,185	148,178	74,120	30,004
Liabilities, total	196,185	148,178	75,148	30,472
The financial covenants of the financing agreement for the long-term syndicated loan have not been fulfilled in all respects. In the financial statements, the division into long-term and current liabilities is according to the terms and conditions of the original financing agreement.				
12. Accrued expenses and prepaid income:				
material items				
Project periodisations	12,163	19,206	-	-
Wages and salaries, including social costs	4,299	3,949	707	536
Interest and other financial expenses	483	1,346	274	1,360
Taxes	4,228	2,102	4,100	1,487
Group contributions	-	-	329	-
Other items	6,681	2,687	19	96
	27,856	29,291	5,432	3,480

EUR thousands	Group 31 Dec. 2005	Group 31 Dec. 2004	Parent company 31 Dec. 2005	Parent company 31 Dec. 2004
13. Security pledged				
Liabilities secured by mortgages on property				
Loans from financial institutions	67,962	25,000	60,000	25,000
Mortgages given as security	29,452	39,000	-	-
Other liabilities	-	11,584	-	-
Mortgages given as security	-	6,000	-	-
Liabilities secured by shares				
Loans from financial institutions	60,000	25,852	-	788
Carrying amount of shares pledged	16	5,944	-	5,339
Other collateral given				
Securities pledged	815	33	-	-
Guarantees given on behalf of others	52,166	-	50,783	-

Shares in condominiums and property companies included in inventories have been pledged to secure the loans of said companies.

14. Contingent and other liabilities

Amounts payable under lease agreements				
Payable during the next financial year	1,010	777	1,019	153
Payable at a later date	1,943	1,298	1,751	225
	2,954	2,075	2,770	379
Rental and lease liabilities				
Payable during the next financial year	783	742	775	742
Payable at a later date	1,323	2,024	1,315	2,024
	2,107	2,766	2,091	2,766

15. Commitments

The contract agreement between SRV Viitaset Oy and Helsinki Kamppi Center Ltd includes costs of additional and modification works, the total value of which has yet to be agreed between the client and the contractor at the time of signing the financial statements. The earnings forecasts of SRV Viitaset Oy and SRV Group Plc are based on management's view that the unrecognised total margin on the Helsinki Kamppi Center project will substantially exceed the risks related to the so-far unagreed costs of additional and modification works.

SRV Russia Ltd signed an EUR 13.2 million loan agreement with Aareal Bank AG on 22 November 2005. As security for the loan, the company has pledged the shares it owns in OOO MMSG and its receivables from OOO MMSG. The company drew down the first instalment of the loan, EUR 3.2 million, on 16 February 2006.

Signatures to the financial statements and Report of the Board of Directors; auditors' note

Signatures to the financial statements and Report of the Board of Directors

Espoo, 24 April 2006

Ilpo Kokkila
Chairman

Markku Sarkamies

Matti Mustaniemi

Eero Heliövaara
President and CEO

Auditor's note

These financial statements and the Report of the Board of Directors have been prepared in accordance with generally accepted accounting principles in Finland. The report of the audit conducted by us has been submitted today.

Espoo, 25 April 2006

Jarmo Lohi
Authorised Public Accountant

Financial ratios

SRV Group Plc, consolidated figures

	2005	2004
Return on investment, %	22.7	26.2
Return on equity, %	31.7	35.3
Equity ratio, %	24.4	22.6
including capital loan, %	24.4	31.2
Debt/equity ratio, %	124.8	43.5
Uninvoiced backlog of orders, 31 December, € million	203.4	320.8
Personnel (average)	671	603

Formulas used in the calculation of financial ratios

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

Terminology

Construction with overall responsibility = The company has responsibility for planning and building the site, generally at a fixed price

Conventional competitive contracting = The developer commissions the planning and selects the building contractor on the basis of a public tender

Developer contracting or self-generated production = The company carrying out the construction acquires the site and then plans, builds and markets the site itself.

Project management contracting = Most of the site work is divided into separate subcontracts. Frequently, the planning and the building work take place simultaneously.

Shared developer contracting = A form of developer contracting in which the business risk is dispersed, for instance by dividing between different parties the responsibilities on the one hand for developing and on the other hand for building.

Partnership construction = An operating model for executing a building project where the project is planned and implemented continuously in accordance with the requirements of the customer and in co-operation with the customer.

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WOODEN BLIND



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WOODEN TRAY
DRY BLIND
WOOD
COLOUR AND
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SIMILAR TO
WOODEN



