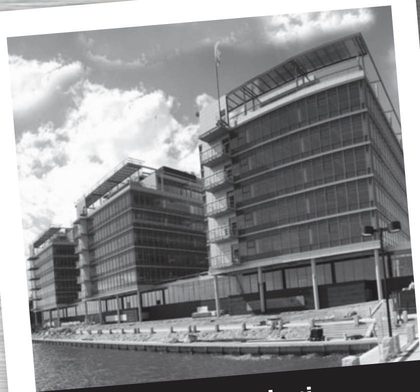
CONSTRUCTIVELY

DIFFERENT

SRV

Annual Report

# 2008



## HTC Keilaniemi

| | |
|---|---|
| LOCATION | ESPOO |
| YEAR OF COMPLETION | 2008–2009 |
| CONSTRUCTION PERIOD | 2006–2009 |
| M², TOTAL | 77,500 |
| CUSTOMERS | CORPORATIONS |
| VIEW OF THE SEA | YES |
| SERVICES | YES |
| PARKING SPOTS | 1,000 |

## Flamingo

| | |
|---|---|
| LOCATION | VANTAA |
| YEAR OF COMPLETION | 2008 |
| CONSTRUCTION PERIOD | 2006–2008 |
| M², TOTAL | 87,000 |
| HOTEL ROOMS | 309 |
| WATER PARK | YES |
| NIGHTCLUB | YES |
| SHOPPING CENTRE | YES |

## Music Centre

| | |
|---|---|
| LOCATION | HELSINKI |
| YEAR OF COMPLETION | 2011 |
| CONSTRUCTION PERIOD | 2008–2011 |
| M², TOTAL | 36,000 |
| CUSTOMERS | ALL |
| CONCERT SEATING | 1,700 |
| RESTAURANT SEATING | 200 |
| TEACHING FACILITIES | YES |

## Oscar

| | |
|---|---|
| LOCATION | HELSINKI |
| YEAR OF COMPLETION | 2009 |
| CONSTRUCTION PERIOD | 2007–2009 |
| CUSTOMERS | HOUSEHOLDS |
| NUMBER OF APARTMENTS | 65 |
| PARKING SPOTS | 46 |
| CENTRALLY LOCATED | YES |
| ENCLOSED COURTYARD | YES |

## Hotel Pulkovskaya

| | |
|---|---|
| LOCATION | ST PETERSBURG |
| PHASES OF RENOVATION WORK | 2 |
| RENOVATION PERIOD | 2007–2009 |
| RENOVATED PUBLIC PREMISES | YES |
| HOTEL ROOMS TO BE RENOVATED | 190 |
| MORE CONFERENCE ROOMS | YES |
| RESTAURANTS | YES |
| M² TO BE RENOVATED | 10,500 |

SRV completed Flamingo in autumn 2008, two months ahead of schedule. This recreational centre in Vantaa features a hotel, water park, cinema, retail space and restaurants.

**ABOUT SRV** SRV IN BRIEF KEY FIGURES YEAR IN BRIEF CEO'S REVIEW STRATEGY OUTLOOK FOR CONSTRUCTION SRV APPROACH AND PROJECT DEVELOPMENT GLOSSARY BUSINESS AREAS CORPORATE RESPONSIBILITY CORPORATE GOVERNANCE

# SRV IN BRIEF


The construction of the Music Centre was started up in the centre of Helsinki in the autumn.

SRV is an innovative construction company that provides end-to-end solutions and assumes customer-focused responsibility for the development, construction and commercialisation of projects. Its operations are divided into three business areas: Business Premises, Housing and International. In addition, SRV has a Project Development unit that undertakes new projects for the business areas. Business Premises carries out office, commercial, logistics and rock construction projects. The Housing business area implements apartment house projects in city centres and low-rise residential area projects as well as regional operations in Finland. International operations include commercial, office, logistics and hotel projects.

SRV's main business territories are the Helsinki Metropolitan Area, St Petersburg and its environs and the major centres of the Baltic countries.

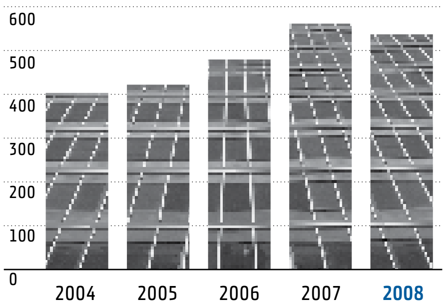
SRV's brand promise delivers a message of special expertise. SRV is Constructively Different.

The company's vision is built on four cornerstones. First, SRV is a pioneer in the construction business, breaking new ground with its SRV Approach. Second, the company is the leading builder of business premises in Finland, the Baltic countries and selected areas of Russia. The third cornerstone is being a pacesetter in customer-focused residential construction in Finland. The fourth is the outcome of the other three – SRV's growth and profitability outpace the industry average by a good margin.

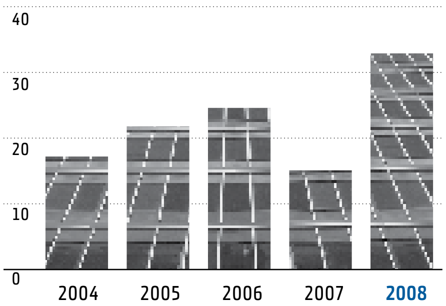
## KEY FIGURES

| | 2008 IFRS | 2007 IFRS | 2006 IFRS | 2005 IFRS | 2004 FAS |
|---|---|---|---|---|---|
| Revenue, EUR million | 537 | 561.4 | 479.5 | 422.0 | 403.2 |
| Operating profit, EUR million | 32.9 | 15.1 | 24.6 | 21.8 | 17.2 |
| Operating profit, % of revenue | 6.1 | 2.7 | 5.1 | 5.2 | 4.3 |
| Return on equity, % | 9.4 | 6.9 | 27.3 | 34.0 | 35.3 |
| Return on investment, % | 12.9 | 9.7 | 15.9 | 19.1 | 26.2 |
| Equity ratio, % | 41.3 | 55.4 | 31.7 | 19.8 | 22.6 |
| Order backlog, EUR million | 455.3 | 528.7 | 453.7 | 251.8 | 345.9 |
| Personnel on average | 871 | 761 | 688 | 671 | 603 |

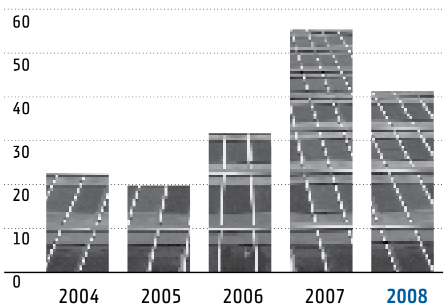
### REVENUE, €m



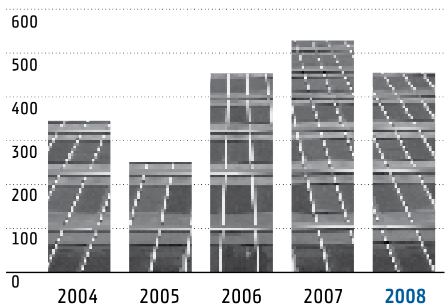

### OPERATING PROFIT, €m



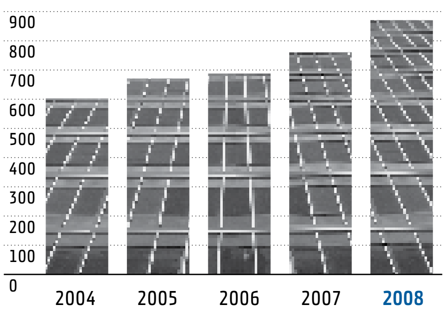

### EQUITY RATIO, %




### ORDER BACKLOG, €m




### PERSONNEL




## SRV Approach

The SRV Approach gives a competitive edge. The core of the approach is superior project development and project management implementation.

Superior project development arises from understanding the business of its customers, innovative flair in setting up projects to satisfy customer needs, and wide-ranging expertise in customer and stakeholder networks.

In project management, superiority comes from forging a shared vision of project outcomes, professionalism, end-to-end responsibility for project implementation and close co-operation with the stakeholder network.

## SRV provides competitive advantages to its customers

**▸ Overall economy and faster implementation**

In all its projects, SRV seeks a well-functioning overall solution that takes account of the location, users, spaces, financing and structures. The implementation time is shortened by means of unified project management and by flexibly overlapping the design and construction phases.

**▸ Better in line with the needs of the customers**

Projects always spring from customers' needs. Customers are involved in guiding the project from an early stage.

# YEAR IN BRIEF

### JANUARY
Espoo City Board accepted SRV's planning reservation application for residential towers to be built atop Karhusaarentie road. The plan includes four 27–28-storey buildings and an underground carpark.

SRV and Kiinteistöosakeyhtiö Helsingin Musiikkitalo signed an agreement to carry out a study concerning the planning solutions and differences between the cost estimates of the Helsinki Music Centre.

### FEBRUARY
Executive Vice President Veli-Matti Kullas, who is in charge of SRV's operations in Russia, was appointed as a member of SRV's Corporate Executive Team.

SRV's brand and brand promise were renewed. The new brand promise is "Constructively Different" – the key points are that SRV is dynamic, reliable, service-minded and a pacesetter.

SRV Russia acquired a stake in a Russian enterprise that bought a plot of 24.9 hectares north of St Petersburg, in the close vicinity of the Ring Road. Over 100,000 square metres of logistics facilities will be built at the site.

Neste Oil Corporation's new headquarters in the Keilaniemi district of Espoo were completed.

SRV was selected as the building contractor for the extension and rebuilding project at the Jyväskylä ice stadium.

SRV and Kiinteistö Oy Lahden Trio signed a contract agreement for the second phase of the refurbishing of the Trio shopping centre.

### MARCH
As part of SRV's renewed brand, the company renamed its subsidiaries. SRV Viitoset, which specialises in business premises solutions, was renamed SRV Business Premises Ltd as of 1 March. SRV Westerlund, which operates in residential construction, became SRV Housing Ltd. SRV International Ltd was not renamed.

SRV Pohjois-Suomi started its operations in Oulu.

SRV sold the Keravanportti property to the real-estate investment trust REFF I Ky, which is managed by Pohjola Property Management Ltd.

### APRIL
SRV concluded a contract with the International Banking Institute (IBI), St Petersburg, and a local partner concerning the development of an area of land measuring about 8.5 hectares in the centre of St Petersburg. The plans for the area include the construction of office and retail space as well as hotel, restaurant and entertainment premises.

SGN Group, Tapiola Real Estate Ltd and SRV signed an agreement to build the SGN Group's new headquarters and logistics centre in the Koivuhaka district of Vantaa.

Senate Properties and SRV signed a contract agreement for the construction of a new building for Swedish School of Social Science and the renovation of its adjacent building in Kruununhaka.

SRV handed over 700 renovated hotel rooms in Park Inn Hotel Pribaltiskaya to the client.

### MAY
Valtteri Palin was appointed senior vice president, Financial Administration, and member of the Corporate Executive Team.

The property services department of the University of Helsinki selected SRV as its contractor for the repair works on the second phase of the Metsätalo Building.

Ridalinranta, Nummela

HTC Keilaniemi, Espoo

> "SRV comes out on top in competitive bidding"
>
> –Kauppalehti business newspaper, 9 Jan 2009

### JUNE
Katri Innanen was appointed as SRV's chief legal counsel and member of the Corporate Executive Team.

SRV signed a contract agreement for the construction of the Helsinki Music Centre.

SRV signed an agreement with Park Inn Hotel Pulkovskaya for the refurbishment of 190 hotel rooms and with Park Inn Hotel Pribaltiskaya for the refurbishment of public premises. Both hotels are located in St Petersburg.

New agreements were made for the construction of new business premises for Codel International in the Koivuhaka district of Vantaa and a new car dealership for Autosalpa Oy in Lahti.

### JULY
SRV sold the shares in ZAO Nordrus Hotel to the Norwegian company Wenaas. ZAO Nordrus Hotel owns this 160-room hotel, which is located in Ekaterinburg, Russia. The hotel is run under the Park Inn brand. The transaction required the consent of the Russian competition authorities, which was received in September.

### AUGUST
SRV handed over the Flamingo recreational centre in Vantaa two months ahead of schedule.

Construction of Nokia's Kara Mid Point was completed. Kara Mid Point is an ensemble of three office and R&D buildings.

### SEPTEMBER
SRV reorganised its international operations. The executive vice president in charge of Russian operations, Veli-Matti Kullas, reports directly to Eero Heliövaara, president and CEO. The SRV Baltic country managers report to the head of Business Premises, Juha Pekka Ojala.

SRV Housing signed an agreement with VAV Asunnot Oy for the construction of a new five-storey apartment house in the Tammisto district of Vantaa. The apartments are intended for lease.

A retail building for furniture and interior decoration – featuring both Vepsäläinen and Koti-Idea stores – was completed in the central quarter of King's Gate in Porvoo. In addition, topping out ceremonies were held for two other properties in King's Gate.

### OCTOBER
Stockmann and SRV agreed that SRV would take over the project management and implementation of the extension and alteration works of Stockmann's Helsinki department store.

### NOVEMBER
Juha Pekka Ojala, who heads up SRV Business Premises, was honoured as the RIA Person of 2008 by the Association of Finnish Construction Engineers and Architects RIA.

SRV Kaakkois-Suomi won silver in an occupational safety competition in southeast Finland.

An agreement was made with HOAS for the construction of four five-storey apartment buildings in Viikki, Helsinki.

SRV and Neste Oil agreed on the construction of a new building measuring about 6,000 square metres for the central laboratory of the Porvoo refinery.

The construction of the Kaarle shopping centre began in Vaasa on the former factory area of Suomen Rehu. In the first phase, a K-Rauta hardware store will be built for Rautakesko.

The renovation of an office building for the Finnish National Board of Education was completed in the Hakaniemi district of Helsinki.

### DECEMBER
SRV Kaakkois-Suomi Ltd, SRV Keski-Suomi Ltd and SRV Lounais-Suomi Ltd were merged into SRV Housing Ltd.

The dealership and service centre of Inchcape Motors Estonia was handed over to the client in Tallinn.

SRV and Suomi Mutual Life Assurance Company signed a project agreement concerning STC Meiramitie, a logistics project that will be implemented in the Koivuhaka district of Vantaa.

Senate Properties selected SRV as the contractor of its new air raid shelter and carpark in Viikki.

An agreement package for the Kerca plots was signed with the City of Kerava.

A preliminary contract was made for the Holiday Club Saimaa spa hotel.

Hakaniemenranta 6, Helsinki

Department store Stockmann, Helsinki

Helsinki City service tunnel, Helsinki

# THE SRV APPROACH – COMPETITIVENESS IN ALL BUSINESS CYCLES

THE CEO ON HIS WAY TO ST PETERSBURG/HELSINKI CENTRAL RAILWAY STATION

# CEO'S REVIEW

The financial crisis that began in 2007 turned into a crisis of the real economy in late 2008. The exceptionally long boom in construction in Finland also came to an end. The turmoil in the financial markets has especially hurt the availability of financing. The number of real-estate transactions declined towards the end of the year. In the latter half of the year, weak consumer confidence brought sales of new housing to a virtual standstill.

In spite of the economic recession, the construction of business premises remained brisk in 2008. The order backlog was still at a high level in the autumn, but the number of new project start-ups declined. Housing sales slackened rapidly and residential construction was thus downscaled at an unprecedented speed in the latter half of the year.

Our order backlog remained robust at the end of 2008. SRV holds a very large share of the projects that were started up in the second half of the year.

Although the cyclical outlook took a turn for the worse, SRV has no need to revise its key long-term strategic policies. The company is renowned for its SRV Approach – it combines the development of construction projects with top-notch, customer-focused project management implementation. The SRV Approach has proven its mettle during both the ups and downs of the business cycle. In 2008, the company completed all of its business premises projects on schedule, and most of them yielded additional financial benefits for both the client and SRV.

In a world where the costs are declining, the SRV Approach is even more competitive. It yields cost-savings for the client through efficient implementation and competitive tenders from an extensive network of subcontractors. For SRV, well-oiled subcontracting means scaling resources flexibly in line with the company's current projects. This operating method also gives SRV the latitude to transfer capacity to locations such as St Petersburg.

## BUSINESS PREMISES RACKS UP RECORD EARNINGS, HOUSING SALES SLUMP

Business Premises posted its highest earnings of all time in 2008. The business area performed well thanks to its good reputation for carrying through challenging projects, the higher share of operations accounted for by developer contracting projects and its deep knowledge of its customers' operations.

The Housing business area is facing the toughest hurdles. SRV put on the brakes in its housing production in early 2008. Residential start-ups were dropped to 110 units, as compared with 363 in the previous year. Housing production will be kickstarted by the rental market. Lower interest rates and the worsening housing shortage in the Helsinki Metropolitan Area maintain brisk momentum in the rental market. Housing is increasingly attractive to investors.

## RUSSIA WENT DOWN FAST, AND WILL RISE FOR SURE

The Russian construction market remains highly interesting. The economy is on the wane, the financial market is drying up, and the rouble has been devalueated – all of which open up a great deal of opportunities for financially sound players. SRV has invested about EUR 50 million in an area of land measuring 8.5 hectares in the centre of St Petersburg. The project is in the development phase. The construction of the first phase will only be kicked off when the project has been commercialised and sufficient financing and occupancy rate have been ensured. It is obvious that we will seek to bring other investors on board before moving into the implementation phase. The amount of capital tied up in SRV's projects during the implementation phase is limited.

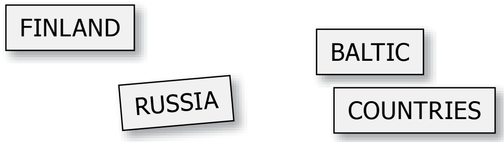
## KEEPING BALTIC OPERATIONS ON A LOW FLAME

The Baltic countries were the first of our territories to be hit by economic difficulties. We have significantly cut costs in our organisations in Estonia and Latvia, but are pressing ahead with several projects for our customers. We will only undertake development projects once the economy begins to grow again.

## FOCUSING ON CAPITALISATION, FINANCING AND COST-EFFECTIVENESS

SRV's equity ratio stood at 41 per cent at the turn of the year. This is satisfactory or better. The company's financial position is good and it has undrawn credit limits and financing commitments of more than EUR 160 million. SRV is in good shape to weather crises. SRV's absolute goal is to ensure that, even if the recession becomes severe, we can make it through without need for new capital. We are well poised to do so. The matter is in our hands. Competitiveness is a matter of honour to us and cost-effectiveness is one of our key objectives. Due to the declining construction volumes, SRV will also have to take a proactive approach to managing costs. Unfortunately, we will not be able to avoid personnel adjustments. We firmly believe that SRV will maintain its competitiveness in the ups and downs of the business cycle.

**Eero Heliövaara**
President and CEO




# STRATEGY

**SRV'S STRATEGY IS BASED ON WELL-DEFINED OPERATIONAL THINKING. DEVELOPMENT IS INTEGRATED INTO OPERATIONAL BUSINESS. WITH ITS COMPETITIVE SRV APPROACH, THE GROUP AIMS TO IMPROVE PROFITABILITY, SAFEGUARD GROWTH AND ADD COMPETITIVE EDGE.**

## SRV APPROACH ENSURES GOOD END RESULT

SRV uses its SRV Approach to carry out both development projects and customer-developed projects.

Development projects are launched either on a developer contracting basis or together with a selected partner, sharing the risks. Open partnership projects are carried out under project management contracts. Fixed-price, tender-based contracting is employed in selected projects only.

Whenever possible, SRV seeks to use development agreements to secure the plots it needs in its operations. Within Business Premises, SRV may purchase plots of land to ensure the successful start-up of development projects. In Housing, SRV purchases unzoned land and zoned plots in order to implement its chief concepts. In Russia, land is purchased to secure business premise projects. Baltic operations follow the Finnish model.

SRV exits from its developer contracting projects as early as possible to accelerate capital turnover. In Russia, the company may hold on to projects for a short time until it has been ensured they have been successfully commercialised.

## In its strategy, SRV has three operational goals:

- **To improve profitability**
  Business profitability is improved by increasing the share of development projects, boosting the efficiency of operations and customer relationship management as well as developing SRV operationally as a single entity and brand.

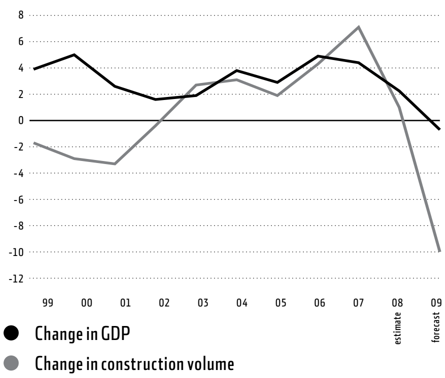
- **To safeguard growth**
  Growth is safeguarded by pursuing business in Russia, especially, and regional operations in Finland. Growth is boosted also by prudently increasing the use of the company's own balance sheet in business dealings and making the company into an increasingly desirable employer.

- **To boost competitiveness**
  Competitiveness is boosted by developing knowledge of the businesses of its main customer groups and working out concepts for innovative total service solutions that can be offered to customers.

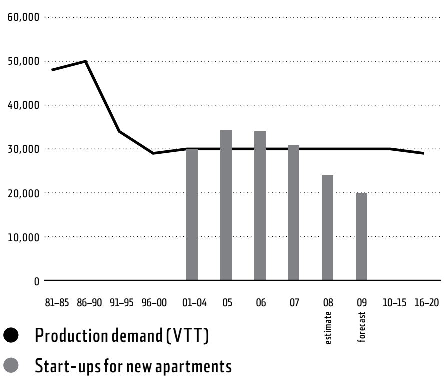
# OUTLOOK FOR CONSTRUCTION

**THE UNCERTAIN SITUATION IN THE GLOBAL ECONOMY IN 2008 ALSO HIT THE CONSTRUCTION INDUSTRY. THIS CAN BE SEEN IN THE SLOWDOWN OF THE GROWTH OF THE CONSTRUCTION OF BUSINESS PREMISES AND SLUMP IN HOUSING CONSTRUCTION. THE BALTIC COUNTRIES ARE IN RECESSION, TOO. HOWEVER, RUSSIA PRESENTS MANY OPPORTUNITIES IN THE LONG TERM.**

**DEVELOPMENT OF FINNISH GDP AND CONSTRUCTION VOLUME, %**




**PRODUCTION DEMAND FOR APARTMENTS AND NEW APARTMENT START-UPS, PCS**




The financial crisis stemming from the United States penetrated the global economy last autumn, pushing economic trends downwards more than expected, including in Finland. Rapid economic growth gave way to uncertainty and a lack of confidence, making forecasting very difficult. The US and the euro area passed their economic peaks and the world economy is currently preparing for a period of slower growth.

Last year, the Finnish economy grew at an estimated annual rate of 1.5 per cent. For 2009, it is predicted that economic growth will almost come to a halt and even to turn negative. The construction business already peaked in 2007, when the growth rate in construction volumes attained a 7.1 per cent high. In 2009 construction and the property market are expected to see a marked decline from their peak periods.

The long, powerful economic boom resulted in record figures for the investment and construction markets, while construction costs kept rising and the availability of materials dwindled. However, the forthcoming period of slower growth will bring construction costs down, encouraging the initiation of new projects. The supply of construction materials and labour is expected to improve further.

## BUSINESS PREMISES

In 2008, construction of office premises remained strong and, since a record number of new premises will be completed in 2009, vacancy rates will also rise. Office and business construction is expected to reduce in 2009, but not to dip below the average level prevailing prior to the economic peak.

Prudence and delayed decision-making increased in the property market towards the end of 2008. Rents are expected to decrease, particularly outside the Helsinki Metropolitan Area.

Last year logistics construction was lively in ports and alongside new routes, but near-future economic uncertainties are delaying new projects.

## HOUSING

In 2008, consumer confidence in household economies declined and the financial crisis pushed interest rates upwards, cooling the housing market rapidly. The number of completed but unsold residential units has increased and selling times have become longer. Construction of new residential units reduced throughout the financial year, and this decline is expected to continue in 2009. Demand for one-family houses and terraced houses, in particular, has decreased. Furthermore, the rise in housing prices, which had been continuing for years, slowed down towards the end of 2008. Demand for housing is, however, being maintained by internal migration and the concentration of the population in growth centres and their neighbouring municipalities. Also the rapid decrease in interest rates, which started towards the end of 2008, perks up the residential market.

## BALTIC COUNTRIES

The Baltic economies weakened rapidly due to the financial crisis, and the high growth trends of recent years are being replaced by those of reducing GDPs. It is estimated that Estonian GDP fell by 2.2 per cent in 2008 and it is expected to decline further in 2009.

The prices of properties and housing in the Baltic countries fell last year. Economic growth saw just as abrupt a halt in Latvia as in Estonia. The country's GDP is predicted to decrease notably in 2009. Once the Baltic economy begins to recover, new construction and the property market are also expected to pick up.

## RUSSIA

Russian GDP is estimated to have grown by six per cent in 2008. It is forecast that in 2009 growth will slow down to slightly under or over zero per cent. The financial crisis hit Russia hard during the third quarter of 2008, hindering credit granting and markedly decelerating economic growth. The Russian economy will be highly dependent on oil market prices, since 65–70 per cent of the nation's export revenues derive from energy, chiefly oil. Construction grew by about 13 percent in 2008, even though it lost almost all of its momentum in the third quarter. The Russian middle class continued to became wealthier, and the growth in retail trade boosted the construction of new shopping centres and logistics premises. While in the near-future Russia will see disrupted markets, in the long term the country will present plenty of interesting opportunities for the property business.

# SRV APPROACH AND PROJECT DEVELOPMENT

**IN 2008, PROJECT DEVELOPMENT WAS EXPANDED TO SERVE THE ENTIRE GROUP. SMOOTH PROJECT PROGRESS IS ENSURED BY SOLUTIONS BASED ON ROBUST KNOWLEDGE OF CUSTOMERS, EXTENSIVE CO-OPERATION NETWORKS, EFFECTIVE CONCEPTS AND AGILITY IN REACTING TO MARKET CHANGES.**

The core concept behind the SRV Approach is the controlled, end-to-end implementation of construction projects, all the way from project development, design and construction to the use of the completed properties. Project Development anticipates the needs of property users and develops optimal solutions for them. The strengths of SRV's Project Development are its deep knowledge of its customers' business and its extensive stakeholder network, comprising land and property owners, providers of finance and the authorities. In addition, the Project Development unit's professionals are well versed in land acquisition, zoning and financing opportunities. The operational business areas attend to the development and construction of individual projects. Designer and subcontractor networks are an important component of the SRV Approach.

## Project Development's strength is its extensive stakeholder network

At the end of 2008, Project Development had about 120 candidate projects under preparation. SRV's goal is that, on average, half of the Group's annual order backlog represents development or developer contracting projects. That said, in the prevailing market conditions it is likely that the share of contract sites in SRV's order backlog will be higher than in an ordinary business climate. Project development prioritises sites that can be started up quickly, while SRV also proactively develops long-term projects that can be kicked off immediately upon the threshold of an upswing. One of the major projects under development comprises residential towers atop Karhusaarentie road in the Keilaniemi district of Espoo. In addition, SRV is developing the Toppila area in Oulu. The related zoning plan will be completed in 2009.

### IMPROVING OUR KNOWLEDGE OF CUSTOMERS

In 2008, Project Development was expanded to cover SRV International and regional operations in line with the company's strategy. Project Development now serves the entire Group.

As the order backlog grew, SRV hired more experts in trade and logistics to serve its different user groups. Although SRV has bolstered its in-house expertise, it is forging ahead with networking on a large scale and tapping the best resources in different fields.

## Dialogue with the public sector

In the current market situation, ensuring that the customers' investment preconditions are met is a challenge. Nevertheless, construction costs have declined, fostering a willingness to start up projects. In the global economy, customers have increased their reaction times, and projects may even be started on a rapid schedule.

As the recession deepens, the pressure to start up public projects has mounted. Dialogue between the public and private sectors has gained a foothold in numerous municipalities. SRV has long experience of co-operation with municipalities that has yielded good results. Projects with many municipalities are in the pipeline.

### WELL-OILED CONCEPTS

HTCs (High Tech Center) are office buildings in prestigious locations close to the city centre that provide work communities, business premises and services in support of the operations of companies. SRV has implemented a total of four HTCs. The most recent of these ensembles is HTC Keilaniemi, completed mainly during 2008. The latest centre under development is HTC Vermo in Leppävaara. HTC Vantaankoski is being planned in the immediate vicinity of Ring Road III and the Hämeenlinna highway.

The STC – Smart Tech Center – concept has been specially developed for SMEs. STCs offer tailor-made premises packages with excellent logistics. An STC is a multipurpose concept whose cornerstone is well-oiled logistics. The premises can include office, warehouse and production space, tailored to the company's business needs. Smart Tech Centers are located in places that are easy to get to and feature excellent connections for goods traffic.

SRV APPROACH

### Users

Projects always spring from customers' needs. SRV fosters open cooperation. The eventual users of the premises come on board the construction project right from the start.

### Investors

SRV aims to guarantee return on investment over the long term.
The company takes a proactive approach to development with a view to increasing the value of properties.

### Authorities

We design and build complete regional centres with municipalities. When necessary, we coordinate the zoning process and attend to administrative permits. SRV never compromises its social obligations.

### Project development

SRV's Project Development unit identifies opportunities in the market and develops them into new projects. The unit also provides effective land acquisition, financing and investment solutions.

### Design

SRV is responsible for the end-to-end management of the design process, steering it in line with the needs of the client and the conditions set with the designers.

### Construction

SRV carries out construction under project management contract, assuming the responsibilities of main contractor. It is a matter of pride for SRV that work is completed on time and at the agreed costs and quality. Occupational safety is a priority.

### Designers

Optimal overlapping of design and construction shortens the total duration of projects. SRV attaches the best designers in their fields to each project.

### Subcontractors

SRV taps into a construction network of 4,000 contractors representing different fields. Subcontractors are committed to on-site quality, cost and scheduling targets and comply with joint safety objectives and obligations.

### Specialists

SRV's way of operating rises to the challenge of demanding projects. The professional skills of experts in numerous fields are required in complex projects and solutions.

## Project development a long process for HTC Keilaniemi

In the 1990s, SRV developed the HTC (High Tech Centre) concept to respond to high-tech companies' and universities' demand for premises. The first HTCs were built in Ruoholahti, Helsinki.

In 2000, SRV made its initial proposal to the City of Espoo concerning a set of six office buildings on the Keilaniemi shore. The underlying idea was that the area needed headquarters-level Business Park premises which could also host smaller companies. A key element in the HTC concept was the proximity of the University of Technology.

The City of Espoo embraced this idea and authorised SRV to plan a project in support of the City's business and industrial policy.

In 2002, zoning of the area began with the City. Even the zoning appeals submitted did not manage to discourage the parties, and the final zoning plan was approved in 2005. SRV Project Development was responsible for the area's early rough planning.

In co-operation with Business Premises, Project Development ensured the implementation of the initial work in order to obtain financing and involve investors in the project. Project Development was also responsible for concluding the project's sales contracts with Neste Oil Pension Fund and the German company MEAG.

In 2006, Project Development concluded a contract with the anchor tenant, Neste Oil, and purchased the land from the City of Espoo. In the summer of the same year, HTC Keilaniemi progressed to Business Premises' construction stage.

SRV also ensures that sufficient parking can be built at the site.

STC Meiramitie, an ensemble of four logistics facilities with a total floor area of some 10,700 square metres, was started up in the Koivuhaka district of Vantaa in 2008. In addition, STC Kuninkaanportti is under construction in Porvoo. SRV has previously implemented STC projects in Espoo and the Nummela district of Vihti.

The GCC concept (Grand Cargo Centre) is primarily designed for logistics service providers and wholesale companies. GCC Kerca will be built on a plot acquired from the City of Kerava. Plans call for the construction of two logistics facilities measuring some 10,000 square metres, with construction due to begin in spring 2009. In addition, GCC projects are planned at locations such as Tahkotie in Vantaa.

### FROM PROJECT DEVELOPMENT TO IMPLEMENTATION

In 2008, the construction of King's Gate – a project development site – continued in Porvoo. The Kerca logistics area project commenced, entering the preconstruction phase. This project is being implemented in association with the City of Kerava. At the end of the year, a framework agreement and property deal package for Kerca were signed with the City of Kerava. A project agreement under which Anttila Oy's logistics centre will be located in Kerca was inked at the turn of the year.

The construction of the Kaarle shopping centre was started up in Vaasa in November. It will be located in Suomen Rehu's former factory area. The first phase comprises the construction of a K-Rauta hardware store for Rautakesko.

The HTC concept was created through innovative project development.

# GLOSSARY

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

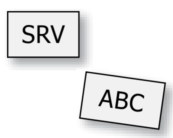
### Developer contracting
The construction company acquires the plot and independently designs, builds and markets the site.

### Project management contracting
The project management contractor has principal responsibility for the site. The construction is mainly subcontracted, and often the design and building work overlap.

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

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

### TR measurement and TR value
Safety measurement and measurement index applied in building construction (max. 100%).



The renovation of the public premises of Hotel Pulkovskaya was seen to completion in St Petersburg in May 2008.

# BUSINESS PREMISES

**SRV'S BUSINESS PREMISES BROKE ITS EARNINGS RECORDS IN 2008. THE BUSINESS AREA PERFORMED WELL THANKS TO ITS GOOD REPUTATION FOR CARRYING THROUGH CHALLENGING PROJECTS, THE HIGHER SHARE OF OPERATIONS ACCOUNTED FOR BY DEVELOPER CONTRACTING PROJECTS AND ITS DRIVE TO DEEPEN ITS KNOWLEDGE OF ITS CUSTOMERS' BUSINESS.**

*"An organisation thrives when it generates added value for its customers by providing innovative solutions and understanding their business."*

**Juha Pekka Ojala**
Executive Vice President
**Business Premises**

SRV's Business Premises engages in retail, office, logistics and rock construction operations, property development as well as the lease and sale of developer contracting projects. Following the reorganisation of SRV International in autumn 2008, the Baltic functions report to the executive vice president in charge of Business Premises.

Business Premises enjoyed a successful 2008, racking up record earnings. Excellent site implementation was not the only factor behind its good performance – development and developer contracting projects accounted for a higher share of its operations and the trend in its margin was favourable. Although the market became muted, the business area forged new agreements, thanks to which its order backlog at year's end was almost on a par with the turn of last year. This good result is the outcome of years of systematic work.

## ROBUST EXPERTISE

The year 2008 showed that the SRV Approach is effective during a boom as well. Many clients have stated that price is not the only consideration when they choose a partner to carry out their project; their decision often hinges on occupational safety and the implementing organisation. Business Premises has attracted good new projects thanks to its skilled employees and the long-term relationships that its production directors enjoy with clients. SRV has delivered on its promise of taking an open and reliable approach to the job. The company has also proven its mettle in project management contracting – and SRV has been invited on board projects in a tight spot to help ensure their successful implementation. SRV is in demand for the implementation of projects and subcontractors want to work on SRV sites.

SRV bolstered its organisation in 2008 with experts who are well versed in its customers' business operations. The Group hired retail and logistics specialists. On this basis, SRV has deep knowledge of the trends and megatrends in different industries. SRV matches its construction expertise with commercial savvy, giving it an unsurpassed competitive edge.

**Flamingo**

| | |
|---|---|
| LOCATION | VANTAA |
| YEAR OF COMPLETION | 2008 |
| CONSTRUCTION PERIOD | 2006–2008 |
| $M^2$, TOTAL | 87,000 |
| HOTEL ROOMS | 309 |
| WATER PARK | YES |
| NIGHTCLUB | YES |
| SHOPPING CENTRE | YES |

## RETAIL PREMISES AND OFFICES

Towards the end of the year, the market for the construction of business premises also slackened somewhat. That said, the prospects for the construction of business premises remain good.

The most notable new agreements made in 2008 were for the construction of the Helsinki Music Centre, signed in June, and the transfer of the project management of Stockmann's extension and alteration works to SRV in the autumn.

## Construction of business premises remains brisk

Several major projects were completed in 2008. SRV handed over the Flamingo recreational centre in Vantaa to the client in September, two months ahead of schedule. Two headquarters buildings were completed for Neste Oil in the Keilaniemi district of Espoo in February, followed by three HTC buildings in the spring and autumn.

HTC Keilaniemi is both impressive and efficient.

## MAJOR PROJECTS IN 2008

| Project | Type | Location | Completion |
|---|---|---|---|
| HTC Keilaniemi | Office | Espoo | 2008–2009 |
| Shopping Centre TRIO, phases 1 and 2 | Commercial | Lahti | 2008 |
| King's Gate | Commercial | Porvoo | 2008–2009 |
| Tuupakka logistics centre | Logistics | Vantaa | 2008 |
| Nokia Kara Mid Point | Office | Espoo | 2008 |
| Flamingo | Hotel and spa | Vantaa | 2008 |
| Hakaniemenranta 6* | Office | Helsinki | 2008 |
| Helsinki Music Centre | Cultural building | Helsinki | 2011 |
| Stockmann, extension and alteration work* | Commercial | Helsinki | 2010 |
| Neste Oil, central laboratory | Laboratory | Porvoo | 2010 |
| Kamppiparkki, car park and City service tunnel | Rock construction | Helsinki | 2009 |
| Kerca | Logistics | Kerava | 2009– |

Office Commercial Logistics Hotel and spa Cultural building
Laboratory Rock construction *renovation

## Construction of HTC Keilaniemi a large jigsaw puzzle

In the summer 2006, HTC Keilaniemi entered the construction phase, involving the construction of some 77,500 gross square metres in six buildings. Its basements include one thousand parking spaces for cars, and other figures concerning the worksite are also large. The completed installations total six kilometres of round concrete posts, 60,000 square metres of hollow-core and tin-shell slabs and twelve kilometres of prestressed concrete beams. A total of 35,000 cubic metres were dredged from the sea bed of the Keilaranta sea bay and 65,000 cubic metres of rock material was excavated from the worksite ground.

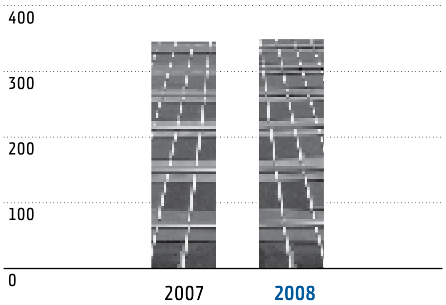
A detailed risk assessment showed that the greatest risk is posed by the water: pressurised sea water penetrating the base floor and wind blowing rainwater into the enclosing structures. Together with the designers and the contractor supplying the facade and roof covering, detailed solutions for this were developed. Based on these, the contractors granted a longer watertightness guarantee for the facades and wet seals than usual.

Contractors and suppliers working at the worksite totalled some 150 companies, and nearly 500 negotiations for contracts were held. The highest number of people working simultaneously on the worksite was 400. Some 2,300 access passes to the worksite were issued.

Finally, three contracts were awarded, to three constructor organisations, of which one was German.

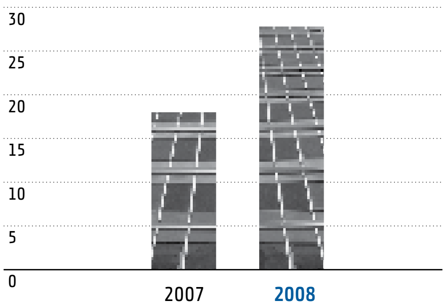
The experienced project organisation managed the jigsaw puzzle, with each building being completed slightly ahead of schedule. The yard work will be finished during summer 2009.

**REVENUE, €m**



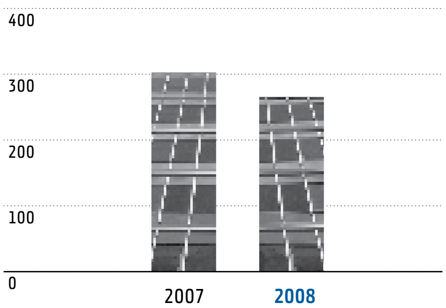

Change from 2007: 1.1%

**OPERATING REVENUE, €m**




Change from 2007: 54.2%

**ORDER BACKLOG, €m**




Change from 2007: -12.2%

Long-term co-operation with clients continued. The second phase of Biomedicum was completed in the Meilahti district in Helsinki. For the University of Helsinki, SRV started up works on the second stage of renovations on the Metsätalo Building, the construction and renovation of Swedish School of Social Science and the renovation of the Institute of Dentistry. The second phase of the Trio shopping centre modernisation project was completed in 2008 in Lahti.

The refurbishing of offices and the construction of a new laboratory were started up for Neste Oil at its Porvoo refinery.

In June, SRV and Autosalpa Oy signed their third contract agreement for the construction of a car dealership, this time in Lahti. New projects were also initiated with Plantagen and Itella.

## Kerca is kicked off with Anttila's central warehouse

Construction of King's Gate in Porvoo continued, and Etra Megacenter was completed for the Etola Group in early 2008. Retail premises for Plantagen will be completed in early 2009, along with a commercial building commissioned by Sjaelso Finland Oy. Stores in a commercial building shared by Vepsäläinen and Koti-Idea opened their doors to customers at the beginning of October 2008.

The construction of a commercial building in the northern wing of King's Gate began under SRV's lead in April, to be completed in spring 2009. Most of the King's Gate premises have been leased. SRV and retail players have now turned their attention to new plots. SRV is also focusing on STC King's Gate, which is being implemented in the King's Gate business park.

In hotel construction, SRV made a preliminary contract for the Holiday Club Saimaa spa hotel towards the end of the year.

### LOGISTICS PROJECTS

Logistics projects comprise a significant share of SRV Business Premises' operations. Preconstruction of the Kerca logistics centre was started up in Kerava at the beginning of the year. At the turn of 2008–2009, it was announced that Anttila will locate a central warehouse in Kerca. Thanks to this, construction can begin.

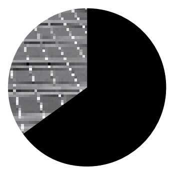
In December, SRV and Suomi Mutual Life Assurance Company signed a project agreement concerning STC Meiramitie, a logistics project to be implemented in the Koivuhaka district of Vantaa. The project comprises an ensemble of four logistics facilities with a total floor area of some 10,700 square metres. They will be built on a plot acquired from the City of Vantaa. SRV's STC – Smart Tech Center – concept has been specially developed for SMEs. STC users can efficiently integrate the high-quality warehouse, production and office space they need for their business, all under one roof. STC Meiramitie is SRV's fifth project in this district over the last few years.

### ROCK CONSTRUCTION

SRV's rock construction operations remained brisk in 2008. Ongoing projects included the construction of the Helsinki City service tunnel and the enlargement of the Kamppiparkki car park, which is SRV's own project. The extensive underground sections and new car park of Stockmann's extension and alteration works dovetail well with SRV's ongoing projects in the area. The Etelä-Hermanni parking facility was completed towards the end of the year. Furthermore, a car park for 150 cars was started up in Viikki as a new project. The facility doubles as an air raid shelter for 3,100. SRV upgraded its rock construction equipment by acquiring a new drilling jumbo in the autumn.

**SHARE OF GROUP REVENUE**

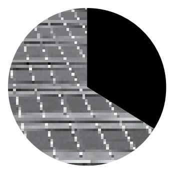
65%



**SHARE OF GROUP PERSONNEL 31 DEC**

34%

Personnel
2007: 295
2008: 296



# HOUSING

**THE HOUSING BUSINESS AREA WAS STREAMLINED AND UNIFIED WHEN THE COMPANY OVERHAULED ITS BRAND IN 2008. THE MARKET HAD CHANGED RAPIDLY AND THE NEW SRV HOUSING ADJUSTED ITS BUSINESS AND SHIFTED THE FOCUS OF ITS OPERATIONS FROM RESIDENTIAL CONSTRUCTION TO CONTRACTING AND TO BUSINESS PREMISES AND REBUILDING IN REGIONAL OPERATIONS. DURING THE REPORT YEAR, SRV HOUSING FORGED AHEAD WITH HONING ITS CUSTOMER SERVICE AND CONCEPTS, AND SUCCESSFULLY STEPPED UP ITS REGIONAL OPERATIONS.**

*"In a challenging market situation, customers also benefit from consistent ways of working and concepts."*

**Juha-Veikko Nikulainen**
Executive Vice President
**Housing**

SRV's Housing business area focuses on the implementation of apartment houses in city centres and low-rise residential area projects in the Helsinki Metropolitan Area. In Finland's other major growth centres the regional units also build business premises. SRV's regional companies operate in Tampere, Turku, Jyväskylä, Lappeenranta and Joensuu. SRV Pohjois-Suomi went into business in March in Oulu. Kimmo Hummasti was appointed as regional manager.

SRV Housing has 285 professionals in its employ.

As part of SRV's renewal of its brand in spring 2008, SRV Westerlund Ltd was renamed SRV Housing Ltd and the names of the regional companies were standardised by prefixing them with SRV. At the end of the year, SRV Kaakkois-Suomi Ltd, SRV Keski-Suomi Ltd and SRV Lounais-Suomi Ltd were merged into SRV Housing Ltd. The aim was to streamline the corporate structure and enable the financing and implementation of large-scale projects. Rakennusliike Purmonen in Joensuu and Pirkanmaan Projektitoimi in Tampere retained their old names. The arrangement was geared towards standardising systems and deploying the concepts developed throughout the company.

### CUSTOMER SERVICE WITH A PERSONAL TOUCH

Customer service was the theme of the year in the Housing business area. SRV seeks to stand out from other contractors by providing service with a personal touch. The company invites its customers to take part in the process at the earliest possible stage. SRV wants to make it easier for customers to have a say in both how alteration works are carried out and the choice of materials. During the construction phase, the sites are included in the company's co-operation with residents. Customers have taken a great interest in this and have visited the worksites frequently, especially in the case of the more expensive projects.

SRV continued to develop tools to enable customers to influence the process. For instance, customers can choose interior décor from a range of packaged options. The pilot site was Oscar, under construction in the Leppäsuo district in the Helsinki city centre.

### CONCEPT DEVELOPMENT

SRV has developed its own concepts also for residential construction, in order to ensure lower-cost design and top-notch implementation. The concepts involved defining structural solutions for different types of housing projects.

Energy-saving apartment houses will be launched under the apartment house concept. Heat recovery from utility water, for example, is being considered. Energy consumption can also be reduced through ventilation solutions.

## Vallikallion Helmi: the quietest apartment house in Espoo?

In Vallikallio, Espoo, near Ring Road I, SRV is currently constructing an apartment house whose wall is covered by a giant advertisement stating that it is "The quietest house in Espoo". Although this slogan was composed by SRV's housing sales, the construction permit already set certain restrictions on the building's soundproofing. The house is located by the temporary interchange to Ringroad I. Some 66,000 vehicles drive by the house every day. However, once the roadworks are completed, all traffic and the related noise will be transferred to a tunnel.

Design solutions aim to ensure that the required soundproofing levels are met. While standard solutions were found for windows, other structures are being developed by SRV in co-operation with designers and material suppliers.

Due to the heavy traffic, the building's foundation is exceptionally strong on the bypass side and dimensioned to withstand a car colliding with the wall.

Such solutions can also be used in new projects. Traffic noise is no longer necessarily an obstacle to construction.

**Vantaan Kapteeni**

| | |
|---|---|
| LOCATION | VANTAA |
| YEAR OF COMPLETION | 2008 |
| CONSTRUCTION PERIOD | 2007–2008 |
| CUSTOMERS | HOUSEHOLDS |
| NUMBER OF APARTMENTS | 39 |
| PARKING SPOTS | YES |
| GOOD TRAFFIC CONNECTIONS | YES |
| CLOSE TO NATURE | YES |

## SITUATIONAL AWARENESS AND GROWTH IN CHANGING MARKETS

When the housing market slackened, operations at certain worksites had to be slowed down at the end of the year. Nevertheless, construction at these sites will continue until a certain degree of completion is reached. This will enable the rapid start-up of these projects when the markets recover.

Sales of large family residences in particular were hit by the slowdown. Finnish family sizes have become smaller. This has increased demand for two-room apartments. However, zoning and parking regulations do not favour small apartments. Plans have been altered and large apartments subdivided into smaller ones at sites where this is possible.

To reduce the impact of the subdued housing market, SRV has also rented out its unsold residences. Some twenty units were rented out during the report year, mainly large family apartments in terraced houses. Furthermore, sales of residences have been facilitated by putting the old apartments of homebuyers up for sale through Huoneistokeskus at no cost to the home owner.

After the slackening off in residential construction, operations have been shifted to other projects. SRV Housing has participated more actively in competitive bidding. SRV has also tendered to build homes for the elderly, fire stations and daycare centres during the report year.

In the near future, SRV will invest in rebuilding and renovation. The main focus is on the renovation of housing. Municipalities are in a hurry to renovate schools and daycare centres before the next upswing begins.

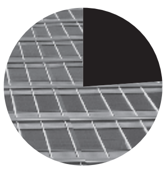
SRV's regional operations have seen substantial growth. In 2008, regional operations generated more revenue than residential construction in the Helsinki Metropolitan Area. The results have shown that SRV has selected the right cities as its strategic focuses in regional operations. This could enable SRV's regional offices to rise into the ranks of the top five local players. In regional operations the main focus shifted during the report year from housing production to the construction of business premises and competitive contracting projects.

## ADJUSTING OPERATIONS

Due to plummeting demand in the housing market, SRV Housing considered cutting personnel in the Helsinki Metropolitan Area for reasons of economy and production. Codetermination negotiations were initiated in November and concluded at the beginning of December. During the negotiations, an SRV Employee Databank was developed in co-operation with Business Premises. This operating model aims to enable the Group's other companies to use SRV Housing Ltd's idle construction workers and carpenters in lieu of leased labour. The negotiations resulted in the transfer of employees to Business Premises and pension arrangements, but layoffs and redundancies could not be entirely avoided. The arrangements yielded cost savings equivalent to 20–30 full-time posts.

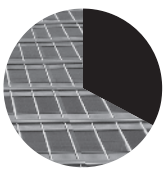
### SHARE OF GROUP REVENUE

24%



### SHARE OF GROUP PERSONNEL 31 DEC

33%



Personnel
2007: 257
**2008: 285**

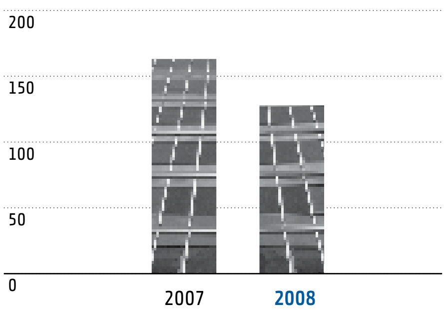
### MAJOR PROJECTS IN 2008

| Project | Type | Location | Completion |
|---|---|---|---|
| Vallikallion Helmi in Espoo | Apartment house | Espoo | 2009 |
| Oscar in Helsinki | Apartment house | Helsinki | 2009 |
| VAV Rosendalinrinki | Apartment house | Vantaa | 2010 |
| HOAS Pasteurinkatu 1 | Apartment house | Helsinki | 2010 |
| Nilsiä Holiday Houses holiday village | Leisure home | Nilsiä | 2008 |
| Valio, enlargement of chilled warehouse | Industrial | Jyväskylä | 2009 |
| Sports facilities | Sports facilities | Joutseno | 2008 |
| As. Oy Turun Perennakatu | Apartment house | Turku | 2009 |
| Tietotie Upper Secondary School | Teaching facilities | Valkeakoski | 2009 |
| As. Oy Villa Koskipuisto | Apartment house | Oulu | 2009 |
| As. Oy Ylöjärven Sara and Santeri | Apartment house | Ylöjärvi | 2009 |

Apartment house · Leisure home · Industrial · Sports facilities · Teaching facilities

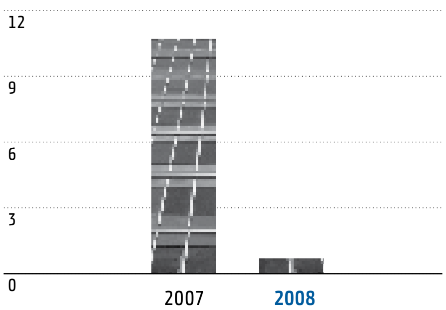

Asunto Oy Helsingin Töölön Oscar will be completed in autumn 2009.

**REVENUE, €m**



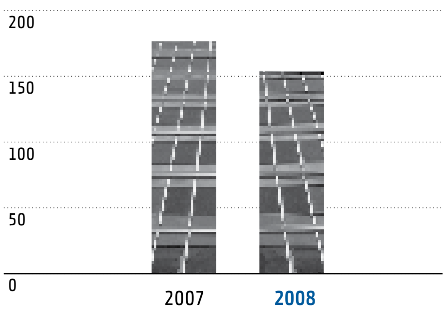

Change from 2007: -21.6%

**OPERATING PROFIT, €m**




Change from 2007: -93.4%

**ORDER BACKLOG, €m**




Change from 2007: -11.8%

# INTER-NATIONAL

**SRV'S STRENGTHS IN ITS INTERNATIONAL OPERATIONS ARE LONG EXPERIENCE AND ITS HONED BUSINESS CONCEPTS, EXTENSIVE LOCAL NETWORKS AND THE WILLINGNESS TO INVEST IN PROPERTY PROJECTS. SRV'S LARGEST INVESTMENT IN 2008 WAS FOR A MULTIFUNCTION AREA IN CENTRAL ST PETERSBURG.**

SRV International specialises in four sectors: commercial and multifunction premises, offices, hotels and logistics facilities. Russia is the geographical focus of operations. SRV International was reorganised in autumn 2008. The head of Russian operations reports directly to the Group's president and CEO. The Baltic functions report to the head of SRV Business Premises. SRV International has 191 employees.

Construction in the Baltic countries has slowed down. However, SRV has a good stock of plots in that market and is preparing and developing projects for the next upswing. SRV takes a prudent approach to the start-up of new projects.

SRV's business concept planning is highly evolved – indeed, this constitutes its key asset and competitive advantage in international projects. Through concept planning, SRV ensures that the project has sound commercial prospects, secures good tenants or end users, and guarantees good returns for investors.


**Hotel Pulkovskaya**

| | |
|---|---|
| LOCATION | ST PETERSBURG |
| PHASES OF RENOVATION WORK | 2 |
| RENOVATION PERIOD | 2007–2009 |
| RENOVATED PUBLIC PREMISES | YES |
| HOTEL ROOMS TO BE RENOVATED | 190 |
| MORE CONFERENCE ROOMS | YES |
| RESTAURANTS | YES |
| $M^2$ TO BE RENOVATED | 10,500 |

*"Thanks to its construction experience in Russia and successful property development in Finland and the Baltic countries, SRV is well-poised to invest in Russia."*

**Veli-Matti Kullas**
Executive Vice President
**Russia**

## INVESTORS REAP LONG-TERM BENEFITS

SRV seeks to ensure that the final long-term owner of the property can count on it to generate the steadiest returns possible.

Many of SRV's western competitors are unwilling to invest in property development projects. By investing capital in a project, SRV firmly commits to it and the development of the attendant concept. In Russia, other western construction companies have mainly invested in residential construction.

SRV has proven itself in large-scale shopping centre and hotel projects in which, in its role as investor, it has also arranged financing. Thanks to these projects, SRV has forged good relationships with western investors that can be leveraged in Russian projects.

## GOOD LOCAL NETWORK

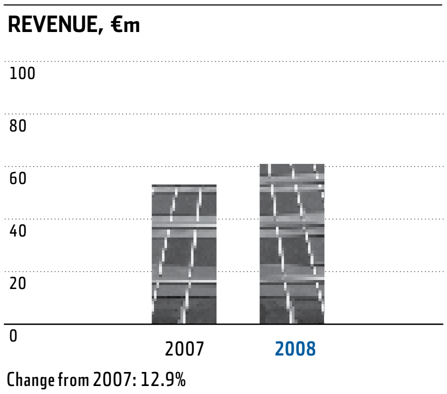
SRV always has a local partner on board all of its Russian projects to ensure that permit processes and other official matters run smoothly. Although Russian legislation has been westernised, the Russian way of dealing with the authorities can be extremely difficult for westerners, both in theory and practice. With local partners on board, it is easier to take care of the red tape – and to do so legally, as SRV requires.

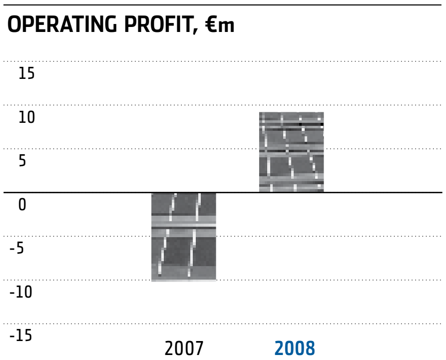
As in Finland, contracts for international projects are subject to absolute transparency. In Russia, especially, the history and background of the project are investigated prior to start-up. This bolsters international investors' interest in the project.

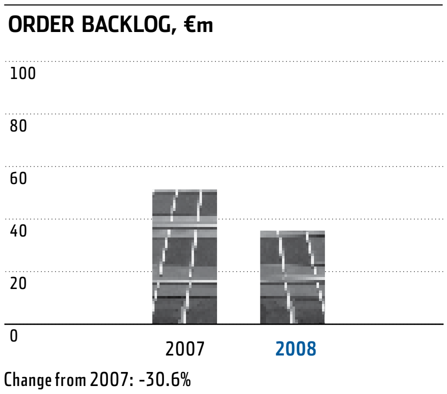
Concept planning is entirely in SRV's hands in all projects. Both the planning of project implementation and construction are carried out by local resources under SRV's supervision. Implementation planning is carried out in compliance with international norms, adapting them to local practices. Energy and environmental issues and a lifecycle perspective are prioritised. Compliance with international norms also ensures that international investors will be interested in projects over the long term.

SRV seeks to use as much local labour as possible. That said, every project is under Finnish management. SRV has been successful in training and orienting Russian personnel to adopt the SRV Approach. Our goal is for Russian employees to whole-heartedly embrace SRV's way of working, which puts the accent on independence and responsibility.

Septem City is a large-scale SRV development project in central St Petersburg.



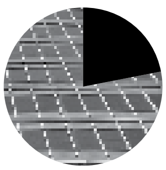



Etmia II will be completed in early 2009 in Moscow.

## SHARE OF GROUP PERSONNEL 31 DEC

22%



Personnel
2007: 114
**2008: 191**

## MAJOR PROJECTS IN 2008

| Project | Type | Location |
|---|---|---|
| Etmia II | | Moscow |
| Park Inn Pribaltiskaya* | | St Petersburg |
| Park Inn Pulkovskaya* | | St Petersburg |
| Mytischi | | Mytischi, Moscow district |
| Eurograd | | St Petersburg |
| Papulanniemi | | Vyborg |
| Septem City | | St Petersburg |

Office Hotel Commercial Logistics Residential Teaching facilities *renovation

SRV's operations in Russia focus on Moscow, St Petersburg and Ekaterinburg. The company keeps its eye on other regional centres, particularly for hotel construction opportunities. The Russian economy has surged throughout the 2000s, even as the western economies have run into difficulties. Russia remains a growing market thanks to good domestic demand, although its property and construction markets have slackened on the heels of the global financial crisis. Construction volume decreased towards the end of the year. Construction costs have begun to decline and good resources are available.

At present, international investors are mainly interested in the Moscow and St Petersburg areas. High-quality offices are still in short supply, but office prices have levelled out due to the financial situation.

In Russia, SRV concentrates on developer contracting projects. Traditional invitations to tender are not sought actively. SRV mainly makes project management offers to selected existing customers and parties for which it has carried out projects in Finland.

Thanks to its long-term efforts, SRV has an extensive subcontractor network in St Petersburg and Moscow. However, the size of the subcontracts into which projects are divided in Russia is usually not as small as in Finland.

The problem in Russia is that currency is escaping to the west, raising the price of money in the country. On the upside, this improves the business potential of western companies in Russia. It is slightly easier to secure financing from the west, where the interest rates are lower.

SRV has 85 employees in St Petersburg and 40 in Moscow.

The first investments in SRV's largest-ever project – Septem City in central St Petersburg – were made in December 2007. Further investments followed in 2008. SRV has invested a total of EUR 50 million in existing properties, which are leased out. According to the plans, the project will be implemented in no less than five phases over a period of several years. The planning of the first phase will be started up once the zoning plan has been approved and the legal administrative arrangements are in order. The project organisation was set up in 2008.

In Mytischi in the Moscow region, the plans of the multifunction shopping centre have been revised and the project has been divided into two implementation phases due to the financial situation. In 2008, the availability of infrastructure was ensured and the transfer of on-site municipal engineering was started up. Negotiations with tenants are under way. Numerous similar projects have been halted in Moscow, making it easier to attract good tenants to Mytischi.

The Shell & Core phase of the Etmia office and carpark project in the centre of Moscow will be completed in early 2009. The expected move-in date for the first tenants is in the spring. SRV aims to sell the property when it has been leased out and the registration process has been completed. It is expected that this will be accomplished by the end of 2009.

SRV is developing over 100,000 square metres of Class A terminal and warehouse space on a 24.9-hectare plot north of the St Petersburg Ring Road. SRV acquired agricultural land in February 2008 and it has now been zoned for logistics facilities. The planning of the first phase and negotiations are currently ongoing with numerous users.

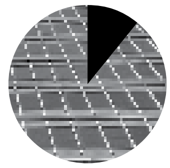
In the summer, the 160-room Park Inn hotel in Ekaterinburg was sold to Wenaas Hotel Russia A/S, which is part of the Norwegian Wenaas Group.

The first phases of the renovation works at the Pulkovskaya and Pribaltiskaya Hotels operated by the Rezidor Group in St Petersburg were completed in April. In June, SRV signed agreements for further renovation works at the hotels.

The first apartment house in SRV's only residential project – Papulanniemi, under construction in Vyborg – was completed at the end of the year. The building was sold almost in its entirety to a Norwegian company for use as apartments for employees of the Port of Vyborg. A decision will be made in 2009 on whether to start the second apartment house, depending on the market situation.

**SHARE OF GROUP REVENUE**

**11%**



## When in Russia

The office and car park building Etmia II, whose construction in the centre of Moscow began in spring 2007, will be completed in early 2009. The business centre will host A+ offices, retail premises and a multi-storey parking building for 165 cars. On the adjacent plot stands the Etmia I building, constructed by SRV in 2002.

In Russia, a construction project advances slowly through the various stages of bureaucracy. To obtain a construction permit for Etmia, a total of 248 stamps and signatures were required. Russian projects are generally composed of fewer but larger elements than Finnish ones. In the case of Etmia, all contractors and materials were local or, at least, obtained through locals. These days, you can no longer see columns of Finnish trucks entering Russian construction sites. During the project, problems occurred in the supply of some materials and once in a while we saw stupendous price rises.

A frequent challenge when working with Russian contractors lies in the manageability of the schedule. Not everyone respects set schedules all of the time: if deadlines are not observed, a new schedule is simply drawn up. At the turn of the year 2009, the project is undergoing the approval process. This will also take time and will require a huge amount of red tape.

The construction of the Kerca logistics area will begin with Anttila's central warehouse. Kerca is a joint project of SRV and the City of Kerava.

ABOUT SRV BUSINESS AREAS **CORPORATE RESPONSIBILITY** PERSONNEL CORPORATE SAFETY ENVIRONMENT RESPONSIBILITY CORPORATE GOVERNANCE

# PERSONNEL

**SRV'S EMPLOYEES ARE AMONG THE BEST IN THE BUSINESS. IN 2008, SRV FOCUSED ON PROVIDING JOB ORIENTATION AND BREAKING DOWN BARRIERS BETWEEN BUSINESS AREAS. OPEN CO-OPERATION INCREASED PERSONNEL COMMITMENT AND MOBILITY WITHIN THE GROUP.**

*"A wide range of challenging tasks for professionals."*

**Pirjo Ahanen**
Senior Vice President, HR
**SRV**

SRV is an expert organisation staffed by specialists in various construction trades, from project developers to project directors. SRV had 870 people on its payroll at the end of 2008. SRV seeks to hone the skills of its employees through training and spurs them to pull together, one for all.

## ORIENTATION HELPS UNITE SRV

SRV enlarged its business operations and personnel strength in 2008, which increased the need for orientation and training. Job orientation is one of the core tasks of SRV's Human Resources function. SRV considers it especially important to provide orientation on actual job tasks. The work communities are in charge of such orientation. In 2008, SRV overhauled its orientation programme and sought to bolster its image as a unified company.

Orientation that encompasses SRV's service range from end to end has been shown to increase personnel commitment and awareness of in-house job opportunities.

In 2008, international operations were also included in the scope of orientation. Two training events were held in Finland for SRV's foreign employees. Personal training was arranged for executives. A great deal of positive feedback was received on joint orientation and training events that gave an overview of the whole Group. People from both Russia and Estonia visited SRV to acquaint themselves with its operations and worksites in 2008.

In other personnel training activities, SRV continued to develop core skills. For instance, language lessons, training in contract law, and occupational safety training, including first aid and occupational safety card courses, were organised for hundreds of people in different business areas.

As in earlier years, SRV co-operated in vocational training with Rateko, the Training Centre of the Construction Industry.

## FROM A TRAINEE TO A PROFESSIONAL

In 2008, SRV engaged in diverse co-operation with vocational polytechnics and universities to ensure the future availability of labour. The company participated in recruitment events at trade fairs and vocational education institutions, and supported student associations and guilds. SRV offered students a variety of job tasks and opportunities for completing a diploma or thesis. SRV's in-house experts lectured at universities, presenting the company's operations.

SRV is well-known among students. In spring 2008, SRV received more than 600 summer job applications. Seven per cent more summer trainees were hired than in the previous year.

SRV wants to provide continuity to the best students in the field. Future experts often start their careers in a hard hat, serving as trainees at construction sites. After completing their theses, they join SRV as permanent employees. SRV seeks to retain good employees. The company has been very successful in this effort. A growing number of students either stay on with the company or join its payroll later, such as after completing a trainee period.

**SRV's values**

- **Responsibility**
- **Open co-operation**
- **Bold in development**
- **Enthusiasm for doing**

## BEING PROACTIVE TO IMPROVE OCCUPATIONAL WELLBEING

SRV's occupational healthcare services took a proactive stance in 2008. For instance, occupational healthcare staff made frequent visits to workplaces and the safety and health committees convened many times. Regular occupational health inspections served as the basis

for occupational fitness index measurements. The results were excellent.

In 2008, SRV developed an occupational healthcare model that improves its ability to respond to changes in the life circumstances of employees, such as illness. In the new model, an occupational healthcare representative, the employee and his or her supervisor jointly think about ways of reorganising the employee's duties on the basis of his or her initiative. This practice aims at openness and is based on mutual trust. It encourages everyone to proactively seek solutions for maintaining occupational fitness.

In order to foster occupational wellbeing and health, SRV has developed a new early-intervention model that spurs employees to be proactive. The model encourages personnel to bring problems – such as intoxicant abuse – to the company's attention so that help can be provided at the earliest stage possible. The feedback has been good.

SRV handed out a record number of fitness vouchers to its personnel in 2008. The Aslak rehabilitation programme, which supports occupational fitness, also yielded excellent results. The company organised a post-rehabilitation follow-up event. The participants met with their supervisors to discuss means of developing their work communities.

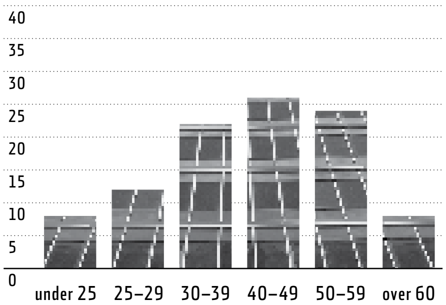
## CHALLENGING AND REWARDING INTERNATIONAL OPERATIONS

SRV International's growth posed many new challenges to Human Resources. In the past, SRV engaged in project exports that were short in duration and carried out by Finnish personnel. The company now has long-term worksites employing both Finns and locals.

| Key figures | 2008 | 2007 | change, % |
|---|---|---|---|
| Average number of employees | 871 | 761 | 14 |
| Employees at 31 December | 870 | 752 | 16 |
| Permanently employed | 787 | 686 | 15 |
| Women, % | 20 | 19 | |

| Number of employees by business area 31 December | 2008 | 2007 | change, % |
|---|---|---|---|
| Business Premises | 296 | 295 | 0 |
| Housing | 285 | 257 | 11 |
| International | 191 | 114 | 67 |
| Other | 98 | 86 | 14 |
| **Total** | **870** | **752** | **16** |

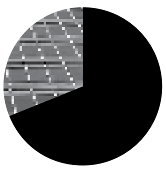
## AGE DISTRIBUTION, %




## SALARIED EMPLOYEES/WORKERS

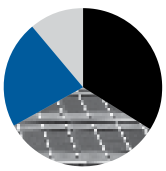
- Salaried employees: 600
- Workers: 270

**Total: 870**



## PERSONNEL BY BUSINESS AREA, %

- Business Premises: 34
- Housing: 33
- International: 22
- Other: 11



Employment contracts and terms always comply with local laws and regulations.

The need for local and permanent employment agreements has increased in step with the growth in construction operations. In 2008, SRV made more agreements to post employees abroad than earlier.

SRV pondered the effects of different work cultures and management practices on the Group's business. Co-operation was stepped up to lower the barriers between subsidiaries and to unite personnel under the SRV brand. The comparison and evaluation of Finnish and foreign management practices as well as work and personnel processes got off to a good start.

SRV organised a Russia Day at its headquarters in Espoo in September 2008. At the event, the company's local management shared its experiences of Russian sites and foreign posting practices. The briefing aimed to present international work opportunities and promote personnel mobility within the Group. Over the next few years, experts will more frequently be sent abroad under permanent contracts rather than to work on fixed-term projects.

## A FLAT ORGANISATION PROVIDES OPPORTUNITIES

SRV's flat organisation enables it to maintain its flexibility in a variety of circumstances, but requires personnel to take personal responsibility and have trust in each other and the company. Decision-making is fast because there are few steps in between. Personnel are widely aware of the company's shared goals and information is disseminated effectively, both in internal and external communications. Massive subcontractor networks are involved in large-scale projects, which sets great demands on project management. Operational flexibility is even more important in a challenging market situation.

The construction industry was not spared from the impacts of the rapid weakening of the global economy in 2008. Consequently, SRV Housing initiated codetermination negotiations at the end of the year. SRV was able to transfer many employees to positions in other business functions, but layoffs and redundancies could not be entirely avoided.

## MATRIX ORGANISATION INCREASES OPENNESS AND EFFICIENCY

In 2008, SRV adopted a matrix organisation and concept teams in both Finland and international operations. This overhaul seeks to eliminate barriers to co-operation and promote openness between the business areas.

As a matrix organisation, SRV draws on the Group's pool of human resources, primarily in production, cost accounting and procurements. A variety of working groups evaluate how personnel can best be utilised in different market situations to ensure that everyone benefits.

With its motivated employees, SRV delivers on its customer and brand promise – Constructively Different. SRV is an expert organisation whose success is based on strategic specialist expertise that sets it apart from its competitors.

**HR policy puts the accent on development and self-improvement:**

- **Active participation improves occupational well-being**
- **From project exports to international operations**
- **New matrix organisation ensures that resources are used effectively**
- **Flat organisation encourages personnel to take responsibility**

# CORPORATE SAFETY

**THE AIM OF SRV'S SAFETY AND SECURITY ACTIVITIES IS TO IMPROVE PRODUCTIVITY AND ENSURE COMPETITIVENESS. KEY MEASURES IN 2008 INCLUDED THE CREATION OF AN ELECTRONIC SRV NETWORK REGISTER AND INVESTING IN ON-SITE FALL PREVENTION.**

REMEMBER

THE HARD HAT

The success of safety and security activities requires the commitment of our own personnel, subcontractors and the future users of premises to the safety and security practices in force and their systematic development. Compliance with rules and regulations is monitored relentlessly on our worksites. Furthermore, co-operation with various authorities and the use of technical tools and monitoring devices contribute to the prevention of accidents and theft.

SRV's corporate safety and security activities establish the foundation for safeguarding disturbance-free operations. The purpose of safety and security activities is to protect personnel, data, assets, the environment and the reputation of SRV and its contractors and customers against accidents and criminal activities. Corporate safety and security is organised as part of SRV's risk management activities, which are headed by the Senior Executive Vice President. The continuous development of safety and security are the responsibility of the Safety Manager, to whom the persons in charge of safety measures in the various business areas report.

On SRV's worksites, particular attention is paid to safety and tidiness, since this is a way of promoting safety, quality and profits. TR-measurements indicating the level of occupational safety in construction are conducted regularly on SRV's worksites: a total of 2,593 such measurements were conducted in 2008. At Group level, the TR-measurement results averaged 94.8 (the maximum being 100), rising slightly on the previous year. During 2008, a total of 20 accidents occurred on SRV worksites, of which 13 concerned subcontractors' personnel. However, no fatal injuries occurred on SRV's worksites, and cases requiring official investigation numbered four. SRV has redoubled its efforts to promote the self-assessment of risks with regard to each subcontract.

All measurement results (TR-measurements for construction, MVR-measurements for civil engineering), accidents and disturbances such as burglaries, thefts and environmental complaints are recorded in the SRV Safety surveillance system. Surveillance aims to prevent risks and further improve the development of occupational safety.

Personal protective equipment is continuously developing. Nowadays, it is easy to use, its use is carefully monitored and there is a low threshold to intervening in problem cases.

Furthermore, SRV organises safety training for subcontractors' personnel. As a result of this training, the number of accidents has continuously decreased.

SRV and its construction clients operate a joint Safety Support Group, in order to proactively monitor and support the management and identification of safety risks on all major worksites. Safety and security is also being intensively developed in SRV's international operations. SRV participates actively in the work of organisations in its own industry and in the security field, notably the Confederation of Finnish Industries EK/Board of Corporate Security, the Confederation of Finnish Construction Industries RT/Safety Experts, on the Management Group of the RaTuKe project, in FinnSecurity ry and in ASIS Finland.

The largest project in 2008 was the development of the electronic SRV Network Register. The register helps to track the subcontractors' backgrounds and to improve SRV's processes. The register gives better tools to fulfil the requirements set by the Act on the Contractor's Obligations and Liability when work is contracted out on SRV's sites. This efficient register benefits everyone; SRV, clients and government. Orientation and contractor data are entered, and official documents are scanned, into SRV's system. The network register is linked to SRV's subcontractor register. Furthermore, SRV aims at more open and proactive co-operation with the authorities. Reports required for taxation, for instance, are obtained directly from the system. The network register is in use on the Helsinki Music Centre and Stockmann worksites and in other new projects.

In 2008, a special focus was placed on fall-prevention equipment and the prevention of falling injuries, since falls are still the most frequent type of accident in the construction industry. Together, SRV and protective equipment suppliers have developed equipment and devices used in fall prevention. New guards, including a skirting board, are easy to install and prevent both objects and people from falling.

# ENVIRONMENT

**IN 2008, SRV PUBLISHED A NEW ENVIRONMENTAL POLICY FOR THE WHOLE GROUP. THIS POLICY COMMITS SRV TO SUSTAINABLE DEVELOPMENT AND REPORTING ON THE ENVIRONMENTAL IMPACT OF ITS OPERATIONS.**

MORE

RECYCLING !

In 2008, SRV confirmed environmental targets for its operations by adopting a new environmental policy. The policy aims to improve competitiveness through the development of the company's operations and by anticipating new environmental regulations and the demands of the industry.

SRV's environmental responsibility extends beyond its own operations to those of its subcontractors. Major direct environmental impacts are due to construction wastes and the effects of worksites on their surrounding environment. Such effects include dust, noise and vibration. SRV seeks to reduce the amount of mixed construction waste generated at worksites in particular, and to recycle it more efficiently. Waste management was upgraded in 2008 alongside environmental maintenance company Lassila & Tikanoja, which also trained SRV employees on how to sort and process waste at worksites.

SRV also seeks to reduce environmental impacts through logistics solutions. Hitch-free goods deliveries cut down on material wastage and transport emissions.

The environmental manager is responsible for the environmental policy at Group level. Within the subsidiaries, environmental officers assume responsibility in the project design and implementation phases. In addition, SRV appoints an on-site environmental officer for each project.

## MORE FROM LESS

SRV gets to grips with material efficiency at an early stage in order to minimise material wastage. Material efficiency plays a key role in project design and procurements.

In 2008, SRV launched an overhaul of its procurement documentation in order to ensure the achievement of the objectives set for procurements in the environmental policy. Tenders and agreements include obligations concerning both the standard of the subcontractor's environmental activities and the materials and products to be used.

At the beginning of 2009, the Group will launch an extensive research project to improve the eco-efficiency of SRV's products. The preliminary project study, 'The major impacts of climate and energy issues on SRV's operations', was drafted in 2008.

## LIFECYCLE PERSPECTIVE REDUCES ENVIRONMENTAL IMPACTS

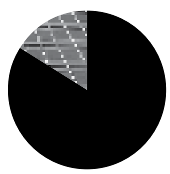
SRV employs an environmental reporting system to track the amounts of waste generated on sites. Contractors feed data on matters such as waste amounts, their recycling rate and waste transport distances into the reporting system. Energy and water consumption data is managed with the same system. This data is fed in by the on-site environmental officer. The system was overhauled in 2008, making it easier to track environmental performance indicators.

At the end of the year, 65 per cent of SRV's sites in Finland reported the amount of waste generated on site. The amount totalled 7,041 tonnes. The recycling rate was 84 per cent (81 per cent in 2007).

SRV's environmental responsibility is also reflected in the quality of construction and the company's lifecycle perspective. The company reduces the environmental burden by, for instance, ensuring that its projects are in locations with good access to public transport and that they promote closer-knit community structures, can be modified, are energy efficient and have a long service life. Building in city centres reduces the burden on the environment: in close-knit communities, housing and services are close to each other and people do not need to drive as much, reducing traffic emissions.

**RECLAIMING OF WASTE**

- Reclaimed: 84%
- Landfill: 16%



# RESPONSI-BILITY

**SRV'S OPERATIONAL MODEL FOSTERS OPENNESS AND BOLDNESS. SHARED VALUES, HIGH-CALIBRE PROFESSIONALISM AND ROBUST EXPERTISE ENSURE THAT EVERYONE AT SRV PLAYS BY THE SAME RULES.**

SRV's goals for responsibility are based on the company's values, professional skills and long-term expertise. SRV is a forerunner in bearing responsibility not only for its own personnel, but also for investors, end clients, partners, subcontractors and owners. SRV always seeks to comply with sound ethical guidelines and to shoulder its responsibilities towards all its stakeholders. In the construction business, SRV is renowned for its progressive approach to occupational safety and the transparency of its operations. SRV has won the worksite of the year award numerous times.

## A HEALTHY AND SAFE WORKING ENVIRONMENT

SRV takes care of its personnel through well-run work communities, safe worksites and the development of both interaction and personnel expertise. Particular attention is paid to good supervisory practices. The company has a zero-tolerance policy towards harassment, discrimination and bullying in the workplace.

Management and personnel pull together to ensure occupational well-being. This fosters a balanced and safe working environment where personnel thrive and enjoy their work. Personnel must feel at ease in the working community. Tasks should be commensurate to the skills of each employee, both in terms of workload and demands.

## CUSTOMER SATISFACTION IS OUR GOAL

SRV's projects are always planned and prepared by the best professionals. This ensures that the invested capital is employed responsibly and effectively from the viewpoint of both the investors and users. All contract and procurement agreements are drafted in accordance with joint agreement models. The Group's internal control is effective. This is vital for the transparency and reliability of operations.

## SEEKING JOINT BENEFITS

SRV is a major employer in its industry and thus a significant player in society. SRV subdivides projects into small sections, providing work for many construction firms and small entrepreneurs. SRV obligates all of its subcontractors to commit to the company's values and to operate under its supervision. Through its transparent operations, SRV plays its part in taking care of its social responsibilities, such as thwarting the grey economy.

SRV's operations hinge on a well-oiled network of subcontractors and partners. The company offers continuity and deeper co-operation to professional, cost-effective and flexible firms. After a long development process, SRV has completed an electronic network register for recording data on the company's own processes and its subcontractors and partners. This register also serves to upgrade operational efficiency.

SRV aims to take care of the environment by minimising environmental impacts, both those of its own operations and over the entire lifecycle of its construction projects. The company makes a concerted effort to develop new methods that impose a smaller burden on the environment. To reduce the environmental impacts of traffic, SRV develops and builds efficient logistics facilities. In its housing projects, SRV ensures that the buildings are located close to good traffic connections.

## SOLVENCY REFLECTS THE COMPANY'S FINANCIAL RESPONSIBILITY

SRV safeguards the continuity of its operations by ensuring that it remains solvent and in good financial shape. The Group has a lean organisation, enabling it to react and change its operations rapidly in step with the demands of the market.

**Responsibility benefits everyone:**

- **Exemplary construction safety**
- **The best experts and experience guarantee financial success**
- **Transparent practices to benefit society as a whole**

**Ethical guidelines**

**Key to success**
Be frank and professional.
Share your expertise with others.
Be open.

**Key to continuity**
Be reliable and fair.
Respect and value your colleagues.
Be trustworthy.

**Key to responsibility**
Comply with official regulations.
Be honest and set an example.

# CORPORATE GOVERNANCE

SRV Group Plc's corporate governance system is based on Finnish legislation and the company's Articles of Association. SRV Group Plc's shares are listed on the Helsinki Stock Exchange and the company observes the rules and regulations concerning listed companies that have been issued by the exchange. In addition, the company's Board of Directors has ratified SRV Group's Corporate Governance guidelines, which comply with the Finnish Corporate Governance Code for listed companies which entered into force on 1 January 2009.

## ADMINISTRATIVE BODIES

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

## GENERAL MEETING

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

General Meetings are convened by the Board of Directors. A notice of a General Meeting is published in one nationwide newspaper no earlier than three months and no later than 17 days before the meeting. The notice is also published on the company's Internet site. Shareholders who are registered in the company's shareholder list ten days before the General Meeting have the right to participate. In order to participate in a General Meeting, a shareholder must notify the company of his or her intention to attend no later than the date mentioned in the notice, which may be no earlier than 10 days before the meeting. An Extraordinary General Meeting shall be held when the Board of Directors deems it necessary or when required by law.

Meetings shall deal with the matters specified in the Articles of Association as being the business of Annual General Meetings. These matters include taking decisions on issues such as the election of Board members, the chairman of the Board, the auditor and deputy auditor, their remuneration, the adoption of the financial statements and consolidated financial statements, release of the Board members and president from liability and the disposal of profits shown in the balance sheet. The General Meeting may also deal with other matters specified in the Companies Act as being the business of General Meetings, such as increases or decreases in the share capital, the issuance of new shares, buyback of shares, and amendments to the Articles of Association. In addition, the General Meeting will deal with matters included on the agenda by shareholders, as set out in the Companies Act.

The president, the chairman of the Board and a sufficient number of Board members shall attend General Meetings in order to ensure that the shareholders and the administrative bodies of the company can interact and shareholders can exercise their right to ask questions. A person who is proposed as a Board member for the first time shall participate in the General Meeting deciding on his or her membership, unless there are weighty reasons for his or her absence.

## BOARD OF DIRECTORS

SRV Group Plc's Board of Directors comprises five to eight members who are elected by the General Meeting. The General Meeting elects one member of the Board as the chairman of the Board. The Board of Directors elects the vice chairman from amongst its number. The term of office of a Board member begins at the General Meeting at which he or she was elected and ends at the close of the next Annual General Meeting. The Board of Directors evaluates the independence of its members and announces which of the members of the Board have been deemed independent of the company and its major shareholders.

The General Meeting of 14 April 2008 elected five members to the Board of Directors. Personal information on Board members is presented on page 41 and their holdings are disclosed on page 39.

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

The Board of Directors has prepared written standing orders for itself, specifying the key tasks and operating principles of the Board and its chairman. The chairman of the Board ensures and supervises that the Board discharges the tasks set for it under legislation and the Articles of Association.

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

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

The Board of Directors convened 16 times in 2008. On average, 92.2% of the Board members attended meetings of the Board.

## BOARD COMMITTEES

The Board of Directors has decided to establish two committees: an Audit Committee and a Nomination and Remuneration Committee. The committees function in accordance with the rules of procedure confirmed by the Board of Directors and they report on their work to the Board. The committees do not have independent decision-making power. Their task is to prepare matters for consideration by the Board of Directors and the General Meeting.

## AUDIT COMMITTEE

The Audit Committee deals with matters concerning the company's financial reporting and monitoring. It assists the company's Board of Directors by monitoring and overseeing the company's financial situation and reporting as well as by ensuring that the monitoring of the company's accounting and handling of funds, internal control, risk management, audit and the company's operations have been arranged in compliance with the legislation and regulations in force and the decisions of the company's Board of Directors. In addition, the Audit Committee prepares the election of the auditor for presentation to the General Meeting.

The Audit Committee comprises members whom the Board of Directors elects from amongst its number. Due to the structure and small size of the company's Board of Directors, there are two members on the Audit Committee, one of whom might be considered non-independent of the company, contrary to Sections 25 and 26 of the Corporate Governance Code for listed companies (number and independence of Audit Committee members). Taking into account the education, experience and other expertise of this elected member, he can be considered suitable for the task in hand and there is no reason to question his ability to carry out his duties appropriately.

In 2008, the Audit Committee was chaired by Matti Mustaniemi, and Markku Sarkamies was a member. Of the members, Matti Mustaniemi is independent of the company and its major shareholders. The Audit Committee met four times during 2008. Attendance of meetings was 100%.

## NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee prepares matters concerning the election and remuneration of members of the Board of Directors and its chairman, for presentation to the General Meeting. In addition, the committee considers matters relating to the nomination and compensation of management as well as the remuneration and incentives of personnel.

The Nomination and Remuneration Committee comprises members elected by the Board of Directors from amongst their number. The Committee's chairman in 2008 was Ilpo Kokkila and the members were Jukka Hienonen and Lasse Kurkilahti. Of the members, Jukka Hienonen and Lasse Kurkilahti are independent of the company and its major shareholders.

The Nomination and Remuneration Committee met four times during 2008. Attendance of meetings was 100%.

## BOARD OF DIRECTORS' REMUNERATION

The General Meeting confirms the remuneration of members of the Board of Directors annually. The Annual General Meeting held on 14 April 2008 decided on the following monthly fees: EUR 5,000 for the chairman of the Board, EUR 4,000 for the vice chairman and EUR 3,000 for other Board members. In addition, it was decided that members would be paid EUR 500 for meetings of the Board of Directors and the committees.

The total remuneration of the Board members for 2008 amounted to:

| Member of Board | EUR |
|---|---|
| Ilpo Kokkila, Chairman of the Board | 70,500 |
| Lasse Kurkilahti, Vice Chairman of the Board | 58,000 |
| Jukka Hienonen | 46,500 |
| Matti Mustaniemi | 44,500 |
| Markku Sarkamies | 44,000 |
| **Total** | **263,500** |

## PRESIDENT

The president is in charge of the company's line operations and day-to-day administration. He is accountable to the Board of Directors for the achievement of the goals, plans, policies and objectives set by the Board of Directors. The president ensures that the company's book-keeping complies with the applicable law and that the management of funds is handled in a reliable manner. He prepares matters for consideration by the Board of Directors and carries out the decisions of the Board. The president also serves as the chairman of the Corporate Executive Team. The Board of Directors appoints and dismisses the president and the executive vice presidents.

The president of SRV Group Plc is Eero Heliövaara, M.Sc. (Eng., Econ.). The senior executive vice presidents of SRV Group Plc are Timo Nieminen, M.Sc. (Eng.), and Hannu Linnoinen, M.Sc. (Econ., LL M). The president's deputy is Timo Nieminen. Personal information on the president and senior executive vice presidents is presented on page 42 and their holdings are disclosed on page 39.

## CORPORATE EXECUTIVE TEAM

The Corporate Executive Team assists the president in planning operations and in line management as well as preparing matters for consideration by the parent company's Board of Directors.

The Corporate Executive Team comprises the Group's president as chairman, the president's deputy (vice chairman), the senior executive vice president, CFO, the executive vice presidents in charge of Business Premises, Housing and SRV International, the chief legal counsel, and the senior vice presidents in charge of Financial Administration, HR, and Communications and Marketing. The vice president in charge of Development Affairs acts as the secretary of the Corporate Executive Team.

Personal information on the Corporate Executive Team members is presented on pages 42 and 43 and their holdings are disclosed on page 39.

## MANAGEMENT COMPENSATION AND TERMS OF THE PRESIDENT'S CONTRACT

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

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

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

## PERFORMANCE BONUS SCHEMES

The company's management is covered by the Group's bonus scheme, which is decided on annually. The amount of the performance bonuses paid depends on the Group's result, the result of the business area and personal performance. The Board of Directors approves the principles of the performance bonus scheme and the bonuses to be paid for one year at a time. The bonus that is paid may not exceed three months' salary.

SRV Group Plc's Board of Directors has ratified the principles of the equity bonus scheme for key employees in 2008–2010. The Board of Directors approves the criteria and targets of the bonus scheme annually. Equity bonuses may not exceed 12 months' salary. Shares received under the scheme are subject to a lockup agreement that is in effect until the end of the calendar year in which two years have elapsed since the shares were earned. The equity bonus targets set by the Board of Directors for 2008 were not achieved and no equity bonuses were paid for the year.

In addition, one of the business area executive vice presidents has an agreement concerning the share incentive in accordance with which he has the right to an equity bonus based on the trend in the value of the company's share during 2006–2013. The maximum total bonus for 2010–2013 is 100,000 shares, of which 25,000 shares per year, at the most. The company's Board of Directors decides whether the equity bonus will be paid in shares or as an equivalent cash payment.

## SALARIES AND COMPENSATION PAID BY SRV TO THE PRESIDENT AND THE CORPORATE EXECUTIVE TEAM

| 2008 | EUR |
|---|---|
| **Regular salary including fringe benefits** | |
| President and CEO | 279,749 |
| Other Corporate Executive Team members | 1,168,321 |
| **Bonuses paid** | |
| President and CEO | 62,618 |
| Other Corporate Executive Team members | 200,241 |
| **Total** | |
| President and CEO | 342,367 |
| Other Corporate Executive Team | 1,368,562 |

## SHARE OWNERSHIP OF THE PERSONNEL

In autumn 2005, SRV Henkilöstö Ltd, a personnel fund, directed a share issue at the personnel and members of the Board of Directors of SRV Group with the purpose of building the personnel's commitment to the company's long-term objectives. In connection with the listing of SRV Group Plc in 2007, SRV Henkilöstö Ltd merged into SRV Group Plc and its shareholders received new SRV Group Plc shares as a merger consideration. The merger consideration was determined on the basis of the listing price such that for each SRV Henkilöstö Ltd. share owned, the shareholder received about 16.33 SRV Group Plc shares.

According to the merger plan, ownership of SRV Group Plc shares received as a merger consideration has been tied to the continuation of the employment relationship, and transfer of the shares has been limited such that the shareholder has the right to sell 20 per cent of his or her shares as from 1 January 2008, 20 per cent as from 1 January 2010, 20 per cent as from 1 January 2011, 20 per cent as from 1 January 2012 and 20 per cent as from 1 January 2013. Insofar as a person's employment relationship ceases otherwise than as a result of death or retirement, the person is obligated to hand over, upon the severance date, the shares that are subject to lockup terms to the company or to a party designated by it.

Shares subscribed for in the employee share offering are subject to a lockup agreement according to which the shares may not be transferred before 1 January 2008.

## INSIDERS

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

SRV Group Plc complies with the Insider Guidelines issued by the Helsinki Stock Exchange, in accordance with which the Board of Directors of SRV Group Plc has confirmed the company's Insider Guidelines. In accordance with these guidelines, it is recommended that a permanent insider time his or her trading in the company's shares to coincide with times when the markets have the fullest possible information on matters affecting the value of the share. Accordingly, persons entered in SRV Group Plc's Permanent Insider Register must not trade in securities issued by the company for 14 days prior to the publication of a financial statement bulletin and interim report.

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

## INTERNAL CONTROL

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

The company has an Internal Audit that is independent of line management. The Internal Audit operates under the Board of Directors of the Group's parent company. Internal audits are carried out by the designated Internal Audit team of an outside service provider. Administratively, this audit team reports to the senior executive vice president in charge of financial administration and financing. Individual audits are based on the Audit Plan, which is approved annually by the Audit Committee. Written reports on the audits carried out are submitted not only to management, but also to the Audit Committee and annually to the company's Board of Directors.

## AUDIT

The consolidated financial statements are prepared in compliance with IFRS.

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

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

The Annual General Meeting held on 14 April 2008 elected Jarmo Lohi, Authorised Public Accountant, as principal auditor and Ernst & Young Oy as the deputy auditor, with Mikko Rytilahti, Authorised Public Accountant, acting as principal auditor.

## SHARE OWNERSHIP ON 31 JANUARY 2009

| Members of Board | Shares |
|---|---|
| Ilpo Kokkila | 13,552,000 |
| Ownership of companies under his control | 5,178,129 |
| In addition SRV Group Plc, which is under Ilpo Kokkila's control, owns its own shares | 571,064 |
| Jukka Hienonen | 20,000 |
| Ownership of companies under his control | - |
| Lasse Kurkilahti | 2,200 |
| Ownership of companies under his control | - |
| Matti Mustaniemi | 65,322 |
| Ownership of companies under his control | - |
| Markku Sarkamies | 53,000 |
| Ownership of companies under his control | - |

| President and his deputy | Shares |
|---|---|
| Eero Heliövaara | 1,909,483 |
| Ownership of companies under his control | - |
| Timo Nieminen | 418,266 |
| Ownership of companies under his control | - |

| Other corporate executive team | Shares |
|---|---|
| Pirjo Ahanen | 1,700 |
| Katri Innanen | - |
| Veli-Matti Kullas | 103,984 |
| Hannu Linnoinen | 615,566 |
| Juha-Veikko Nikulainen | 2,000 |
| Juha Pekka Ojala | 99,984 |
| Jussi Ollila | 1,000 |
| Valtteri Palin | 35,861 |

# RISK MANAGEMENT

SRV engages in systematic risk management in order to leverage new opportunities and protect itself against factors that might hinder its business operations. The company improves the stability of its operations by identifying and reacting to strategic and operational risks in time. Risk management is part of SRV's management system. It supports the company's values, vision, strategy and the achievement of its earnings objectives.

**Risk management strategy**

The objective of risk management is to ensure that controllable risks do not jeopardise SRV's operations. To this end, SRV ensures that it has a systematic and end-to-end approach to identifying and assessing risks as well as to carrying out the necessary risk management measures and reporting on operations.

**Risk management responsibilities**

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

**Main risks**

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

## STRATEGIC RISKS

**Macroeconomy**

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

Construction operations hinge on companies' confidence in the general trend in the economy and consumers' confidence in their own finances. When the cyclical outlook weakens significantly, demand for housing and business premises declines. The prices and rents of business premises and the prices of housing might go into decline. The construction volume decreases and competition for projects heats up, increasing risks in the construction business.

Moreover, changes in the terms of financing have a direct impact on the property and housing market. When the market is poor, it is difficult to secure financing and its cost soars, especially in the case of higher-risk sites.

Central elements in managing cyclical risks at SRV are continuous anticipation of changes in the environment and market situation, systematic operational planning and monitoring, management of the priorities of various business areas and project models, prudent use of capital, a flexible organisation model and the ability to respond swiftly.

**Profitability**

SRV improves operational profitability by stepping up the design and implementation of development projects that interest investors. Risk management is based on the careful analysis of projects, both in their development stage and when taking decisions on construction start-ups. The aim in allocating capital is to undertake short-term commitments as well as to line up users and owners before starting construction. The company maintains and hones its cost-effectiveness continuously. Operations are planned and scaled in line with the prevailing market conditions.

**Growth**

SRV seeks long-term growth from emerging markets close to Finland. Operations are also expanded in Finland's growth centres. At the same time, the operations of the company's business areas are balanced out, which also serves to improve risk management.

The management of growth-related risks is constantly upgraded by deepening the company's expertise in the operations of its main customer groups, enlarging its reliable networks of local partners and standardising the supervision and reporting of operations. In addition, SRV is making a concerted effort to upgrade the expertise of its personnel, develop matrix functions and transfer expertise to new and growing business areas.

## OPERATIONAL RISKS

**Resource management**

Among the Group's central competitive advantages are the long experience and solid expertise of its management and entire personnel. The most significant risks for the company's own organisation relate to retaining its present staff and obtaining new, skilled employees. The Group-wide achievement of these aims is promoted through a sound human resources policy that emphasises systematic training and a good working environment, active co-operation with schools and educational institutions as well as a positive and competitive employer image.

Other important resources for the company's operations include the special experts, designers, subcontractors and material suppliers in the co-operation network that implements projects. SRV is always on the lookout for new reliable and skilled partners for its network. The company develops the network constantly.

**Project management**

Projects often involve major technical and operational risks. These risks are managed with project plans, steering of the design and planning process, project-specific quality assurance plans and tracking implementation. SRV's subcontracting and implementation process is a smoothly functioning mechanism that includes a number of controls to ensure process and product quality. In the management of subcontractor processes, SRV carries out close co-operation with the authorities. The company is, and seeks to remain, a forerunner in matters such as the management of occupational safety on worksites and the fight against the grey economy. SRV's proactive efforts to develop its operations – which are co-ordinated in all of the Group's business areas – also play a key role in risk management.

For more information on SRV's risk management, see pages 31 and 33.

# BOARD OF DIRECTORS


From left: Ilpo Kokkila, Lasse Kurkilahti, Jukka Hienonen, Markku Sarkamies and Matti Mustaniemi.

**Ilpo Kokkila** BORN 1947, M.SC. (ENG.)
Chairman of the Board of Directors and founding member as from 1987.
**PRIMARY WORKING EXPERIENCE:**
Perusyhtymä Oy, Director (1974–1987).
**PRIMARY POSITIONS OF TRUST:**
Kesko Oyj, Member of the Board of Directors; JTO School of Management and JTO-Palvelut Oy, Chairman of the Board of Directors; Pontos Ltd, Chairman of the Board of Directors; the Finnish-Russian Chamber of Commerce Association SVKK, Member of the Board of Directors.

**Lasse Kurkilahti** BORN 1948, M.SC. (ECON.)
Member of the Board and Vice Chairman as from 13 June 2007.
**PRIMARY WORKING EXPERIENCE:**
Kemira Oyj, President and CEO (2004–2007); Elcoteq Network Oyj, President and CEO (2001–2004); The Raisio Group, CEO (2000–2001); Nokian Tyres Plc, CEO (1988–2000), and Are Ltd, CEO (1985–1988).
**PRIMARY POSITIONS OF TRUST:**
Lassila & Tikanoja Plc, Member of the Board of Directors; FIM Asset Management Ltd, Member of the Board of Directors.

**Jukka Hienonen** BORN 1961, M.SC. (ECON.)
Member of the Board as from 13 June 2007.
**PRIMARY WORKING EXPERIENCE:**
Finnair Plc, President and CEO (2006–); Stockman Plc, Executive Vice President with responsibility for the Department Store Division (2000–2005), Director International Operations (1995–2000).
**PRIMARY POSITIONS OF TRUST:**
Finnair Aircraft Finance Ltd, Chairman of the Board; Finnair Catering Ltd, Chairman of the Board; Ilmarinen Mutual Pension Insurance Company, Member of the Board of Directors; The Helsinki Region Chamber of Commerce, Member of the Delegation.

**Matti Mustaniemi** BORN 1952, M.SC. (ECON.)
Member of the Board as from 24 October 2005.
**PRIMARY WORKING EXPERIENCE:**
Halti Ltd, Managing Director (2008–); Tempo CSF Ltd, Partner (2006–); Wihuri Ltd, President (2004–2005), Vice President (1999–2003), CFO (1994–1999); Amer Group, management positions in financial administration (1990–1994).
**PRIMARY POSITIONS OF TRUST:**
Tempo CSF Ltd, Chairman of the Board of Directors; Tempo Group Ltd, Member of the Board of Directors; Petromaa Oy, Chairman of the Board of Directors; Comptel Plc, Member of the Board of Directors; Astrum Invest, Managing Director and Member of the Board of Directors; Isamot Capital Oy, Deputy Managing Director and Deputy Board Member.

**Markku Sarkamies** BORN 1946, M.SC. (ENG. AND ECON.)
Member of the Board as from 24 October 2005.
**PRIMARY WORKING EXPERIENCE:**
SRV Group Plc and Pontos Ltd, adviser to the Board of Directors and head of project financing (1998–2005); Polar construction companies, various management positions in financial administration and financing and Board membership (1971–1992).
**PRIMARY POSITIONS OF TRUST:**
Oy Sanil Europe Ltd, Member of the Board of Directors; MSC Consulting Ltd, Member of the Board of Directors; TM Management Oy, Managing Director and Deputy Member of the Board of Directors.

# CORPORATE EXECUTIVE TEAM


From left: Timo Nieminen, Eero Heliövaara and Hannu Linnoinen.

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

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

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

From left: Juha-Veikko Nikulainen, Juha Pekka Ojala and Veli-Matti Kullas.

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

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

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

From left: Jussi Ollila, Pirjo Ahanen, Valtteri Palin and Katri Innanen.

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

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

**Valtteri Palin** BORN 1973, M.SC. (ECON.)
Senior Vice President, Financial Administration, as from
August 2008. Joined the Group in 2005.

**Katri Innanen** BORN 1960, LL.M.
Senior Vice President, Chief Legal Counsel, as from
September 2008. Joined the Group in 2008.

Read more about the Corporate Executive Team at www.srv.fi/executiveteam

# INFORMATION FOR SHARE-HOLDERS

## BASIC INFORMATION ON THE SHARE

SRV Group Plc's shares are quoted on NASDAQ OMX Helsinki Ltd. Trading commenced on the Prelist on 12 June 2007 and on the Main List on 15 June 2007. The shares are listed on the NASDAQ OMX Helsinki under the industry heading Industrial Products and Services in the mid-cap group. The share's trading code is SRV1V. The ISIN code of the share is FI0009015309.

## SHAREHOLDERS' CHANGES OF ADDRESS

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

## FINANCIAL INFORMATION IN 2009

The Annual General Meeting will be held on 24 March 2009
Interim Report January–March: 13 May 2009 at 8.30 a.m.
Interim Report January–June: 12 August 2009 at 8.30 a.m.
Interim Report January–September: 11 November 2009 at 8.30 a.m.

## QUIET PERIODS

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

## INVESTOR RELATIONS CONTACT PERSONS

**Senior Executive Vice President**
Hannu Linnoinen
tel. + 358 201 455 990
e-mail: hannu.linnoinen@srv.fi

**Senior Vice President, Communications and Marketing**
Jussi Ollila
tel. + 358 201 455 275
e-mail: jussi.ollila@srv.fi

## ORDERING PUBLICATIONS

SRV's annual reports and other financial bulletins can be ordered from Group Communications.
SRV Group Plc/Group Communications
P.O. 500
FI-02201 Espoo
Finland
tel. + 358 201 455 200
Internet: www.srv.fi /order_publications

# FINANCIAL STATEMENTS



**More information**

This report describes the SRV Group's financial performance in 2008. SRV Group Plc's full financial statements for the financial year 1 January–31 December 2008 are included in the company's official financial statement documents, which are available on the company's website at www.srv.fi.

# REPORT OF THE BOARD OF DIRECTORS

## 1 JANUARY–31 DECEMBER 2008

- **SRV's revenue was EUR 537.0 million (EUR 561.4 million 1–12/2007)**
- **Operating profit grew to EUR 32.9 million (EUR 15.1 million)**
- **Profit before taxes grew to EUR 23.7 million (EUR 11.5 million)**
- **The order backlog at the close of the financial year was EUR 455.3 million (EUR 528.7 million)**
- **The equity ratio was 41.3 per cent (55.4%)**
- **Earnings per share were EUR 0.43 (EUR 0.22)**
- **The proposed dividend EUR 0.12 (EUR 0.12) per share**

### GROUP KEY FIGURES

| EUR million | IFRS 1 Jan–31 Dec 2008 | IFRS 1 Jan–31 Dec 2007 | change, MEUR | change, % |
|---|---|---|---|---|
| Revenue | 537.0 | 561.4 | -24.5 | -4.4 |
| Operating profit | 32.9 | 15.1 | 17.9 | 118.6 |
| Financial income and expenses, total | -9.2 | -3.5 | -5.7 | 161.3 |
| Profit before taxes | 23.7 | 11.5 | 12.2 | 105.5 |
| Net profit for the financial year | 15.3 | 7.6 | 7.6 | 99.6 |
| | | | | |
| Order backlog | 455.3 | 528.7 | -73.3 | -13.9 |
| | | | | |
| Operating profit, % | 6.1 | 2.7 | | |
| Net profit, % | 2.8 | 1.4 | | |
| | | | | |
| Equity ratio, % | 41.3 | 55.4 | | |
| Net interest bearing debt | 169.4 | 43.2 | | |
| Gearing, % | 85.1 | 27.3 | | |
| Return on investment, % | 12.9 | 9.7 | | |
| Return on equity, % | 9.4 | 6.9 | | |
| Earnings per share, EUR [1)] | 0.43 | 0.22 | | 95.5 |
| Equity per share, EUR [1)] | 4.54 | 4.22 | | 7.6 |
| Weighted average number of shares outstanding, million pcs | 36.5 | 32.7 | | 11.7 |

[1)] Key figures per share have been adjusted to reflect the increase in the number of shares, which came into effect on 11 April 2007 (split), the rights issue on 11 June 2007 and the rights issue and cancellation of treasury shares in connection with the merger of SRV Henkilöstö Ltd on 28 September 2007 and purchases of own shares.

In the financial year, consolidated revenue was EUR 537.0 million (EUR 561,4 million 1–12/2007). The share of revenue generated in Finland was 89 per cent (91 %), whereas 11 per cent (9 %) came from Russia and the Baltic countries. Revenue in the Business Premises business area was EUR 349.1 million (EUR 345.4 million). Revenue in the Housing business area declined to EUR 127.9 million (EUR 163.1 million). Revenue in the International business area was EUR 60.1 million (EUR 53.2 million).

The Group's operating profit for the financial year was EUR 32.9 million (EUR 15.1 million 1–12/2007). Its operating profit margin was 6.1 per cent (2.7 %). Operating profit in Business Premises grew to EUR 27.8 million (EUR 18.0 million). Operating profit in the International business area was EUR 9.2 million (operating loss of EUR 10.2 million). Operating profit in the Housing business area declined to EUR 0.7 million (EUR 10.7 Million).

The Group's profit before taxes for the financial year was EUR 23.7 million (EUR 11.5 million). The profit for the financial year was EUR 15.3 million (EUR 7.6 million). Earnings per share were EUR 0.43 (EUR 0.22). The increase in the number of shares is due to the share issues and structural changes in 2007. Return on equity was 9.4 per cent (6.9 %) and return on investment 12.9 per cent (9.7 %).

- The Order backlog on 31 December 2008 was EUR 455.3 million (EUR 528.7 on 31 December 2007).

### KEY FIGURES FOR THE SEGMENTS

Revenue

| EUR million | IFRS 1 Jan–31 Dec 2008 | IFRS 1 Jan–31 Dec 2007 | change, MEUR | change, % |
|---|---|---|---|---|
| Business Premises | 349.1 | 345.4 | 3.7 | 1.1 |
| Housing | 127.9 | 163.1 | -35.2 | -21.6 |
| International | 60.1 | 53.2 | 6.9 | 12.9 |
| Other Operations | 11.5 | 11.2 | 0.3 | 2.6 |
| Eliminations | -11.6 | -11.4 | -0.1 | |
| **Group, total** | **537.0** | **561.4** | **-24.5** | **-4.4** |

Operating profit

| EUR million | IFRS 1 Jan–31 Dec 2008 | IFRS 1 Jan–31 Dec 2007 | change, MEUR | change, % |
|---|---|---|---|---|
| Business Premises | 27.8 | 18.0 | 9.8 | 54.2 |
| Housing | 0.7 | 10.7 | -10.0 | -93.4 |
| International | 9.2 | -10.2 | 19.5 | |
| Other Operations | -4.9 | -3.1 | -1.9 | |
| Eliminations | 0.1 | -0.4 | 0.4 | |
| **Group, total** | **32.9** | **15.1** | **17.9** | **118.6** |

## Operating profit

| % | IFRS 1 Jan–31 Dec 2008 | IFRS 1 Jan–31 Dec 2007 |
|---|---|---|
| Business Premises | 8.0 | 5.2 |
| Housing | 0.6 | 6.5 |
| International | 15.4 | -19.2 |
| **Group, total** | **6.1** | **2.7** |

## Order backlog

| EUR million | IFRS 1 Jan–31 Dec 2008 | IFRS 1 Jan–31 Dec 2007 | change, MEUR | change, % |
|---|---|---|---|---|
| Business Premises | 265.7 | 302.8 | -37.0 | -12.2 |
| Housing | 154.0 | 174.6 | -20.6 | -11.8 |
| International | 35.6 | 51.3 | -15.7 | -30.6 |
| **Group, total** | **455.3** | **528.7** | **-73.3** | **-13.9** |

## EARNINGS TRENDS OF THE SEGMENTS

**The Business Premises business area** comprises SRV Toimitilat Oy's commercial, business, logistics and rock construction operations and project development.

Revenue in the Business Premises business area grew by 1.1 per cent during the financial year, totalling EUR 349.1 million (EUR 345.4 million). Operating profit was EUR 27.8 million (EUR 18.0). The positive trend in the operating profit was mostly a result of successful implementation of development projects. The order backlog was EUR 265.7 million (EUR 302.8 million). Profit margin of the order backlog has stayed on a good level.

Among the projects completed during the financial year were the Tuupakka logistics centre in Vantaa, office buildings implemented under the HTC concept and new headquarters for Neste Oil in the Keilaniemi district of Espoo, the Biomedicum II project in Helsinki for the Hospital District of Helsinki and Uusimaa, a logistics centre for Itella in the Voutila district in Vantaa, the Kara Mid Point research and development and office building for Nokia in the Karaportti district in Espoo as well as numerous rock construction projects. The King's Gate business district in Porvoo was complemented in September with the completion of commercial buildings for Vepsäläinen and Koti-Idea.

The second phase of the Trio shopping centre in the heart of Lahti was handed over to the client, Citycon, in November. This second phase was a direct follow-up to the first phase, which was also constructed by SRV.

SRV handed over the Flamingo recreational centre in Vantaa to the client, Varma Mutual Pension Insurance Company, in August, two months ahead of the original schedule.

During the financial year, construction commenced on the Plantagen garden store and the retail centre of the northern wing in King's Gate, Porvoo. Construction work on STC King's Gate, the office premises in the King's Gate area, was also started. The pre-construction of L&T Kerca in Kerava and the construction of a car dealership for Autosalpa in Lahti and a logistics warehouse for Codel in Vantaa also began. Repair works on the second stage of the University of Helsinki's Metsätalo Building in Helsinki were started, and an agreement was reached with the university's Property Services Department for a renovation project that is to be carried out in stages at the Institute of Dentistry building in the Ruskeasuo district of Helsinki. In addition, the construction work on the new central laboratory at Neste Oil's Kilpilahti refinery in Porvoo was started in November. Senate Properties selected SRV as the main contractor for the new civil defence shelter in the Viikki district of Helsinki and as the project management contractor for the new construction and renovation work on the University of Helsinki's Swedish School of Social Science.

SRV and Kiinteistöosakeyhtiö Helsingin Musiikkitalo signed a contract for the construction of the Helsinki Music Centre. Construction began in September. SRV's main contract is valued at EUR 90.5 million. The total cost of the Helsinki Music Centre is estimated at EUR 140 million, and it is scheduled for completion at the end of April 2011.

In March 2008, the Keravanportti property was sold to the real-estate investment trust REFF I Ky, which is managed by Pohjola Property Management Ltd, a property investment company. SRV constructed two retail buildings in Keravanportti.

In October, Stockmann and SRV agreed that the project management and implementation of the extension and alteration works of Stockmann's Helsinki department store will be transferred to SRV. The agreement covers both the works now in progress and the completion of the entire extension project. SRV's share of the project is estimated at EUR 80 million. The works will be completed by the end of 2010.

In December, SRV and Suomi Mutual Life Assurance Company signed an agreement for STC Meiramitie, a logistics project, to be carried out in the district of Koivuhaka in Vantaa. The project encompasses the construction of a complex of four logistics properties with a total of about 10,700 square metres of floor area. SRV's STC (Smart Tech Center) concept has been developed specifically to enable small and medium-sized companies to utilise their warehouse, production and office premises efficiently.

On 6 March 2008, the Helsinki Court of Appeal announced its decision on the dispute between SRV Business Premises Ltd and F-Secure Corporation. The dispute was about interior works done during the construction and whether they are covered by the original rental agreement. The Court of Appeal did not revise the decision of the Helsinki District Court, which stated that the construction work is not covered by the original rental agreement. According to the Court's decision, F-Secure must pay the additional work costs, and the costs of the trial plus interest. The financial impact pursuant to the decision on SRV's operating profit was about EUR 0.7 million and about EUR 1.2 million on profit before taxes. The Supreme Court did not grant leave to appeal for F-Secure.

## Business Premises

| EUR million | IFRS 1 Jan–31 Dec 2008 | IFRS 1 Jan–31 Dec 2007 | change, MEUR | change, % |
|---|---|---|---|---|
| Revenue | 349.1 | 345.4 | 3.7 | 1.1 |
| Operating profit | 27.8 | 18.0 | 9.8 | 54.2 |
| Order backlog | 265.7 | 302.8 | -37.0 | -12.2 |

**The Housing business area** comprises housing construction in the Helsinki Metropolitan Area and the neighbouring municipalities as well as the operations of the regional subsidiaries. The regional subsidiaries are engaged in housing, commercial, business premises and logistics construction projects.

Revenue in the Housing business area amounted to EUR 127.9 million (EUR 163.1 million) in the financial year and operating profit was EUR 0.7 million (EUR 10.7 million). The decline in both revenue and operating profit was attributable to the sharp slowdown in housing sales. The order backlog was EUR 154.0 million (EUR 174.6 million).

Besides housing production, resources were allocated to contracting and during the financial year contracts worth EUR 76.9 million were concluded with external clients. Of these, the most important in the Helsinki metropolitan area were a 58-unit apartment building for HOAS (Foundation for Student Housing in the Helsinki Region) in Viikki and the renovation of a 62-unit apartment building for KY Kiinteistö Oy in the Töölö district of Helsinki. The construction of a total of 76 residential units was started up in Tampere for AVO-Asunnot Oy and AVO-Asumisoikeus Oy. Other contracts that were concluded included the renovation of an ice stadium for the City of Jyväskylä, the construction of Tietotie upper secondary school for the City of Valkeakoski, the construction of a wind turbine production plant for The Switch in Lappeenranta and the construction of a logistics centre and covering the parking hall for Turku University Hospital.

During the financial year, the construction of 110 (363) developer contracting housing units was started. SRV bought an area in the Saunalahti district of Espoo during the review period and will build more than 100 low-rise units there. The construction of the first stage, comprising 16 units, commenced in late summer.

A total of 141 (288) developer contracting housing units were sold during the financial year. Sales focused on units that were completed or close to completion. Although sales of residences picked up during the second quarter, they weakened in the third and particularly in the fourth quarter. At the end of the financial year, 265 (415) residential units were under construction, of which 226 units were unsold. There were 133 (80) completed but unsold residential units. Of the completed residential units, 20 had been leased out by the close of the period. A total of 260 (519) developer contracting residential units were completed during the review period. Start-ups of new developer contracting housing projects have been decreased further due to the market situation.

### Housing

| EUR million | IFRS 1 Jan–31 Dec 2008 | IFRS 1 Jan–31 Dec 2007 | change, MEUR | change, % |
|---|---|---|---|---|
| Revenue | 127.9 | 163.1 | -35.2 | -21.6 |
| Operating profit | 0.7 | 10.7 | -10.0 | -93.4 |
| Order backlog | 154.0 | 174.6 | -20.6 | -11.8 |

### Developer contracting housing production in Finland

| | 1 Jan–31 Dec 2008 | 1 Jan–31 Dec 2007 | change, units |
|---|---|---|---|
| Start-ups | 110 | 363 | -253 |
| Sold | 141 | 288 | -148 |
| Completed | 260 | 519 | -259 |
| Completed and unsold [1] | 133 | 80 | 53 |
| Under construction [1] | 265 | 415 | -150 |

[1] at the end of the period

Major projects under construction included the Helsingin Oscar condominium, where 65 units will be completed, Vallikallion Helmi in Espoo (67 units) and Ulrikanhuippu in Vantaa (46 units), which will be realised jointly with Asuntosäätiö (Housing Foundation).

Codetermination negotiations were started and completed in the Greater Helsinki area during the financial year. The codetermination negotiations led to the termination of the contracts of four salaried employees, the laying-off of five salaried employees and the conditional termination of the contracts of 10 employees for production and financial reasons.

SRV continued its participation as the only construction company in the 24Living development project, which is being partly funded by TEKES (the Finnish Funding Agency for Technology and Innovation). Begun in 2006, the 3-year project is headed by the University of Art and Design in Helsinki, in cooperation with Finpro, the Massachusetts Institute of Technology (MIT) and TEKES, with a number of Finnish companies also participating.

**International Operations** comprises the business activities of the SRV International subgroup in Russia and the Baltic countries.

International Operations posted revenue of EUR 60.1 million (EUR 53.2 million). Operating profit amounted to EUR 9.2 million (operating loss of EUR 10.2 million). Revenue of EUR 14.2 million and operating profit of EUR 13.5 million were recorded on the sale of the hotel in Ekaterinburg. The order backlog was EUR 35.6 million (EUR 51.3 million).

- **Russia.** The renovation works of the Pulkovskaya and Pribaltiskaya hotels operated by the Rezidor Group in St Petersburg were completed in April. In June, SRV signed contracts valued at around EUR 15 million for further renovation works at the hotels. Ahlström's glass fibre plant in Tver was completed in March.

  The construction of the Etmia II office and parking facility in the heart of Moscow continued. Acquisition of lessees for the site began during the autumn. The site will have shell & core readiness at the start of 2009, after which interior works will commence. SRV's role in the project is to act as the project management contractor and as co-owner with a 50 per cent stake. SRV's objective is to sell the project to investors after completion.

  Construction of the Papula residential area in the city of Vyborg continued. In the first phase, 38 units are to be built, and are slated for completion during the first quarter of 2009. All of the first-phase units have been sold. The sale of 30 units, valued at EUR 4.6 million, will be recognised after the buyer has finalised the financing.

  The development of the Eurograd logistics area in St Petersburg continued during the review period. On 11 February 2008, SRV acquired a 32 per cent share in the Russian enterprise OOO Olgino-4, which owns a plot of 24.9 hectares located north of St Petersburg, in the close vicinity of the Ring Road. SRV raised its ownership in the enterprise to 49 per cent during the review period and will acquire the majority stockholding the first half of 2009. Over 100,000 square metres of logistics facilities are planned for the site, in several stages during the next few years. The zoning of the area for logistics was completed in August and site planning has begun.

  In the financial year, SRV continued the design, preparations for the construction and the search for tenants of the Mytichi shopping centre project developed by SRV, to be realised in the Moscow area. The ensemble will have about 120,000 square metres of floor area. The majority owner of the project is the Finnish real estate investment company Vicus with a 75 per cent stake. Due to the global financial crisis, the project will be split into two phases, to facilitate external financing. The scope of construction works during the first phase will be about 52,000 m$^2$, including an underground car park and commercial premises. The final investment decision will be made in 2009. In July, SRV signed a project management contract, valued at EUR 107 million, with the project company for the planning and construction of the project. The contract agreement will be amended in line with the new scope of the project. The project will not be included in the order backlog until the final investment decision is made. Preparations for construction and work for the transfer of the plot's infrastructure have started in accordance with the project management contract. Negotiations with the anchor tenants are underway. The aim is to finalise the negotiations by the end of the year. SRV owns 25 per cent of the project and has invested EUR 6.4 million in it.

  SRV concluded a contract with the International Banking Institute (IBI), St Petersburg, and a local partner concerning the development of an 8.5 hectare land area in St Petersburg. SRV is developing zoning for the area. The plans include the construction of office and retail space, as well as hotel, restaurant and entertainment premises. Moreover, facilities will be built for the IBI university. SRV has made agreements with three international architecture firms to develop the overall concept of the project on the basis of a pre-study carried out by the British firm Locum Consulting. The aim is to conclude the development of the overall concept in 2009, which would enable starting up the construction of the first phase during 2010. SRV has established a development company named OOO IBI Invest to implement the project, and acquired a land area for said company. SRV had invested about EUR 50 million in land and properties as of 31 December 2008. Further investment in the project by SRV is estimated at EUR 10 million. It is further estimated that SRV's ownership will total 77.5 per cent of the project when IBI Invest has acquired all the land areas included in the cooperation contract. SRV's partner and future minority shareholder in the joint venture is Mr. Boris Kholmyansky through the companies that he owns. Mr. Kholmyansky is the main owner and chairman of the board of the St Petersburg-based company NPO Znamia Truda.

During the period, SRV continued negotiations with a Russian banking partner with a view to developing property fund cooperation, which would focus on developing commercial and business premises projects and financing construction in Russia. The investors would be SRV together with a group of international investors as well as a local partner, who would also administer the fund. Should the plan be carried out, SRV intends to make a fund investment of around EUR 20 million.

In July, SRV signed a contract for the sale of shares in ZAO Nordrus Hotel with Wenaas Hotel Russia A/S, which belongs to the Norwegian Wenaas Group. ZAO Nordrus Hotel owns the 160-room Park Inn hotel in Ekaterinburg, Russia. The selling price of the shares was EUR 22.5 million. The transaction was completed on 24 September 2008, when the Russian competition authorities had given their consent.

- **Baltic countries.** A partnership project with Facio Ehitus continued in Tartu, Estonia. SRV owns a plot for 7 high-rise apartment buildings. The construction of one of these buildings (42 units) was begun in the summer of 2007. The project was completed in October. No start-ups of new developer contracting projects are planned in the present market situation. 6 (17) residential units were sold during the period and, all in all, 41 (46), were up for sale at the end of the period, 41 (4) of which were in already-completed projects. The sale of the logistics centre leased to Oriola KD in Estonia was completed in January 2008. Revenue of EUR 5 million was recorded on the sale. The vehicle dealership for Inchcape Motors was handed over to the client in November. Design work for the Mercantile logistics centre was completed but the construction start-up was put on hold.

The HRX logistics centre was handed over to the client in Latvia in March 2008.

**International Operations**

| EUR million | **IFRS 1 Jan–31 Dec 2008** | IFRS 1 Jan–31 Dec 2007 | change, MEUR | change, % |
|---|---|---|---|---|
| Revenue | 60.1 | 53.2 | 6.9 | 12.9 |
| Operating profit | 9.2 | -10.2 | 19.5 | |
| Order backlog | 35.6 | 51.3 | -15.7 | -30.6 |

**Other Operations** comprise mainly the SRV Group Plc and SRV Kalusto Ltd businesses.

The revenue of Other Operations during the financial year was EUR 11.5 million (EUR 11.2 million) and operating loss EUR 4.9 million (loss of EUR 3.1 million).Operating profit was burdened with the increase of depreciation, fixed costs and project development costs.

**Other Operations**

| EUR million | **IFRS 1 Jan–31 Dec 2008** | IFRS 1 Jan–31 Dec 2007 | change, MEUR | change, % |
|---|---|---|---|---|
| Revenue | 11.5 | 11.2 | 0.3 | 2.6 |
| Operating profit | -4.9 | -3.1 | -1.9 | |

## FINANCING AND FINANCIAL POSITION

The Group's equity amounted to 166.6 million (EUR 158.3 million) and the group's inventories were EUR 294.8 million (EUR 196.4 million), the share of land areas and plot-owning companies being EUR 142.1 million (EUR 64.3 million).

The Group's invested capital amounted to EUR 339.4 million (EUR 222.9 million). Investments in SRV's developer contracting projects total around EUR 160 million. Investments in unsold housing production in Finland amount to EUR 89 million. The company estimates that completion of these projects demands another EUR 20 million, which is financed mainly using the undrawn housing corporate loans totalling EUR 19 million. Investments in uncompleted developer contracting business premise projects in Finland amount to EUR 30 million. To complete the projects another EUR 10 million is estimated to be invested. Investments in international developer contracting projects amount to EUR 38 million, of which EUR 3.3 million is in unsold residential projects in Estonia, EUR 3.4 million in housing project under construction in Vyborg and around EUR 31 million in Etmia II office and Mytischi shopping centre projects under construction.

The Group's net interest-bearing liabilities were EUR 169.4 million on 31 December 2008 (EUR 43,2 million). Net financial expenses totalled EUR 9.2 million (EUR 3.5 million). The Group's cash assets at the end of the financial year amounted to EUR 3.4 million (EUR 21.4 million). Cash assets in the reference period were increased through the share issue in June 2007. At the change of the year, share of the Group's undrawn financing reserves was EUR 107.0 million (EUR 130.0 million). Undrawn project specific loans amounted to EUR 25 million and financing commitments amounted to EUR 10 million.

The return on investment was 12.9 per cent (9.7 %) and the return on equity 9.4 per cent (6.9 %). The equity ratio was 41.3 per cent (55,4 %). The change in the equity ratio was impacted by land investments and other increase in inventories.

## INVESTMENTS

The Group's investments totalled EUR 16.8 million (EUR 5,4 million), of which EUR 10 million were investments related to buildings in the IBI project.

## UNBUILT LAND AREAS, LAND ACQUISITION COMMITMENTS AND LAND DEVELOPMENT AGREEMENTS

In January, SRV signed a preliminary property purchase agreement for the old Government Building in Jyväskylä designed by Alvar Aalto, and the adjacent plot, on which a new building of 12,000 square metres of floor area is being developed. The listed Government Building will partly be returned to its original use. During the financial year SRV bought 14,700 square metres of floor area in residential building rights in the Saunalahdenranta district of Espoo. Single-family, terraced and semidetached houses will be built in the area. In the Aviapolis business district in the Viinikkala logistics area in Vantaa, SRV bought a 4.5 hectare piece of land, where it plans to build logistics facilities measuring around 26,000 square metres of floor area.

In June, SRV concluded a preliminary property purchase agreement for the roughly 4.5 hectare land area in the Vantaankoski district of Vantaa. The land area borders the 6.3 hectare property SRV purchased earlier in the area.

On 14 January 2008, Espoo City Board accepted SRV's planning reservation application for housing towers above Karhusaarentie road. The plan includes four

27–28 storey buildings and an underground car park on four levels. According to initial plans, the area includes about 50,000 square metres of residential building volume, and the total number of apartments would be around 370. The project would be connected with the implementation of the Keilaniemi metro station. Plans include a deck that would span over Karhusaarentie road, connecting the residential site to Tapiola and thereby adding to its supply of high-quality housing.

**Unbuilt land areas, land acquisition commitments and land development agreements**

| Land reserve 31 Dec 2008 | Business Operations | Housing | International Operations | Total |
|---|---|---|---|---|
| **Unbuilt land areas and land acquisition commitments** | | | | |
| Building rights *), m² | 238,000 | 268,000 | 859,000 | **1,365,000** |
| Capital invested incl. commitments, EUR million | 45 | 60 | 104 | **209** |
| **Land development agreements** | | | | |
| Building rights *), m² | 466,000 | 221,000 | 100,000 | **787,000** |

*) Building rights also include the estimated building rights/construction volume of unzoned land reserves and land areas covered by agreements in projects that are wholly or partly owned by SRV.

## NEW NAMES FOR SRV'S SUBSIDIARIES AS PART OF RENEWED BRAND

As part of SRV's renewed brand the company renamed its subsidiaries. The name of SRV Viitoset, which specialises in business premises, was changed to SRV Business Premises Ltd as of 1 March 2008. The name of SRV Westerlund, which operates in residential construction, was changed to SRV Housing Ltd. The renewed brand will bring the Group's business areas more clearly under one SRV brand.

## SRV'S GROUP STRUCTURE

SRV is Finland's leading project management contractor. The Group builds and develops retail and commercial premises, residential units as well as infrastructure and logistics projects. Apart from Finland, the company operates in Russia and the Baltic countries. SRV Group Plc is the Group's parent company, and it is responsible for the Group's management, treasury, finance and administrative functions. The Project Development and Building Systems Engineering units support and serve all the Group's business operations.

SRV's business areas are Business Premises, Housing and International as well as Other Operations. The Business Premises business area comprises the operations of SRV Toimitilat Ltd. Housing comprises the operations of SRV Asunnot Ltd and the regional subsidiaries. The SRV International subgroup carries out international operations in Russia and the Baltic countries. Other Operations consist primarily of the SRV Group Plc and SRV Kalusto Ltd businesses.

## CHANGES IN GROUP STRUCTURE

SRV Group Plc acquired 100 per cent ownership of SRV Keski-Suomi Ltd in April 2008 and Rkl Erkki Huhdanpää Oy in June 2008. In order to strengthen the business structure and operations, SRV started the procedure to merge SRV Kaakkois-Suomi Ltd, SRV Keski-Suomi Ltd, SRV Lounais-Suomi Ltd and Rkl Erkki Huhdanpää Oy into SRV Housing Ltd at the end of June 2008. The companies were merged with SRV Housing Ltd on 31 December 2008 and continue their operations as SRV Housing Ltd's regional businesses under the brands SRV Kaakkois-Suomi, SRV Keski-Suomi, SRV Lounais-Suomi and SRV Pirkanmaa.

## CHANGES IN GROUP MANAGEMENT

Executive Vice President Veli-Matti Kullas, who is in charge of SRV's operations in Russia, was nominated member of SRV's Corporate Executive Team on 12 February 2008. Katri Innanen, LL.M, was appointed Chief Legal Counsel and member of the Corporate Executive Team of SRV Group, when the current Chief Legal Counsel, Marja Sarnela retires. Mrs Innanen started in her new position on 29 September 2008. Valtteri Palin, M.Sc. (Econ.), was appointed Senior Vice President, Financial Administration, and member of the Corporate Executive Team of SRV Group Plc as from 1 August 2008 when his predecessor and Corporate Executive Team Member Anu Hämäläinen left the company.

SRV reorganised its international operations on 15 September 2008. The Executive Vice President in charge of Russian operations, Veli-Matti Kullas, now reports directly to President and CEO Eero Heliövaara and the Baltic country managers to the Executive Vice President in charge of Business Premises, Juha Pekka Ojala. In connection with the organisational rearrangements, Ari Beilinson, Executive Vice President in charge of the SRV International business area and member of the Corporate Executive Team, left the company.

## PERSONNEL

SRV had an average payroll of 871 (761) employees, of whom 614 (537) were white-collar. The parent company had an average staff of 66 (62) white-collar employees. At the close of the financial year, the Group had 870 (752) employees, of whom 66 (59) were employed by the parent company. An average of 15 per cent (9%) of the employees work at subsidiaries and representative offices abroad.

SRV is developing its cooperation with universities and colleges as part of its effort to cover staffing needs for recruitment and the holiday seasons. At the end of the financial year, SRV had a total of 25 (27) trainees working in the Group's operations in Finland (in summer jobs and in work training as well as students working on their thesis or diploma).

On 11 February 2008, the Board of Directors of SRV Group Plc approved a new share-based incentive plan for the Group's key personnel. The Plan includes three earning periods – the calendar years 2008, 2009 and 2010. The potential reward from earning period 2008 will be paid in 2009, partly as shares in the company and partly as cash. The proportion to be paid in cash will cover taxes and tax-related costs arising from the reward. The shares may not be transferred during the two-year restriction period. If a key person's employment or service ends during said restriction period, he/she must return the shares rewarded under the Plan to the company without compensation. The earnings target for the 2008 earning period was not met, and thus no rewards will be paid for 2008 under the system.

On 10 February 2009, SRV's Board of Directors decided on the target group and performance targets for the 2009 earning period. The target group includes about 70 employees, and the reward is based mainly on consolidated and partly on business area performance. The rewards to be paid for earning period 2009 correspond to the approximate value of a total maximum of 350,000 SRV Group Plc shares and equal amount of money, at the most, for taxes.

**Personnel by business area**

| | 31 Dec 2008 | 31 Dec 2007 | Share of Group personnel, 31 Dec 2008, % |
|---|---|---|---|
| Business Premises | 296 | 295 | 34.0 |
| Housing | 285 | 257 | 32.8 |
| International | 191 | 114 | 22.0 |
| Other Operations | 98 | 86 | 11.3 |
| **Group, total** | **870** | **752** | **100.0** |

### OUTLOOK FOR CONSTRUCTION

Due to the uncertainty in the global financial markets, the world economy will continue to weaken. Growth in the Finnish economy has come to a halt, and growth in 2008 is estimated to have settled at around 2 per cent. Uncertainties concerning the length and impacts of the financial crisis are hampering the assessment of the construction market outlook. The business cycles of the real estate market and construction have weakened significantly.

The total number of building permits has decreased across the board, except for public buildings. After a prolonged rise, construction costs have begun to decrease. The availability of subcontracting and materials has developed favourably after the dip in the construction business cycle.

The housing market has taken a sharp turn for the worse due to slower economic growth. The number of unsold residences has grown. The number of residential start-ups has decreased, and due to the challenging situation, the lull in the housing market may continue into 2010.

In 2009, the construction of commercial premises and offices is expected to decline. Vacancy rates in office premises will increase due to the completion of new premises in 2009. Warehouse construction volumes depend on decisions to implement projects to improve logistics.

Economic growth in the Baltic countries has deteriorated quickly. Estonia and Latvia are sliding towards recession. The housing market has clearly cooled down and private consumption is on the wane due to rapid inflation. The short-term outlook for the Baltic economies is highly challenging.

Russian economic growth will decelerate rapidly. The financial crisis has made it more difficult to grant loans and construction volumes have dropped.

### RISKS, RISK MANAGEMENT AND CORPORATE GOVERNANCE

General economic trends and changes in customers' operating environments have an immediate effect on the construction and property markets. A change in the general interest level has a direct impact on both SRV's actual cash flow from operating activities and financing costs. The general economic situation has deteriorated considerably. Interest rates fell sharply during the latter part of 2008, but the availability of credit from banks has weakened, and loan margins have risen significantly. The international financial crisis will make it more difficult also for SRV's customers to obtain financing and will hamper the functioning of property markets. Property values face pressures and the number of property transactions in decreased due to difficulties in getting financing. The financial crisis adds SRV's risk to be forced to tie up capital in projects longer than intended.

SRV's revenue is generated by construction projects, and the company's result depends on the profitability of individual projects as well as their progress. The recognition date of the developer contracting projects also depends on the percentage of sold premises in projects. Postponed residential start-ups increase the amount of development expense, which are recorded as costs. Housing sales have taken a steep fall in Finland, while in Estonia, in particular, they have come almost to a complete halt. The slowdown in housing sales will increase sales and marketing costs and interest expenses in developer contracting housing production.

Construction is subject to significant cost risks relating to subcontracting and deliveries, and their control underlines the need for long-term planning. SRV's contracting model requires skilled and competent personnel. Warranty and liability obligations related to construction can span up to ten years. Currently the upward trend in construction costs has ceased and turned into a downward one.

Besides land acquisition risks, property projects face, among other things, risks relating to outcome of zoning, financing, commercialisation of projects, geographical location and type of project. In accordance with its strategy, SRV focuses on developer contracting projects and has increased its land acquisition in Finland and in Russia, in particular. The crisis in the international financial market has substantially weakened the availability of financing in property projects for property development and investments. It has also put project start-ups on hold.

The financial risks connected with SRV's operations are interest rate, currency, liquidity and contractual party risks, which are discussed in more detail in the Notes to the 2008 Financial Statements. Currency risks are divided into transaction risks and translation risks. Transaction risks are related to currency-denominated business and financing cash flows. Translation risks encompass investments made in foreign subsidiaries, the accounting effects of which are recorded in the translation differences of equity in the consolidated figures.

Liquidity risks may have an effect on the Group's earnings and cash flow if the Group is unable to ensure sufficient financing for its operations. SRV maintains adequate liquidity by means of efficient management of cash flows and solutions linked to it, such as binding lines of credit that are valid until further notice. The company has a long-term liquidity arrangement (EUR 100 million), which shall fall due in 2012. The company's financing agreements contain customary terms and conditions. The financial terms and conditions of the agreements concern the equity ratio.

The Group's risk management is carried out in line with the Group's operations system and control is exercised in accordance with the Group strategy approved by the Board of Directors of the Group's parent company. SRV also makes every effort to cover operational risks by means of insurance and contractual terms. A more detailed account of SRV's risks, risk management and corporate governance policies has been disclosed in the 2007 Annual Report and Financial Statements.

SRV estimates that no other essential changes have occurred in company's risks in the financial year.

### ENVIRONMENTAL MATTERS

In its operations, the Group's aim is to follow the principles of sustainable development and to minimise harmful environmental effects related to the life cycle of buildings. The activities are focused on management of environmental matters during both the design and construction phases. The group employs a waste reporting system on Finnish construction sites. SRV has upgraded the resources in the management of environmental matters as of the beginning of 2008.

### CORPORATE GOVERNANCE AND RESOLUTIONS OF GENERAL MEETINGS

The Annual General Meeting was held on 14 April 2008. The AGM adopted the financial statements for 2007 and granted release from liability to the members of the Board of Directors and the president and CEO. A dividend of EUR 0.12 per share was declared.

Mr Ilpo Kokkila was elected chairman of the Board of Directors and Mr Jukka Hienonen, Mr Lasse Kurkilahti, Mr Matti Mustaniemi and Mr Markku Sarkamies were elected to seats on the Board. In its organisational meeting on 14 April 2008 the Board of Directors elected Lasse Kurkilahti vice chairman of the Board. Matti Mustaniemi was elected chairman and Markku Sarkamies member of the Audit Committee. Ilpo Kokkila was elected chairman and Jukka Hienonen and Lasse Kurkilahti members of the Nomination and Remuneration Committee.

Mr Jarmo Lohi, Authorised Public Accountant, was elected as the company's auditor, and the firm of public accountants Ernst & Young Oy was elected deputy auditor, with Mr Mikko Rytilahti, Authorised Public Accountant, acting as principal auditor.

The Annual General Meeting authorised the Board of Directors to resolve on the acquisition of the company's own shares (treasury shares). The authorisation is in force for 18 months from the decision of the Meeting. A maximum of 3,676,846 own shares, or a lower amount that, in addition to the shares already owned by the company and its subsidiaries, is less than 10 per cent of all shares, may be acquired on the basis of the authorization. The Annual General Meeting authorised the Board of Directors to resolve on the transfer of treasury shares against payment or without consideration. The authorisation is in force for 18 months from the decision of the Meeting.

## SHARES AND SHAREHOLDERS

SRV Group Plc's share capital is EUR 3,062,520. The share has no nominal value and the number of shares outstanding is 36,768,468. The company has one class of shares. SRV's shares were admitted to public trading on the OMX Nordic Exchange Helsinki Pre List on 12 June 2007 and on the Main List on 15 June 2007. SRV had a total of 5,764 shareholders at 31 December 2008. SRV did not receive any flagging notifications during the financial year.

The closing rate at the end of the review period was EUR 3.47 (EUR 5.02 eur). The highest share price in the review period was EUR 6.60 and the lowest was EUR 2.82. The change in the all-share index of the Helsinki Stock Exchange (OMX Helsinki) during the same period was 53.4 per cent negative and the OMX Industrial and Services index 58.3 per cent negative.

At the end of the financial year, the company had a market capitalisation of EUR 125.7 million, excluding the Group's own shares. About 13.5 million shares were traded on the Helsinki Stock Exchange in the financial year and the trade volume was EUR 69.0 million.

At the end of the financial year, SRV Group Plc's subsidiary SRV Kalusto Ltd had 150,241 of SRV Group Plc's shares. The shares were acquired in accordance with the conditions of the merger plan of SRV Group Plc and SRV Henkilöstö Ltd. On 30 May 2008, SRV Group Plc's Board of Directors decided to use the authorisation to acquire the company's own shares. Share acquisition started on 9 June 2008. On 31 December 2008, SRV Group Plc and SRV Kalusto Ltd had a total of 558,000 of SRV Group Plc's shares, representing 1.5 per cent of the total number of the company's shares and combined number of votes. On 10 February 2009, the Group had a total of 571,064 shares (1.6 per cent of the total number of the company's shares and combined number of votes).

## FINANCIAL TARGETS

The Board of Directors has set the aim of SRV in the medium term to achieve annual average growth of approximately 15 per cent in Group revenue and annual average growth of 30 per cent in revenue in International Operations. SRV aims to increase the level of operating profit and, in the medium to long term, to achieve an operating margin of 8 per cent. Also, the company aims to maintain an equity ratio of 30 per cent.

The international economic and financing crisis has hindered the growth outlook for business operations. The realisation of the sales of developer contracting projects has an essential effect on the development of profitability. The set financial targets cannot be met during in the present economic situation. The company endeavours to maintain the profitability by rationalising operations and cutting costs.

## EVENTS AFTER THE END OF THE FINANCIAL YEAR

SRV is preparing for a continued downturn in construction markets. Negotiations were initiated in January 2009 within the Group companies for adapting its operations. The Group's Finland-based companies will start codetermination negotiations concerning senior salaried employees and salaried employees. At the same time, SRV will start a similar process in the Group's foreign units. The negotiations will deal with personnel layoffs, contract terminations and adaptation measures. The aim is to get the negotiations completed by mid March. The personnel reduction measures are estimated to affect about 130 employees. Different needs and measures will be specified more accurately during the course of the negotiations.

The construction of the Kerca logistics area in Kerava developed by SRV proceeded in January. Kesko started the plans to locate Anttila's logistics center in the Kerca logistics area.. Anttila's plans cover the construction of a warehouse of about 19,000 gross square metres. The construction project will carried out under project management contract. SRV and the city of Kerava agreed on a contract package concerning the development of the Kerca logistics area and concluded a contract for a real estate transaction of four hectares of land and a preliminary contract for an area of 22 hectares. On the first plot, SRV plans to build a GCC (Grand Cargo Center) logistics building with about 20,000 square metres of floor space. Kerca occupies an area of 160 hectares on the Kerava-Vantaa border.

In January, SRV and Varma Mutual Pension Insurance Company signed the project management contract concerning the Vierumäki Congress & Resort Hotel project. SRV acts as main contractor with overall responsibility and is in charge of construction and planning. In addition to 191 hotel rooms, the four-storey hotel building includes meeting facilities, six restaurants, fitness room, bowling alley with 10-lanes, and a wellness-area. The hotel will be opened in spring 2010.

## OUTLOOK FOR 2008

The international financial crisis has complicated the financing of property investments and weakened the economic outlook. Start-up decisions and housing sales, in particular, face uncertainties.

The trend in revenue, operating profit and earnings in 2009 will be affected by the sales volume of developer contracting sites and the volume of new work orders. In order to improve profitability, SRV aims to reduce the Group's fixed expenses by cutting costs.

Revenue and operating profit in 2009 are expected to be below the previous year's figures, but profit before taxes is expected to be clearly positive.

## PROPOSAL FOR THE DISTRIBUTION OF PROFITS

| | |
|---|---|
| The parent company's distributable funds at 31 December 2008 are | EUR 124,482,961.33 |
| of which net profit for the financial year is | EUR 3,007,280.62 |

The Board of Directors proposes to the Annual General Meeting that the distributable equity be allocated as follows:

| | |
|---|---|
| A dividend of EUR 0.12 per share be paid to shareholders, thus | EUR 4,412,216.16 |
| The remainder be transferred to retained earnings | EUR 120,070,745.17 |

No material changes have taken place in the company's financial position after the close of the financial year. The company's liquidity is good and, in the view of the Board of Directors, the proposed dividend payout does not compromise the company's solvency.

Espoo 10 February, 2009

SRV Group Plc
Board of Directors

# Key financial indicators

| | | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|---|
| | | IFRS | IFRS | IFRS | IFRS | FAS |
| Revenue | EUR million | 537.0 | 561.4 | 479.5 | 422.0 | 403.2 |
| Operating profit | EUR million | 32.9 | 15.1 | 24.6 | 21.8 | 17.2 |
| Operating profit, % of revenue | % | 6.1 | 2.7 | 5.1 | 5.2 | 4.3 |
| Profit before extraordinary items | EUR million | 23.7 | 11.5 | 20.7 | 21.7 | 16.2 |
| Profit before extraordinary items, % of revenue | % | 4.4 | 2.1 | 4.3 | 5.1 | 4.0 |
| Profit before taxes | EUR million | 23.7 | 11.5 | 20.7 | 21.7 | 16.2 |
| Profit before taxes, % of revenue | % | 4.4 | 2.1 | 4.3 | 5.1 | 4.0 |
| Net profit for the financial year attributable to equity holders of the parent company | EUR million | 15.7 | 7.2 | 14.5 | 12.6 | 11.6 |
| | | | | | | |
| Return on equity | % | 9.4 | 6.9 | 27.3 | 34.0 | 35.3 |
| Return on investment | % | 12.9 | 9.7 | 15.9 | 19.1 | 26.2 |
| Equity ratio | % | 41.3 | 55.4 | 31.7 | 19.8 | 22.6 |
| Property, plant and equipment investments | EUR million | 24.8 | 5.4 | 3.3 | 2.7 | 2.0 |
| Property, plant and equipment investments, % of revenue | % | 4.6 | 1.0 | 0.7 | 0.6 | 0.5 |
| Order backlog | EUR million | 455.3 | 528.7 | 453.7 | 251.8 | 345.9 |
| Personnel on average | | 871 | 761 | 668 | 671 | 603 |
| Invested capital | EUR million | 339.4 | 222.9 | 141.7 | 182.5 | 81.9 |
| Net interest-bearing debt | EUR million | 169.4 | 43.2 | 64.6 | 108.9 | 2.2 |
| Gearing ratio | % | 85.1 | 27.3 | 103.9 | 218.7 | 43.5 |
| | | | | | | |
| Earnings per share, share issue adjusted *) | EUR | 0.43 | 0.22 | 0.56 | 0.48 | 0.44 |
| Equity per share, share issue adjusted *) | EUR | 4.54 | 4.22 | 2.22 | 1.76 | 1.44 |
| Dividend per share, share issue adjusted **) | EUR | 0.12 | 0.12 | 0.12 | 0.08 | 0.04 |
| Dividend payout ratio | % | 27.9 | 54.6 | 21.4 | 16.7 | 9.1 |
| Dividend yield | % | 3.5 | 2.4 | - | - | - |
| Price per earnings ratio | | 8.1 | 22.8 | - | - | - |
| Share price development | | | | | | |
| Share price at the end of the period | EUR | 3.47 | 5.02 | - | - | - |
| Average share price | EUR | 5.05 | 8.40 | - | - | - |
| Lowest share price | EUR | 2.82 | 4.72 | - | - | - |
| Highest share price | EUR | 6.60 | 10.79 | - | - | - |
| Market capitalisation at the end of the period | EUR million | 125.7 | 184.6 | - | - | - |
| Trading volume | 1,000 units | 13,543 | 22,514 | - | - | - |
| Trading volume | % | 37.1 | 68.8 | - | - | - |
| Weighted average number of shares outstanding | 1,000 units | 36,526 | 32,703 | 26,064 | 26,064 | 26,064 |
| Number of shares outstanding at the end of the period | 1,000 units | 36,210 | 36,768 | 26,064 | 26,064 | 26,064 |

*) The Extraordinary General Meeting of SRV Group Plc decided on 2 April 2007 to increase the number of shares of SRV Group Plc twenty fold (split). Before the change in nominal value the number of shares was 1,303,200 and after the change the number of shares was 26,064,000. SRV Group Plc arranged Initial Public Offering in June 2007. In the Offering 13,000,000 shares were subscribed. After the Offering the number of shares was 39,064,000. The plan to merge SRV Henkilöstö Ltd into SRV Group Plc was executed on 28 September 2007. At the same time 10,216,468 new shares of SRV Group Plc were issued without raising the share capital. In connection with the merger SRV Group Plc received the 12,512,000 shares held by SRV Henkilöstö Ltd. After the merger the number of shares was 36,768,468.

**) The Board of Directors' dividend proposal for 2008.

# Calculation of key figures

| | | |
|---|---|---|
| Gearing ratio, % | = | $\frac{\text{Net interest-bearing debt}}{\text{Total equity}} \times 100$ |
| Return on equity, % | = | $\frac{\text{Profit before taxes - income taxes}}{\text{Total equity, average}} \times 100$ |
| Return on investment, % | = | $\frac{\text{Profit before taxes + interest and other financial expenses}}{\text{Invested capital, average}} \times 100$ |
| Equity ratio, % | = | $\frac{\text{Total equity}}{\text{Total assets - advances received}} \times 100$ |
| Invested capital | = | Total assets - non-interest bearing debt - deferred tax liabilities - provisions |
| Net interest bearing debt | = | Interest bearing debt - cash and cash equivalents |
| Earnings per share, share issue adjusted | = | $\frac{\text{Net profit for the financial year attributable to equity holders of the parent company}}{\text{Weighted average number of shares outstanding}}$ |
| Equity per share, share issue adjusted | = | $\frac{\text{Equity attributable to equity holders of the parent company}}{\text{Number of shares outstanding at the end of the period, share issue adjusted}}$ |
| Price per earnings ratio | = | $\frac{\text{Share price at the end of the period}}{\text{Earnings per share, share issue adjusted}}$ |
| Dividend payout ratio, % | = | $\frac{\text{Dividend per share, share issue adjusted}}{\text{Earnings per share, share issue adjusted}} \times 100$ |
| Dividend yield, % | = | $\frac{\text{Dividend per share, share issue adjusted}}{\text{Share price at the end of the period, share issue adjusted}} \times 100$ |
| Average share price | = | $\frac{\text{Number of shares traded in euros during the period}}{\text{Number of shares traded during the period}}$ |
| Market capitalisation at the end of the period | = | Number of shares outstanding at the end of the period x share price at the end of the period |
| Trading volume | = | Number of shares traded during the period and in relation to the weighted average number of shares outstanding |

# Shares and shareholders

### SHARE PRICE TREND AND TRADING OF SHARES

The shares of SRV Group Plc are quoted on the OMX Nordic Exchange. The trading with SRV Group Plc's shares (SRV1V) started on the Main list of OMX on 15 June 2007. During 2008 the highest price was EUR 6.60 and the lowest price EUR 2.82. The average share price for 2008 was EUR 5.05 and the closing price EUR 3.47 giving the company a market capitalisation of EUR 125.7 million as of 31 December 2008. Some 13.5 million shares were traded in OMX which corresponds to 37.1 per cent of the weighted average number of SRV shares outstanding. The trading value of the shares was EUR 69.0 million.

### THE AUTHORISATIONS OF THE BOARD OF DIRECTORS

The Board of Directors of SRV Group Plc does not have valid authorisations to raise the share capital, issue bonds with warrants or convertible bonds. The Board of Directors has valid authorisation to buy and sell own shares (Note 23).

### MANAGEMENT SHAREHOLDING

The Members of the Board of SRV Group Plc as well as the President and CEO and the Deputy CEO owned directly a total of 16,020,271 shares on 31 December 2008 which corresponds to 43.6 per cent of SRV shares and voting rights. In addition to the direct ownership Ilpo Kokkila owned SRV shares also through Kolpi Investments Oy.

#### Shareholders on 31 December 2008

| Shareholder | Number of shares | Holding and voting rights, % |
|---|---|---|
| Kokkila Ilpo | 13,552,000 | 36.9 |
| Kolpi Investments Oy | 5,178,129 | 14.1 |
| Heliövaara Eero | 1,909,483 | 5.2 |
| Keskinäinen Työeläkevakuutusyhtiö Varma | 1,430,000 | 3.9 |
| Alfred Berg Finland Sijoitusrahasto | 1,095,624 | 3.0 |
| Linnoinen Hannu | 615,566 | 1.7 |
| Fondita Nordic Micro Cap | 500,000 | 1.4 |
| Valtion Eläkerahasto | 470,000 | 1.3 |
| Veritas Eläkevakuutusosakeyhtiö | 437,000 | 1.2 |
| Nieminen Timo | 418,266 | 1.1 |
| SRV Yhtiöt Oyj | 407,759 | 1.1 |
| Alfred Berg Optimal Sijoitusrahasto | 380,681 | 1.0 |
| Sundholm Göran | 323,906 | 0.9 |
| Alfred Berg Small Cap Finland | 320,000 | 0.9 |
| Stiftelsen För Åbo Akademi | 300,000 | 0.8 |
| Suomen Itsenäisyyden Juhlarahasto | 262,202 | 0.7 |
| Keskinäinen Eläkevakuutusyhtiö Ilmarinen | 225,000 | 0.6 |
| Maa- ja Vesitekniikan Tuki Ry. | 205,000 | 0.6 |
| Laakkonen Mikko Kalervo | 160,000 | 0.4 |
| SRV Kalusto Ltd | 150,241 | 0.4 |
| **20 largest shareholders** | **28,340,857** | **77.1** |
| | | |
| Nominee registration | 596,363 | 1.6 |
| Other | 7,831,248 | 21.3 |
| **Total number of shares** | **36,768,468** | **100.0** |

#### Breakdown of share ownership on 31 December 2008
#### By number of shares owned

| Number of shares | Number of shareholders | % of shareholders | Number of shares | % of shares |
|---|---|---|---|---|
| 1–100 | 476 | 8.3 | 32,721 | 0.1 |
| 101–500 | 3,669 | 63.7 | 783,169 | 2.1 |
| 501–1,000 | 652 | 11.3 | 530,555 | 1.4 |
| 1,001–5,000 | 704 | 12.2 | 1,652,534 | 4.5 |
| 5,001–10,000 | 98 | 1.7 | 682,658 | 1.9 |
| 10,001–50,000 | 124 | 2.2 | 2,436,343 | 6.6 |
| 50,001–100,000 | 14 | 0.2 | 1,069,100 | 2.9 |
| 100,001–500,000 | 20 | 0.3 | 5,291,748 | 14.4 |
| over 500,000 | 7 | 0.1 | 24,289,640 | 66.1 |
| **Yhteensä** | **5,764** | **100.0** | **36,768,468** | **100.0** |
| of which nominee registrations | 10 | 0.2 | 596,363 | 1.6 |

#### By shareholder category

| | % of shares |
|---|---|
| Corporations | 18.7 |
| Financial and insurance institutions | 9.0 |
| Non-profit organisations | 3.0 |
| Public institutions | 8.8 |
| Households | 60.1 |
| Non-Finnish shareholders | 0.4 |
| | 100.0 |

## Consolidated income statement

| EUR 1,000 | Note | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| **Revenue** | | **536,964** | **561,425** | **479,490** |
| Other operating income | 5 | 1,371 | 1,111 | 3,664 |
| Change in inventories of finished goods and work in progress | | 53,507 | 18,317 | 27,155 |
| | | | | |
| Use of materials and services | | -495,307 | -509,734 | -434,045 |
| Employee benefit expenses | 8 | -46,323 | -41,567 | -36,814 |
| Depreciation and impairments | 7 | -3,168 | -1,917 | -2,033 |
| Other operating expenses | 6 | -14,126 | -12,575 | -12,800 |
| **Operating profit** | | **32,917** | **15,059** | **24,617** |
| Financial income | 10 | 4,158 | 2,624 | 2,603 |
| Financial expenses | 10 | -13,362 | -6,146 | -6,570 |
| Financial income and expenses, total | | **-9,204** | **-3,522** | **-3,967** |
| **Profit before taxes** | | **23,712** | **11,537** | **20,650** |
| Income taxes | 11 | -8,456 | -3,894 | -5,372 |
| **Net profit for the financial year** | | **15,256** | **7,643** | **15,278** |
| | | | | |
| **Attributable to** | | | | |
| Equity holders of the parent company | | 15,702 | 7,185 | 14,470 |
| Minority interest | | -446 | 458 | 808 |
| | | | | |
| **Earnings per share calculated on the profit attributable to equity holders of the parent company** (undiluted and diluted) | 12 | 0.43 | 0.22 | 0.56 |

## Consolidated balance sheet

| EUR 1,000 | Note | 2008 | 2007 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 14 | 18,986 | 8,012 |
| Goodwill | 15 | 1,734 | 726 |
| Other intangible assets | 15 | 537 | 644 |
| Other financial assets | 16, 17 | 4,266 | 2,929 |
| Receivables | 16, 18 | 6,601 | 2,709 |
| Deferred tax assets | 19 | 1,698 | 1,121 |
| **Non-current assets, total** | | **33,821** | **16,141** |
| **Current assets** | | | |
| Inventories | 20 | 294,847 | 196,428 |
| Trade and other receivables | 16, 21 | 86,706 | 94,175 |
| Current tax receivables | | 5,082 | 3,402 |
| Cash and cash equivalents | 22 | 3,372 | 21,407 |
| **Current assets, total** | | **390,007** | **315,412** |
| **ASSETS TOTAL** | | **423,829** | **331,554** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to equity holders of the parent company** | | | |
| Share capital | 23 | 3,063 | 3,063 |
| Share premium reserve | 23 | 0 | 0 |
| Invested free equity fund | 23 | 87,338 | 87,338 |
| Translation differences | | -86 | 22 |
| Retained earnings | | 74,030 | 64,680 |
| **Equity attributable to equity holders of the parent company, total** | | **164,345** | **155,103** |
| **Minority interest** | | **2,264** | **3,236** |
| **Equity, total** | | **166,609** | **158,339** |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 19 | 272 | 142 |
| Provisions | 24 | 5,571 | 5,888 |
| Interest-bearing liabilities | 16, 25 | 69,358 | 37,677 |
| Other liabilities | 16, 26 | 390 | 414 |
| **Non-current liabilities, total** | | **75,591** | **44,120** |
| **Current liabilities** | | | |
| Trade and other payables | 16, 26 | 66,778 | 96,911 |
| Current tax payable | | 7,990 | 1,600 |
| Provisions | 24 | 3,809 | 4,071 |
| Interest-bearing liabilities | 16, 25 | 103,052 | 26,511 |
| **Current liabilities, total** | | **181,628** | **129,094** |
| **Liabilities, total** | | **257,220** | **173,215** |
| **EQUITY AND LIABILITIES, TOTAL** | | **423,829** | **331,554** |

## Consolidated cash flow statement

| EUR 1,000 | Note | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| **Cash flow from operating activities** | | | | |
| **Net profit for the financial year** | | **15,256** | **7,643** | **15,278** |
| Adjustments: | | | | |
| Depreciation and impairments | | 3,168 | 1,917 | 2,033 |
| Non-cash transactions | 30 | -512 | 1,450 | 2,827 |
| Financial income and expenses | | 9,204 | 3,522 | 3,966 |
| Capital gains on sale of tangible and intangible assets | | -10 | -148 | -389 |
| Income taxes | | 8,456 | 3,894 | 5,372 |
| Adjustments, total | | **20,308** | **10,635** | **13,810** |
| Changes in working capital: | | | | |
| Change in loan receivables | | -12,556 | -2,701 | 31,472 |
| Change in trade and other receivables | | 14,929 | -22,951 | 18,408 |
| Change in inventories | | -98,763 | -62,844 | -33,858 |
| Change in trade and other payables | | -31,868 | 16,404 | 11,266 |
| Changes in working capital, total | | **-128,257** | **-72,092** | **27,287** |
| Interest paid | | -12,973 | -6,353 | -8,204 |
| Interest received | | 6,681 | 2,813 | 8,203 |
| Dividends received | | 0 | 0 | 7 |
| Income taxes paid | | -4,194 | -6,295 | -9,021 |
| **Net cash from operating activities** | | **-103,180** | **-63,650** | **47,359** |
| **Cash flow from investing activities** | | | | |
| Acquisition of subsidiaries, net of cash | | -1,328 | 0 | 0 |
| Property, plant and equipment | | -13,689 | -4,215 | -1,631 |
| Intangible assets | | -258 | -116 | -625 |
| Other financial assets | | -1,493 | -1,023 | -1,032 |
| Sale of property, plant and equipment and intangible assets | | 85 | 740 | 2,343 |
| Sale of financial assets | | 0 | 264 | 45 |
| **Net cash used in investing activities** | | **-16,683** | **-4,349** | **-899** |
| **Cash flow from financing activities** | | | | |
| Proceeds from share issue | | 0 | 113,430 | 0 |
| Proceeds from loans | | 68,869 | 19,148 | 23,989 |
| Repayments of loans | | -10,125 | -13,536 | -77,914 |
| Change in loan receivables | | 0 | 176 | 1,470 |
| Change in housing corporation loans | | 30,624 | -21,829 | -11,151 |
| Change in credit limits | | 18,781 | 928 | 10,751 |
| Purchase of treasury shares | | -1,918 | -20,660 | 0 |
| Dividends paid | | -4,404 | -3,128 | -2,215 |
| **Net cash from financing activities** | | **101,828** | **74,530** | **-55,071** |
| **Net change in cash and cash equivalents** | | **-18,035** | **6,530** | **-8,611** |
| Cash and cash equivalents at the beginning of financial year | | 21,407 | 14,877 | 23,488 |
| **Cash and cash equivalents at the end of financial year** | | **3,372** | **21,407** | **14,877** |

## Consolidated statement of changes in equity

| EUR 1,000 | Equity attributable to equity holders of the parent company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Share premium reserve | Invested free equity fund | Translation differences | Fair value reserve | Retained earnings | **Total** | Minority interest | Equity Total |
| **Equity, total (IFRS), 1 Jan 2007** | **1,303** | **1,759** | **0** | **10** | **108** | **54,732** | **57,913** | **4,244** | **62,157** |
| Translation differences | - | - | - | 12 | - | - | **12** | | |
| Amount of available-for-sale financial assets removed from equity and recognised in the income statement | - | - | - | - | -108 | - | **-108** | | |
| Other changes | - | - | | - | - | 60 | **60** | | |
| **Net income recognised directly in equity** | **0** | **0** | **0** | **12** | **-108** | **60** | **-36** | | |
| Net profit for the financial year | - | - | - | - | - | 7,185 | **7,185** | | |
| **Total income and expenses for the financial year** | **0** | **0** | **0** | **0** | **0** | **7,185** | **7,185** | | |
| Dividends paid | - | - | - | - | - | -3,128 | **-3,128** | | |
| Transfer from share premium reserve to share capital | 1,759 | -1,759 | - | - | - | - | **0** | | |
| Share issue and employee offering | - | - | 116,602 | - | - | 398 | **117,000** | | |
| Share issue and employee offering deductions | - | - | | - | - | -3,171 | **-3,171** | | |
| Purchase and cancellation of treasury shares | - | - | -29,263 | - | - | 8,604 | **-20,660** | | |
| **Equity, total (IFRS), 31 Dec 2007** | **3,063** | **0** | **87,338** | **22** | **0** | **64,680** | **155,103** | **3,236** | **158,339** |
| **Equity, total (IFRS), 1 Jan 2008** | **3,063** | **0** | **87,338** | **22** | **0** | **64,680** | **155,103** | **3,236** | **158,339** |
| Translation differences | - | - | - | -108 | - | | **-108** | | |
| Net gains on available-for-sale financial assets | | | | | -75 | | **-75** | | |
| Other changes | - | - | - | - | - | 44 | **44** | | |
| **Net income recognised directly in equity** | **0** | **0** | **0** | **-108** | **-75** | **44** | **-139** | | |
| Net profit for the financial year | - | - | - | - | - | 15,702 | **15,702** | | |
| **Total income and expenses for the financial year** | **0** | **0** | **0** | **0** | **0** | **15,702** | **15,702** | | |
| Dividends paid | - | - | - | - | - | -4,403 | **-4,403** | | |
| Purchase and cancellation of treasury shares | - | - | - | - | - | -1,918 | **-1,918** | | |
| **Equity, total (IFRS), 31 Dec 2008** | **3,063** | **0** | **87,338** | **-86** | **-75** | **74,104** | **164,345** | **2,264** | **166,609** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## DESCRIPTION OF OPERATIONS

SRV Group Plc and its subsidiaries (the SRV Group) is a leading Finnish project management contractor that constructs and develops commercial and business premises, residential housing as well as industrial and logistics facilities in Finland, Baltic countries and Russia. In line with the Group's strategy, operations are organised into three business areas: Business Premises, Housing, and International. The main operational companies are SRV Toimitilat Ltd, which focuses on the construction of business and commercial premises as well as logistics facilities and infrastructure, SRV Asunnot Ltd, which carries out residential construction in the Greater Helsinki area, and SRV International Ltd, which is responsible for operations abroad. The operations of the regional construction companies outside the Greater Helsinki area consist primarily of residential construction, and they are reported as part of the Housing segment. SRV Group Plc's Project Development unit and Group Administration support and serve all the Group's operations.

The Group's parent company, SRV Group Plc (the Company), is a Finnish public limited company which is domiciled in Espoo, Finland. The Company's registered address is Niittytaival 13, 02200 Espoo.

Board of Directors has approved these consolidated financial statements for issue on 10 February 2009.

## ACCOUNTING POLICIES

**Basis of preparation**

The consolidated financial statements have been prepared on 31 December 2008 in accordance with IFRS (International Financial Reporting Standards). International Financial Reporting Standards refer to the standards and their interpretations issued and approved for application within the EU in accordance with the procedure prescribed in EU regulation (EC) 1606/2002. The financial statements are presented in thousands of euros unless otherwise stated.

The consolidated financial statements have been prepared based on a historical cost basis, except for available-for-sale investments, financial assets and liabilities measured at fair value through income statement and derivative contracts measured at fair value as well as share-based payments which are measured at fair value.

**Application of new standards, amendments and interpretations**

The following standards, amendments and interpretations have been applied as from the accounting period beginning on 1 January 2008:

- IFRIC 11 IFRS 2 Group and Treasury Shares Transactions.

This standard does not have an effect on the Group's financial position. It has effect on the notes of the consolidated financial statements to some extent.

The following standard has been has been early adopted.

- IFRS 8 Operating Segments

This standard do not have an effect on the Group's financial position. It has effect on the notes of the consolidated financial statements to some extent.

The application of the following standards, amendments and interpretations is mandatory as from the accounting period beginning on or after 1 January 2009:

- IAS 23 Borrowing costs (in force for the financial year commencing 1 January 2009). The Group will apply this standard as from 1 January 2009.
- IAS 27 ja IAS 1 Cost of and Investment in a Subsidiary, Jointly Controlled Entities or Associates (in force for the financial year commencing 1 January 2009 / EU has not approved). The Group will apply this standard as from 1 January 2009.
- IFRS 3 Business compinations and IAS 27 Consolidated and Separate Financial Statements (in force for the financial year commencing 1 January 2010). The Group will apply this standard as from 1 January 2010.
- IFRIC 15 Agreements for the Construction of Real Estate (in force for the financial year commencing 1 January 2009 / EU has not approved). The Group will apply this standard as from 1 January 2010.

These standards, amendments and interpretations do have an effect on the Group's financial position. They have effect on the notes of the consolidated financial statements to some extent.

- 2008 Annual Improvements to IFRS (in force for the financial year commencing 1 January 2009). The Group will apply this standard as from 1 January 2009.
- IAS 1 Presentation of Financial Statements; Revised (in force for the financial year commencing 1 January 2009). The Group will apply this standard as from 1 January 2009.
- IAS 32 ja IAS 1 Financial Instruments Puttable Financial Instruments and Obligations Arising on Liquidation (in force for the financial year commencing 1 January 2009). The Group will apply this standard as from 1 January 2009.
- IFRS 2 Vesting conditions and Cancellations (in force for the financial year commencing 1 January 2009). The Group will apply this standard as from 1 January 2009.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (in force for the financial year commencing 1 January 2009 / EU has not approved). The Group will apply this standard as from 1 January 2010.

These standards, amendments and interpretations do not have an effect on the Group's financial position. They have effect on the notes of the consolidated financial statements to some extent.

**Use of estimates**

The preparation of financial statements in accordance with IFRS requires the management to make certain estimates and to use the judgement in applying accounting policies. The estimates and assumptions have an effect on assets and liabilities as well as on revenues and expenses for the reporting period. Estimates and assumptions have been used for example in the impairment testing of goodwill, property, plant and equipment and intangible assets, in the revenue recognition of construction contracts, in the measurement of current assets, in the measurement of warranty and other provisions and in the recognition of income taxes.

Revenues and expenses related to the construction contracts are recognised based on the percentage of completion method (in developer contracting projects on a combined percentage of completion method), when the outcome of the project can be estimated reliably. Revenue recognition according to the percentage of completion is dependent on estimates of the expected revenue and expenses from the project as well as on reliable measurement of the progress of the project. The estimate of the expected revenue from the project is affected by the estimated amount of the rental liabilities. Should the estimates of the project's outcome change, the revenues and the profit will be correspondingly changed during the financial period that the change is discovered and can be estimated.

The Group carries out an annual impairment testing of goodwill and intangible assets having an indefinite useful life. The recoverable amounts of cash-generating units have been defined on the basis of value in use calculations. The preparation of these calculations requires use of estimates.

Warranty provisions and 10-year warranty provisions are recorded when the amount of the provision can be estimated reliably. The recorded amount is the best estimate of the expected cost that will be required to meet the claim as of the balance sheet date. The estimate concerning probability of costs is based on previous similar events and previous experience and it requires judgement from the Group management.

When preparing the financial statements the Group estimates the net realisable value of current assets and the possible consequent need for write down. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made as to the amount the inventories are expected to realise.

When preparing the financial statements the Group especially estimates if there is a need for recognition of deferred taxes. The Group prepares an estimate about the probability of the profits of subsidiaries against which the unused tax losses or unused tax credits can be used.

## CONSOLIDATED FINANCIAL STATEMENTS

### Subsidiaries

The consolidated financial statements comprise the parent company SRV Group Plc and all the companies in which SRV Group Plc holds, directly or indirectly, more than 50 per cent of the voting rights or otherwise exercises control. Control means the right to govern the financial and operating policies of an entity to obtain the benefits from its activities. Balance sheets of developer contracting projects are included in the consolidated financial statements.

The financial statements of the SRV Group have been consolidated using the purchase method. Acquisition cost is determined by taking into account funds given as consideration and measured at fair value, and liabilities assumed, as well as the direct costs of an acquisition. Acquired and identifyable assets and liabilities are measured at fair value at the acquisition date, irrespective of the size of any minority interest. The amount by which the cost exceeds the fair value of Group's share of the net identifiable assets acquired is recorded as goodwill. Goodwill is not amortised but is tested for impairment annually. If the acquisition cost is less than the fair value of the acquired subsidiary's net assets, this difference is recorded directly to the income statement. When the group acquires minority interests the amount by which the cost exceeds the acquired equity is recognized as goodwill.

The accounting policies of subsidiaries have been changed as necessary to correspond the Group's accounting policies.

Subsidiaries are consolidated starting from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Intra-group transactions, receivables and liabilities as well as unrealised gains on intra-group transactions are eliminated in the consolidated financial statements. Unrealised losses are eliminated if the loss is not caused by an impairment.

Minority interest has been presented separately after Net profit for the period and in Total equity.

### Joint ventures

Joint ventures are companies in which the Group exercises a shared controlling interest with other parties based on an agreement. The Group's holding in joint ventures is consolidated proportionally on a line by line basis. The consolidated financial statements consist of the Group's share of joint ventures' assets, liabilities, income and expenses.

## FOREIGN CURRENCY TRANSACTIONS

### Functional and presentation currency

Items of each group company included in the consolidated financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to group company (the functional currency). The functional currency of a group company may therefore differ from the currency used in its country of location. The consolidated financial statements are presented in euros, which is the parent company's functional currency.

### Group companies

The income statements of those subsidiaries whose reporting currency is not Euro are translated into euros using the average rate for the financial period. The balance sheets of subsidiaries are translated into euros using the rates at the balance sheet date. The translation differences arising from the use of different exchange rates are recorded in Translation differences under equity. In so far as the loans between the group companies are considered part of net investment in foreign subsidiaries, the currency exchange differences are recorded in Translation differences. When a foreign subsidiary is sold, the cumulative translation differences are recognised in the income statement as part of the capital gain or loss.

### Transactions and balance sheet items

Transactions denominated in foreign currency are recorded using the exchange rate on the date of the transaction. Monetary foreign currency items in the balance sheet are measured using the exchange rate at the closing date. Non-monetary items denominated in foreign currency are measured using the exchange rate on date of the transaction. Exchange rate gains and losses on business operations are included in corresponding items above operating profit. Exchange rate differences of financing items are included in financial income and expenses.

## INCOME RECOGNITION

### Construction contracts

Income and costs of construction contracts are recorded as revenue and expenses on the basis of the percentage of completion, when the outcome of the project can be estimated reliably. The percentage of completion is calculated on the basis of the estimated total cost of a contract and the cumulative costs at the balance sheet date.

Income and costs from developer contracting projects are recognised as revenue based on the combined percentage of completion which is calculated based on percentage of completion of the construction and the degree of sale. Cumulative cost in excess of the combined percentage of completion is recognised in Work in progress in Inventories.

If it is probable that the total expenditure required to complete a contract will exceed the total income from the project, the expected loss is expensed immediately. Revenue from projects which comprise construction and rental liability are recognised as one construction contract. Gross profit is recognised on projects containing a rental liability starting from the point when the total revenue from the fixed construction contract and the rental agreements concluded exceeds the estimated total cost of the project. The recognition of revenues is deferred in respect of the estimated rental liability and this estimated deferral is recognised in Advance payments in Liabilities. The rental security deposits reduce the Advance payments of the project. Uncertainty associated with a lease agreements is taken into account in income recognition.

If the costs and recorded profits of construction contracts exceed the amount of progress billings, the difference is disclosed in Trade and other receivables. If costs and recorded profits of construction contracts are less than the amount of progress billings, the difference is disclosed in Trade and other payables.

## ORDER BACKLOG

A construction project is included in the order backlog when the construction contract of the project has been signed or the decision to start construction has been made in case of a developer contracting project. The order backlog consists of the construction contracts not yet recognised as revenue (including the plot).

## BORROWING COSTS

Borrowing costs are recognised as an expense in the period in which they are incurred.

## RESEARCH AND DEVELOPMENT EXPENDITURE

SRV's research and development expenditures are planning costs of developer contracting projects and development projects for which the decision to start has not yet been made. These costs are recorded as an expense in the income statement.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is valued at historical cost less accumulated depreciation and possible accumulated impairment losses. Historical cost consists of the costs directly related to acquiring the asset.

Land and water areas are not amortised because the economic life of these assets cannot be determined. Depreciation on other tangible assets than land and water areas is calculated by using the reducing balance method or on a straight-line basis by recording acquisition costs as expense over their estimated economic lives as follows:

- Buildings and structures, reducing balance method 4–7%
- Machinery and equipment, reducing balance method 25%
- Other intangible assets, straight-line method 3–5 years

The carrying amounts and economic lives of property, plant and equipment are estimated and values adjusted as needed. The Group estimates at every balance sheet date if there is a need for impairment. If the carrying amount of an asset item exceeds the estimated recoverable amount, the carrying amount is lowered to correspond the recoverable amount.

Capital gains and losses on property, plant and equipment are included in the income statement.

## INTANGIBLE ASSETS

Intangible assets which have a limited useful life are valued at historical cost and amortised over their estimated economic life (3–5 years). Intangible assets which have an unlimited useful life are tested yearly for impairment.

Goodwill is the excess of the cost of the business combination over the fair value of the Group's share of acquired net assets. Goodwill is subject to an annual impairment test. For this purpose, goodwill has been allocated to cash-generating units. Goodwill is measured at historical cost less impairment. Impairment is expensed directly to the income statement.

Assets which are depreciated or amortised are always tested for impairment when events or changes in circumstances indicate the carrying amount may not be recovered. An impairment is recorded through profit and loss to the extent that the carrying amount of the asset item exceeds the recoverable amount. The recoverable amount is the higher of the following: the fair value of the asset item less selling costs or its value in use.

## FINANCIAL ASSETS AND LIABILITIES

The Group classifies its financial assets and liabilities into the following categories: financial assets held for trading, loans and other receivables, available-for-sale financial assets, financial liabilities held for trading and financial liabilities measured at amortised costs.

The classification is made in accordance with the purpose for which the financial assets were initially acquired. The Group records financial assets and liabilities in the balance sheet when it becomes a party to the contractual terms and conditions of the instrument. Group management defines the classification of financial assets and liabilities in the initial recognition. Purchases and sales of financial assets are recognised on the clearing day. Financial assets are derecognised from the balance sheet when the contractual right to the cash flows of the item included in financial assets ceases or when the Group has transferred a significant part of the risks and returns associated with the financial assets. Financial liabilities are derecognised when the obligation specified in the contract has been fulfilled, cancelled or the liability has ceased.

### Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are initially recognised in the balance sheet at cost which corresponds to their fair value on the transaction day and subsequently measured at their fair value on each balance sheet day. At the time of entering into derivative instrument the Group designates them as either cash flow hedges of business or financing cash flows or as hedges of investments in foreign entities.

Changes in the fair value of derivative instruments qualifying for IAS 39 hedge accounting are recognised in equity under the Fair value reserve for their effective part. The cumulative gain or loss of derivatives is transferred into income statement as revenue or expense for the same accounting period when the underlying hedged item is recognised the income statement. The ineffective part of the hedge is recognised directly in the income statement.

Changes in the fair value of derivative instruments which do not qualify for IAS 39 hedge accounting are recognised directly in the income statement.

Group's Treasury unit is responsible for the hedge transactions according to the policy approved by the Board of Directors. Hedge accounting is applied for relevant forecasted business or financing cash flows. Hedge accounting is always applied for hedges of investments in foreign entities.

During the fiscal year 2008 there were no hedges qualifying for IAS 39 hedge accounting.

### Financial assets and liabilities held for trading

The derivative instruments which do not meet the criteria for hedge accounting are classified as financial assets or liabilities held for trading. Derivatives are initially recognised in the balance sheet at cost, which corresponds to their fair value on the transaction day and thereafter measured at fair value on each balance sheet date. Changes in fair values are recognised in the income statement under Other financial income and expense and in the balance sheet under short term financial assets or liabilities. The fair values are based on quoted market prices and exchange rates on balance sheet date.

### Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or definable payments. They are not quoted on the market and it is not a primary intention of the company to sell them in the short term. Loans and other receivables are included in non-current financial assets, except for items whose maturity is shorter than twelve months. These items are classified as current financial assets.

Loans and other receivables, including trade receivables, are recorded in the balance sheet at amortised cost. Interest is recognised in the income statement over the maturity of the loan using the effective interest method. Impairment loss is recognised if there is evidence that the Group will not recover the receivable in full or in part according to the original terms. Matters that constitute evidence of this kind can be a debtor's serious financial problems, the probability that a debtor will end up in bankruptcy or is subjected to other financial arrangements as well as payment delinquency. The amount of the impairment is the difference between the receivable in the balance sheet and the present value of estimated future cash flows.

### Available-for-sale financial assets

Available-for-sale financial assets are financial assets that are either defined belonging to this category or which cannot be classified in any other category. They are included in non-current financial assets unless Group intents to sell the investment within twelve months of the balance sheet date.

Available-for-sale financial assets are measured at fair value using quoted market prices or applicable valuation models. Changes in the fair value are recognised directly in equity. When the asset is sold, the cumulative changes in fair value are recognised as a transfer from equity to income statement.

Investments are derecognised when the rights to the cash flows from the investment cease to exist or they have been transferred and the Group has transferred the substantial risks and rewards of ownership.

The Group estimates at each balance sheet date whether there is objective evidence that a single asset or group of assets belonging to available-for-sale financial assets is impaired.

**Cash and cash equivalents**

Cash and cash equivalents consist of cash, current bank deposits as well as other current liquid investments with a maturity not exceeding three months. Bank overdrafts are included in current liabilities in the balance sheet.

**Financial liabilities measured at amortised costs**

Financial liabilities are initially recognised at fair value. Transaction expenses have been included in the original carrying amount of financial liabilities. Interest is recognised in the income statement over the maturity of the loan using the effective interest method. Financial liabilities are recognised in the balance sheet under non-current and current liabilities and they can be interest-bearing or non-interest-bearing

An external loan from a financial institution taken out by housing corporations in connection with developer contracting contracts is recognised as a liability to the extent it relates to the unsold shares of the housing corporation. The loan is derecognised when the purchaser assumes the liability.

## LEASES

**Operating leases**

Lease agreements in which the risks and benefits are retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense in the income statement on a straightline basis over the lease term.

## INVENTORIES

The costing of raw materials and consumables is measured using weighted average cost method.

The balance sheet item “Work in progress” comprises the cost of construction work and plot for uncompleted construction projects not yet expensed. The acquisition costs included in the Work in progress are raw materials, direct cost of labour, other direct costs as well as the indirect costs of purchase and construction.

The balance sheet item “Land areas and plot-owning companies” comprises costs of development stage projects. The costs that are considered to increase the value of land areas and plot-owning companies are capitalised.

The balance sheet item “Shares in completed housing corporations and real-estate companies” comprises unsold completed projects.

The balance sheet item “Advance payments” comprises advance payments in connection with the inventories.

The balance sheet item “Other inventories” comprises share capitals from projects of which the decision to start construction has not yet been made and the property bought for resale.

Inventories are valued at the lower of cost and net realisable value. In ordinary business, net realisable value is the estimated selling price which is obtainable, less the estimated costs incurred in bringing the product to its present condition and selling expenses.

## INCOME TAXES

Tax expense in the income statement comprises current taxes and deferred taxes. Current tax is calculated based on the taxable income for the financial period using the statutory tax rate that is force in each country at the balance sheet date (and local tax legislation). Taxes are adjusted for any taxes for previous periods.

Deferred taxes are recognised on temporary differences. Deferred taxes are not recognised in connection with investments made in subsidiaries when the Group can control the timing of the reversal of the temporary difference, and the temporary difference will probably not be reverse in the foreseeable future.

A tax asset is recognised to the extent when it is probable that the asset can be utilised against future taxable income.

## EMPLOYEE BENEFITS

**Pension liabilities**

Group companies have various pension plans in accordance with the local regulations and practices of each country of operation. Pension plans are funded through contributions paid to insurance companies based on paid salaries and wages.

The Group has only defined contribution plans. The payments in connection with Group’s defined contribution plans are recognised in the income statement in the period which they relate to.

**Share-based payment**

The Group applies IFRS 2 Share-based Payment standard on its share-based incentive schemes. Share-based incentive scheme is valued at fair value by using the Black & Scholes pricing model in every interim and annual closing. The change in the incentive liability is recognised in the income statement. The share-based payments of the Group are cash settled transactions.

## PROVISIONS

A provision is recognised when the company has a legal or constructive obligation as a result of a past event, the payment obligation is probable and the amount of obligation can be reliably estimated.

If compensation can be received from a third party for a part of the obligation, the compensation is recognised as a separate item when it is virtually certain that the compensation will be received. A provision is recognised for a loss-making contract when the costs required to meet the obligations exceed the benefits received from the contract.

SRV and its subsidiaries are reengaged in several legal proceedings which relate to ordinary business or to other processes. The result of these legal proceedings and processes is difficult to predict. In case of litigation a provision is recognised in the financial statements according to the mentioned accounting policies when there is a legal or constructive obligation against third-party, payment obligation is probable and the amount of an obligation can be reliably estimated.

Warranty provisions comprise the costs resulting from the repair of completed projects if the warranty period is still in effect at the balance sheet date. A warranty provision is recognised at the time of the project hand-over, and the amount of provision is based on prior experience of the materialisation of warranty expenses. It is expected that warranty provisions are used during the two years from the completion of the project.

The amount of a 10-year warranty provision in the construction industry is based on prior experience of the materialisation of these expenses. It is expected that a 10-year provision will be used over the ten years following the completion of the project.

## DIVIDENDS

The dividend payout proposed by the Board of Directors to the Annual General Meeting is recognised in the financial statements when the company’s shareholders have approved the relevant resolution at the Annual General Meeting.

## 1 SEGMENT INFORMATION

Segment information has been prepared in compliance with IFRS 8 and it follows the accounting standards of Group's financial statements as well as the Group's management and organisational structure. IFRS 8 has been early adopted. The standard is effective for financial years beginning on or after 1 January 2009.

Pricing of transactions between the operating segments equals the market price. Segments assets and liabilities are those assets and liabilities that the segment uses in its operations or which can be allocated to the segments on a reasonable basis. Unallocated items include income taxes and financial items as well as Group level items.

### OPERATING SEGMENTS

SRV Group has the following operating segments:

**Business premises**

Business Premises operating segment is specialised in office, commercial, logistics and underground construction in Finland. The customers are primarily users of premises, owners of properties or plots and real-estate investors as well as municipalities, the State and other public sector entities. Business Premises brings special expertise to the design and implementation of the Group's joint projects for the development and construction of commercial and office premises.

**Housing**

Housing operating segment comprises residential construction in the Greater Helsinki area and its peripheral communities as well as the operations of the regional subsidiaries. The regional companies carry out residential, commercial, office premises and logistics construction projects. The clientele is made up of consumers, professional developers and public sector entities. Housing brings special expertise to the design and implementation of the Group's joint projects within new residential construction and refurbishment.

**International**

International is specialised in the implementation of construction projects in the Baltic countries and in Russia's regional centres as well as in developer construction of residential projects in selected markets. The product range covers housing, office and commercial premises as well as logistics and industrial sites. The clientele consists primarily of Finnish and international companies expanding into this region as well as real-estate investors and consumers.

Operating segments derive the revenues from construction services. Other operations include Group services and the services related to rental of construction equipment.

The geographical distribution of the Group's operations is in line with the operating segments. International comprises the operations in Russia and in the Baltic countries. The operations of other business segments comprise the operations in Finland.

During the financial year 1 January–31 December 2008, the Group had one major customer in accordance with IFRS 8 and its share of revenue amounted to EUR 55,4 million. The revenue was allocated to the Business premises segment.

During the financial year 1 January–31 December 2007, the Group did not have major customers according to the definition of IFRS 8.

2008

| EUR 1,000 | Business Premises | Housing | International | Other | Total |
|---|---|---|---|---|---|
| Revenue, external | 349,097 | 127,826 | 60,062 | -21 | **536,964** |
| Revenue, internal | 23 | 50 | 10 | 11,494 | **11,578** |
| **Total** | **349,120** | **127,875** | **60,072** | **11,473** | **548,541** |
| | | | | | |
| **Operating profit** | **27,824** | **704** | **9,236** | **-4,926** | **32,839** |
| | | | | | |
| **Segment's assets** | | | | | |
| Non-current | 917 | 1,932 | 16,232 | 12,547 | **31,627** |
| Current | | | | | |
| Land areas and plot-owning companies | 24,604 | 41,560 | 75,959 | 0 | **142,123** |
| Work in progres | 29,951 | 57,267 | 13,565 | 0 | **100,783** |
| Shares in completed housing corporations and real estate companies | 0 | 30,618 | 3,321 | 0 | **33,938** |
| Other inventories | 5,048 | 4,602 | 9,262 | 10 | **18,922** |
| Inventories total | 59,602 | 134,047 | 102,108 | 10 | **295,767** |
| Other current assets | 56,355 | 22,413 | 40,308 | 172,552 | **291,627** |
| **Total** | **116,874** | **158,392** | **158,647** | **185,108** | **619,022** |
| | | | | | |
| **Segment's liabilities** | | | | | |
| Non-current | 1,116 | 58,294 | 12,677 | 6,856 | **78,943** |
| Current | 80,551 | 83,206 | 134,560 | 58,825 | **357,142** |
| **Total** | **81,667** | **141,500** | **147,236** | **65,682** | **436,084** |
| | | | | | |
| **Invested capital** | | | | | |
| At the end of period | **63,872** | **138,925** | **138,578** | | **339,409** |
| Return on investment, % | **60.8** | **0.7** | **9.3** | | **12.9** |
| | | | | | |
| **Order backlog** | **265,728** | **154,004** | **35,611** | | **455,343** |

## 2007

| EUR 1,000 | Business Premises | Housing | International Operations | Other | **Total** |
|---|---|---|---|---|---|
| Revenue, external | 345,254 | 162,959 | 53,164 | 48 | **561,425** |
| Revenue, internal | 141 | 134 | 45 | 11,130 | **11,450** |
| **Total** | **345,394** | **163,093** | **53,209** | **11,178** | **572,875** |
| | | | | | |
| **Operating profit** | **18,042** | **10,682** | **-10,239** | **-3,070** | **15,415** |
| | | | | | |
| **Segment's assets** | | | | | |
| Non-current | 973 | 2,584 | 2,439 | 9,538 | **15,534** |
| Current | | | | | |
| Land areas and plot-owning companies | 16,447 | 26,455 | 20,820 | 585 | **64,307** |
| Work in progress | 27,563 | 41,871 | 17,223 | 0 | **86,657** |
| Shares in completed housing corporations and real estate companies | 0 | 20,790 | 9,468 | 0 | **30,258** |
| Other inventories | 5,044 | 4,822 | 6,051 | 15 | **15,932** |
| Inventories total | 49,054 | 93,937 | 53,562 | 600 | **197,153** |
| Other current assets | 67,162 | 16,927 | 58,270 | 151,873 | **294,233** |
| **Total** | **117,189** | **113,449** | **114,271** | **162,011** | **506,920** |
| | | | | | |
| **Segment's liabilities** | | | | | |
| Non-current | 1,195 | 28,146 | 14,798 | 727 | **44,866** |
| Current | 82,691 | 65,665 | 90,101 | 30,820 | **269,278** |
| **Total** | **83,886** | **93,811** | **104,900** | **31,547** | **314,144** |
| | | | | | |
| **Invested capital** | | | | | |
| At the end of period | 33,403 | 81,517 | 101,265 | | **222,933** |
| Return on investment, % | 52.4 | 16.7 | -11.3 | | **9.7** |
| | | | | | |
| **Order backlog** | **302,759** | **174,583** | **51,337** | | **528,678** |

## 2006

| EUR 1,000 | Business Premises | Housing | International | Other | **Total** |
|---|---|---|---|---|---|
| Revenue, external | 296,922 | 137,905 | 44,564 | 99 | **479,490** |
| Revenue, internal | 63 | 212 | 1 | 5,912 | **6,188** |
| **Total** | **296,985** | **138,117** | **44,565** | **6,011** | **485,678** |
| | | | | | |
| **Operating profit** | **24,961** | **5,108** | **-3,559** | **-4,403** | **22,107** |

## Revenue

| EUR 1,000 | **2008** | 2007 | 2006 |
|---|---|---|---|
| Segment's revenue | 537,068 | 561,696 | 479,667 |
| Revenue, others | 11,473 | 11,178 | 6,011 |
| Eliminations and other adjustments | -11,578 | -11,450 | -6,188 |
| **Total** | **536,964** | **561,425** | **479,490** |

## Operating profit

| EUR 1,000 | **2008** | 2007 | 2006 |
|---|---|---|---|
| Segment's operating profit | 37,765 | 18,485 | 26,510 |
| Operating profit, others | -4,926 | -3,070 | -4,403 |
| Eliminations and other adjustments | 78 | -356 | 2,510 |
| **Total** | **32,917** | **15,059** | **24,617** |

### Assets

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Segment's assets | 433,913 | 344,909 |
| Assets, others | 185,108 | 162,011 |
| Eliminations and other adjustments | -196,891 | -176,487 |
| Deferred tax assets | 1,698 | 1,121 |
| **Total** | **423,829** | **331,554** |

### Liabilities

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Segment's liabilities | 370,403 | 282,597 |
| Liabilities, others | 65,682 | 31,547 |
| Eliminations and other adjustments | -179,136 | -141,071 |
| Deferred tax liabilities | 272 | 142 |
| **Total** | **257,220** | **173,215** |

### Order backlog

| EUR million | 2008 | 2007 |
|---|---|---|
| Order backlogs of the segments | 455.3 | 528.7 |
| **Total** | **455.3** | **528.7** |

## 2 ACQUISITIONS

- **Acquisitions during 2008**
  SRV Group did not acquire new businesses in 2008.
- **Acquisitions during 2007**
  SRV Group did not acquire new businesses in 2007.
- **Acquisitions during 2006**
  SRV Group did not acquire new businesses in 2006.

## 3 DISPOSALS

- **Disposals during 2008**
  SRV Group did not have significant disposals of businesses in 2008.
- **Disposals during 2007**
  SRV Group did not have significant disposals of businesses in 2007.
- **Disposals during 2006**
  In 2006, SRV Group sold its 51% holding in SRV Statyba UAB for EUR 45,000. Since the carrying amount at the time of sale was EUR 29,000 the effect of the sale on profit before taxes was EUR 16,000. The sale of holding did not have significant impact on consolidated balance sheet.

## 4 CONSTRUCTION CONTRACTS

| EUR 1,000 | 2008 | 2007 | 2006 |
|---|---|---|---|
| Revenue from construction contracts recognised as income during the financial year | 529,719 | 554,117 | 477,423 |
| Contract costs and profits at the end of financial year (less recognised losses) [1] | 373,377 | 307,471 | 284,913 |
| Gross amount due from customers related to construction contracts [2] | 21,874 | 32,161 | 13,645 |
| Gross amount due to customers related to construction contracts [3] | 18,707 | 45,516 | 35,078 |

[1] Related to the work in progress.
[2] Expenses and recognised profits exceeding the progress billings are disclosed in the balance sheet under Trade and other receivables.
[3] If the actual expenses and profits recorded are less than progress billings, the difference is disclosed under Trade and other payables.

## 5 OTHER OPERATING INCOME

| EUR 1,000 | 2008 | 2007 | 2006 |
|---|---|---|---|
| Capital gains on sales of property, plant and equipment and intangible assets | 10 | 148 | 423 |
| Rental income | 1,069 | 544 | 1,579 |
| Other income | 292 | 420 | 1,662 |
| **Total** | **1,371** | **1,111** | **3,664** |

## 6 OTHER OPERATING EXPENSES

| EUR 1,000 | 2008 | 2007 | 2006 |
|---|---|---|---|
| Rental expenses | 2,850 | 2,463 | 2,334 |
| Voluntary indirect personnel expenses | 1,162 | 1,149 | 972 |
| Car and travel expenses | 1,455 | 1,115 | 873 |
| Entertainment and marketing | 1,270 | 1,378 | 1,773 |
| Communications and IT | 1,419 | 1,317 | 1,160 |
| Other external services | 1,373 | 1,264 | 1,024 |
| Other fixed expenses | 4,598 | 3,888 | 4,664 |
| **Total** | **14,126** | **12,575** | **12,800** |

### Auditing fees

| EUR 1,000 | 2008 | 2007 | 2006 |
|---|---|---|---|
| Audit | 280 | 252 | 129 |
| Auditors' statements | 10 | 9 | 10 |
| Tax services | 63 | 29 | 7 |
| Other services | 69 | 397 | 54 |
| **Total** | **422** | **688** | **200** |

## 7 DEPRECIATION AND IMPAIRMENTS

| EUR 1,000 | 2008 | 2007 | 2006 |
|---|---|---|---|
| **Depreciation** | | | |
| Intangible assets | | | |
| Other intangible assets | 369 | 375 | 422 |
| | | | |
| Property, plant and equipment | | | |
| Buildings and structures | 746 | 118 | 154 |
| Machinery and equipment | 2,053 | 1,422 | 1,440 |
| Other tangible assets | 0 | 1 | 17 |
| **Total** | **3,168** | **1,917** | **2,033** |

## 8 EMPLOYEE-BENEFIT EXPENSES

| EUR 1,000 | 2008 | 2007 | 2006 |
|---|---|---|---|
| Wages and salaries [1] | 37,736 | 33,055 | 29,286 |
| Pension expenses | | | |
| - defined contribution plans | 6,011 | 5,613 | 4,950 |
| Share-based incentive scheme | -54 | 115 | 0 |
| Employee offering cost [2] | 0 | 398 | 0 |
| Other indirect personnel expenses | 2,630 | 2,386 | 2,578 |
| **Total** | **46,323** | **41,567** | **36,814** |

[1] Information on management's compensation as well as employee benefits is disclosed in Section 32 Related party transactions.

[2] The size of employee offering of 442,700 shares was decided in the Board of Directors meeting held on 11 June, 2007. The employee offering was carried out by EUR 8.10 per share which was EUR 0.90 lower than the institutional and retail offering price. The total cost of employee offering was EUR 398,430.

SRV Group has only defined contribution plans in connection with the pensions.

| Average number of personnel | 2008 | 2007 | 2006 |
|---|---|---|---|
| Business Premises | 308 | 281 | 219 |
| Housing | 292 | 290 | 282 |
| International | 175 | 102 | 84 |
| Other | 96 | 88 | 83 |
| **Total** | **871** | **761** | **668** |

### Share-based incentive scheme

| | |
|---|---|
| Grant year | 2006 [3] |
| Subscription ratio | 1:1 |
| Exercise price | 3.85 |
| Dividend adjusted exercise price | 3.61 |
| Amount granted | 100,000 |
| Subscription period | 2010–2013 |

[3] One member of the Management team of SRV has share-based incentive scheme. Under the scheme the person is entitled to a share bonus which SRV may upon its discretion pay in cash or as shares. According to the scheme the members of the Management team are entitled to the share bonus only when they are employed by the Group. The amount to be paid as a share bonus is based on the price development of SRV Group Plc's share. The amount to be paid is determined as the difference between a specified initial price and the publicly quoted price of the share determined in a more specified way on the date on which the share bonus is paid. This share-based incentive scheme is valued at fair value by using the Black & Scholes pricing model in every interim and annual closing. The change in the incentive liability is recognised in the income statement. The volatility used in the pricing model is 40%.

The above mentioned incentive scheme became a share-based incentive scheme as a consequence of the initial public offering.

On 11 February 2008, the Board of Directors of SRV Group Plc approved a new share-based incentive plan for the Group's key personnel. The Plan includes three earning periods – the calendar years 2008, 2009 and 2010. The potential reward from earning period 2008 will be paid in 2009, partly as shares in the company and partly as cash. The proportion to be paid in cash will cover taxes and tax-related costs arising from the reward. The shares may not be transferred during the two-year restriction period. If a key person's employment or service ends during said restriction period, he/she must return the shares rewarded under the Plan to the company without compensation. The earnings target for the 2008 earning period was not met, and thus no rewards will be paid for 2008 under the system.

## 9 RESEARCH AND DEVELOPMENT EXPENSES

SRV Group's research and development costs attribute to the planning costs of the developer contracting projects and the development projects for which construction decision has not been made. These costs are recognised as an expense in the income statement.

## 10 FINANCIAL INCOME AND EXPENSES

| EUR 1,000 | 2008 | 2007 | 2006 |
|---|---|---|---|
| **Financial income** | | | |
| Income on available-for-sale assets | 0 | 42 | 7 |
| Interest income from loans and receivables | 2,545 | 1,717 | 2,282 |
| Other financial income | 1,661 | 12 | 7 |
| **Total** | **4,207** | **1,770** | **2,296** |
| | | | |
| **Financial expenses** | | | |
| Expenses for financial liabilities at amortised cost | -10,250 | -5,323 | -5,011 |
| Losses on available-for-sale assets | -14 | -5 | 0 |
| Other financial expenses | -2,161 | -843 | -1,103 |
| **Total** | **-12,425** | **-6,171** | **-6,114** |
| | | | |
| **Exchange rate and fair value gains and losses** | | | |
| Loans and other receivables | -364 | 35 | -1,544 |
| Liabilities at amortised cost | -15 | 5 | 1,097 |
| Other | 0 | -13 | -2 |
| Financial assets/liabilities at fair value | -608 | 852 | 301 |
| **Total** | **-987** | **879** | **-148** |
| | | | |
| **Financial income and expenses, total** | **-9,204** | **-3,522** | **-3,967** |
| | | | |
| **Other aggregate exchange differences charged / credited to the income statement** | | | |
| Revenue | 223 | 232 | 4 |
| Other operating expenses | 0 | -6 | 0 |
| **Total** | **223** | **226** | **4** |

## 11 INCOME TAXES

### Income taxes in the income statement

| EUR 1,000 | 2008 | 2007 | 2006 |
|---|---|---|---|
| Current taxes | 8,981 | 5,475 | 5,281 |
| Taxes for previous financial years | -30 | 269 | -106 |
| Deferred taxes | -495 | -1,849 | 197 |
| **Total** | **8,456** | **3,894** | **5,372** |
| Effective income tax rate, % | 35.7 | 33.8 | 26.0 |

The income taxes in the consolidated income statement differ from the statutory income tax rate in Finland (26% in 2008, 2007 and 2006) as follows:

### Income tax reconciliation

| EUR 1,000 | 2008 | 2007 | 2006 |
|---|---|---|---|
| **Profit before taxes** | 23,712 | 11,537 | 20,650 |
| Income taxes at statutory tax rate in Finland (26%) | 6,165 | 3,000 | 5,369 |
| Differing tax rates of foreign subsidiaries | 154 | 58 | -139 |
| Effect of changes in income tax rates on deferred taxes | -59 | 0 | -27 |
| Tax exempt income | -54 | -1 | -327 |
| Non-deductible expenses | 2,267 | 185 | 98 |
| Tax losses and temporary differences not recognised | 288 | 311 | 222 |
| Taxes for previous financial years | -30 | 269 | -163 |
| Group eliminations | -274 | 73 | 339 |
| **Income taxes** | **8,456** | **3,894** | **5,372** |

## 12 EARNINGS PER SHARE

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Net profit for the financial year attributable to equity holders of the parent company, EUR 1,000 | 15,702 | 7,185 | 14,470 |
| During the financial year, 1,000 shares | 36,526 | 32,703 | 26,064 |
| Earnings per share, EUR/share | **0.43** | **0.22** | **0.56** |

SRV Group Plc does not have arrangements that dilute earnings per share.

## 13 DIVIDEND PER SHARE

The dividends paid in 2008 were EUR 0.12 per share, totalling EUR 4.4 million. The dividends paid in 2007 were EUR 0.12 per share, totalling EUR 3.1 million. The dividends paid in 2006 were EUR 0.08 per share, totalling EUR 2.2 million. A dividend of EUR 0.12 per share will be proposed at the Annual General Meeting on 24 March 2009 corresponding to total dividends of EUR 4.4 million. This proposed dividend is not recorded as liability in the financial statements.

# 14 PROPERTY, PLANT AND EQUIPMENT

## 2008

| EUR 1,000 | Land and water areas | Buildings and structures | Machinery and equipment | Other tangible assets | Advance payments | Total |
|---|---|---|---|---|---|---|
| Historical cost, 1 Jan | 273 | 3,056 | 10,726 | 7 | 32 | **14,094** |
| Increases | 0 | 10,105 | 2,588 | 0 | 1,000 | **13,693** |
| Decreases | 0 | 0 | -44 | 0 | -32 | **-76** |
| Reclassifications | 0 | 0 | -35 | 28 | 0 | **-7** |
| Foreign exchange differences | 0 | 82 | 78 | 0 | 0 | **160** |
| **Historical cost, 31 Dec** | **273** | **13,243** | **13,313** | **35** | **1,000** | **27,864** |
| Accumulated depreciation and impairments, 1 Jan | 0 | -686 | -5,393 | -3 | 0 | **-6,082** |
| Depreciation | 0 | -746 | -2,053 | 0 | 0 | **-2,799** |
| Accumulated depreciations of decreases | 0 | 0 | 0 | 3 | 0 | **3** |
| **Accumulated depreciation and impairments, 31 Dec** | **0** | **-1,432** | **-7,446** | **0** | **0** | **-8,878** |
| | | | | | | |
| Carrying amount, 1 Jan | 273 | 2,370 | 5,333 | 4 | 32 | 8,012 |
| **Carrying amount, 31 Dec** | **273** | **11,811** | **5,867** | **35** | **1,000** | **18,986** |

## 2007

| EUR 1,000 | Land and water areas | Buildings and structures | Machinery and equipment | Other tangible assets | Advance payments | Total |
|---|---|---|---|---|---|---|
| Historical cost, 1 Jan | 271 | 1,643 | 7,999 | 172 | 0 | **10,085** |
| Increases | 3 | 1,404 | 2,778 | 1 | 32 | **4,218** |
| Decreases | -1 | -559 | -72 | 0 | 0 | **-632** |
| Reclassifications | 0 | 568 | 21 | -166 | 0 | **423** |
| **Historical cost, 31 Dec** | **273** | **3,056** | **10,726** | **7** | **32** | **14,094** |
| Accumulated depreciation and impairments, 1 Jan | 0 | -598 | -3,971 | -37 | 0 | **-4,606** |
| Depreciation | 0 | -118 | -1,422 | -1 | 0 | **-1,541** |
| Accumulated depreciations of decreases | 0 | 39 | 0 | 35 | 0 | **74** |
| Foreign exchange differences | 0 | -9 | 0 | 0 | 0 | **-9** |
| **Accumulated depreciation and impairments, 31 Dec** | **0** | **-686** | **-5,393** | **-3** | **0** | **-6,082** |
| | | | | | | |
| Carrying amount, 1 Jan | 271 | 1,045 | 4,028 | 135 | 0 | 5,479 |
| **Carrying amount, 31 Dec** | **273** | **2,370** | **5,333** | **4** | **32** | **8,012** |

**Finance lease agreements**

SRV Group had no finance lease agreements in 2008 and 2007.

## 15 GOODWILL AND OTHER INTANGIBLE ASSETS

### 2008

| EUR 1,000 | Intangible rights | Goodwill | Other capitalised expenditure | Total |
|---|---|---|---|---|
| Historical cost, 1 Jan | 250 | 726 | 1,676 | **2,652** |
| Increases | 0 | 1,008 | 258 | **1,266** |
| Decreases | 0 | 0 | 7 | **7** |
| **Historical cost, 31 Dec** | **250** | **1,734** | **1,941** | **3,925** |
| Accumulated amortisation, 1 Jan | 0 | 0 | -1,282 | **-1,282** |
| Amortisation | 0 | 0 | -369 | **-369** |
| Accumulated depreciations of decreases | 0 | 0 | -3 | **-3** |
| **Accumulated amortisation, 31 Dec** | **0** | **0** | **-1,654** | **-1,654** |
| | | | | |
| Carrying amount, 1 Jan | 250 | 726 | 394 | **1,370** |
| **Carrying amount, 31 Dec** | **250** | **1,734** | **287** | **2,271** |

- The increase in goodwill in 2008 relates to the purchase of 30% of ownership in Erkki Huhdanpää Oy and 7.5% in SRV Keski-Suomi Ltd.

### 2007

| EUR 1,000 | Intangible rights | Goodwill | Other capitalised expenditure | Total |
|---|---|---|---|---|
| Historical cost, 1 Jan | 250 | 726 | 1,562 | **2,538** |
| Increases | 0 | 0 | 116 | **116** |
| Decreases | 0 | 0 | -2 | **-2** |
| **Historical cost, 31 Dec** | **250** | **726** | **1,676** | **2,652** |
| Accumulated amortisation, 1 Jan | 0 | 0 | -907 | **-907** |
| Amortisation | 0 | 0 | -375 | **-375** |
| **Accumulated amortisation, 31 Dec** | **0** | **0** | **-1,282** | **-1,282** |
| | | | | |
| Carrying amount, 1 Jan | 250 | 726 | 655 | **1,631** |
| **Carrying amount, 31 Dec** | **250** | **726** | **394** | **1,370** |

SRV Group's goodwill is allocated to operating segments and to cash-generating units as follows:

### Goodwill

| EUR 1,000 | **2008** | 2007 |
|---|---|---|
| Housing | | |
| SRV Asunnot Ltd | 1,734 | 380 |
| Rakennusliike Erkki Huhdanpää Oy* | 0 | 346 |
| **Total** | **1,734** | **726** |

*) The company was merged with SRV Asunnot Ltd on 31 December 2008.

**Impairment test**

The recoverable amount of cash-generating units is based on value in use calculation model in which cash flows are based on baseyear figures and on business units growing cash flows for the next 5 years strategy period. SRV's mid-term target is to reach an average annual consolidated revenue growth of about 15 per cent. SRV will seek to increase the level of operating profit and achieve an 8 per cent operating profit margin over the medium and long term. Group's objective is also to maintain the equity ratio above 30 per cent.

In the impairment test of goodwill performed in January 2009, a growth factor of 2 per cent was used and it does not exceed the actual long-term growth of the business. The main factors in impairment test are operating profit margin and discount factor. The discount factor used is the latest weighted average cost of capital (WACC) pre-tax. In the value in use calculation a WACC of 8 per cent was used. The calculation parameters of WACC are risk-free interest rate, market risk and company specific premium, industry specific beta, the cost of liabilities and equity ratio.

The recoverable amount exceeded the carrying amounts significantly in all cash-generating units with goodwill. According to the impairment tests there were no need for impairments.

**Sensitivity analysis**

The sensitivity analysis was permormed to each cash-generating unit separately. When reassessing the goodwills of the Housing unit a five (5) per cent decline in operating profit margin does not cause impairments.

The performed sensitivity analysis does not cause impairments for cash-generating units when using moderate changes in default factors.

## 16 CARRYING AMOUNTS OF FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORIES

2008

| EUR 1,000 | Financial assets and liabilities held for trading | Loans and receivables | Available-for-sale financial assets | Financial liabilities measured at amortised cost | **Carrying amounts by balance sheet item** | Fair value | Note |
|---|---|---|---|---|---|---|---|
| **Non-current financial asset** | | | | | | | |
| Long-term interest bearing receivables | 0 | 6,601 | 0 | 0 | **6,601** | 6,753 | 18 |
| Other financial assets | 0 | 0 | 4,266 | 0 | **4,266** | 4,266 | 17 |
| **Current financial assets** | | | | | | | |
| Trade receivables | 0 | 40,438 | 0 | 0 | **40,438** | 40,438 | 21,27 |
| Construction contracts | 0 | 21,874 | 0 | 0 | **21,874** | 21,874 | 21 |
| Other receivables | 0 | 15,000 | 0 | 0 | **15,000** | 15,078 | 21 |
| Derivative instruments | 9 | 0 | 0 | 0 | **9** | 9 | 29 |
| Cash and cash equivalents | 0 | 3,372 | 0 | 0 | **3,372** | 3,372 | 22 |
| **Total** | **9** | **87,284** | **4,266** | **0** | **91,558** | **91,790** | |
| **Non-current financial liabilities** | | | | | | | |
| Interest bearing liabilities | 0 | 0 | 0 | 69,358 | **69,358** | 69,987 | 25 |
| Other non-current liabilities | 0 | 0 | 0 | 390 | **390** | 390 | 26 |
| **Current financial liabilities** | | | | | | | |
| Interest bearing liabilities | 0 | 0 | 0 | 103,052 | **103,052** | 103,084 | 25 |
| Trade payables | 0 | 0 | 0 | 19,761 | **19,761** | 19,761 | 26 |
| **Total** | **0** | **0** | **0** | **192,561** | **192,561** | **193,222** | |

2007

| EUR 1,000 | Financial assets and liabilities held for trading | Loans and receivables | Available-for-sale financial assets | Financial liabilities measured at amortised cost | **Carrying amounts by balance sheet item** | Fair value | Note |
|---|---|---|---|---|---|---|---|
| **Non-current financial asset** | | | | | | | |
| Long-term interest bearing receivables | 0 | 2,709 | 0 | 0 | **2,709** | 2,734 | 18 |
| Other financial assets | 0 | 0 | 2,929 | 0 | **2,929** | 2,929 | 17 |
| **Current financial assets** | | | | | | | |
| Trade receivables | 0 | 49,871 | 0 | 0 | **49,871** | 49,871 | 21,27 |
| Construction contracts | 0 | 32,161 | 0 | 0 | **32,161** | 32,161 | 21 |
| Other receivables | 0 | 6,340 | 0 | 0 | **6,340** | 6,331 | 21 |
| Derivative instruments | 30 | 0 | 0 | 0 | **30** | 30 | 29 |
| Cash and cash equivalents | 0 | 21,407 | 0 | 0 | **21,407** | 21,407 | 22 |
| **Total** | **30** | **112,489** | **2,929** | **0** | **115,448** | **115,464** | |
| **Non-current financial liabilities** | | | | | | | |
| Interest bearing liabilities | 0 | 0 | 0 | 37,677 | **37,677** | 37,710 | 25 |
| Other non-current liabilities | 0 | 0 | 0 | 405 | **405** | 405 | 26 |
| **Current financial liabilities** | | | | | | | |
| Interest bearing liabilities | 0 | 0 | 0 | 26,511 | **26,511** | 26,504 | 25 |
| Trade payables | 0 | 0 | 0 | 25,883 | 25,883 | 25,883 | 26 |
| **Total** | **0** | **0** | **0** | **90,477** | **90,477** | **90,502** | |

- Carrying amounts of financial assets represent the maximum amount of credit risk at the balance sheet date.

## 17 OTHER FINANCIAL ASSETS

Other financial assets include both quoted and unquoted shares, which are classified as available-for-sale financial assets.

Quoted shares have been valued at fair value at the closing date and the amount is considered immaterial.

The fair values of unquoted shares cannot be determined reliably.

Unquoted shares are measured at cost less possible impairments.

| EUR 1,000 | **2008** | 2007 |
|---|---|---|
| **Carrying amount, 1 Jan** | **2,929** | **2,317** |
| Increases | 1,450 | 1,319 |
| Decreases | 0 | -663 |
| Amount of available-for-sale financial assets removed fromequity and recognised in the income statement | 0 | 0 |
| Net gains on available-for-sale financial assets | -114 | -44 |
| **Carrying amount, 31 Dec** | **4,266** | **2,929** |
| | | |
| Non-current | 4,266 | 2,913 |
| Current | 0 | 16 |
| | | |
| Quoted shares | 0 | 0 |
| Unquoted shares | 4,266 | 2,929 |

## 18 RECEIVABLES

| | Fair value | | Carrying amount | |
|---|---|---|---|---|
| EUR 1,000 | **2008** | 2007 | **2008** | 2007 |
| **Non-current receivables** | | | | |
| Loan receivables | 6,753 | 2,754 | 6,601 | 2,709 |
| **Total** | **6,753** | **2,754** | **6,601** | **2,709** |

## 19 DEFERRED TAX ASSETS AND LIABILITIES

### 2008

| EUR 1,000 | 1 Jan | Recognised in the income statement | Recognised in equity | 31 Dec |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| Tax losses | 592 | 780 | -74 | **1,298** |
| Consolidation and group eliminations | 530 | -156 | 26 | **400** |
| **Total** | **1,121** | **625** | **-48** | **1,698** |
| **Deferred tax liabilities** | | | | |
| Undistributed profits of foreign subsidiaries | 69 | -69 | 0 | **0** |
| Consolidation and group eliminations | 0 | 217 | 0 | **217** |
| Other | 73 | -18 | 0 | **55** |
| **Total** | **142** | **130** | **0** | **272** |
| **Net deferred taxes** | **979** | **495** | **-48** | **1,426** |

### 2007

| EUR 1,000 | 1 Jan | Recognised in the income statement | Recognised in equity | 31 Dec |
|---|---|---|---|---|
| **Deferred tax assets** | | | | |
| Tax losses | 162 | 430 | 0 | **592** |
| Consolidation and group eliminations | 0 | 426 | 104 | **530** |
| **Total** | **162** | **856** | **104** | **1,121** |
| **Deferred tax liabilities** | | | | |
| Undistributed profits of foreign subsidiaries | 1,031 | -1,065 | 104 | **69** |
| Other | 0 | 73 | 0 | **73** |
| **Total** | **1,031** | **-993** | **104** | **142** |
| **Net deferred taxes** | -869 | 1,849 | 0 | **979** |

- A deferred tax asset for unused tax losses of subsidiaries, EUR 378,848 (2008) and EUR 682,000 (2007), has not been recognised in the consolidated financial statements because realisation of the tax benefit in this respect is not considered probable.
- The deferred tax liability has been recognised in the consolidated financial statements in connection with for the undistributed profits of subsidiaries whose income tax is determined on the basis of profit distribution. The deferred tax liability has not been recognised when Group is able to control the timing of profit distribution and the distribution is not probable at the balance sheet date.

## 20 INVENTORIES

| EUR 1,000 | **2008** | 2007 |
|---|---|---|
| Raw materials and consumables | 1 | 46 |
| Work in progress | 100,827 | 86,657 |
| Land areas and plot-owning companies | 142,123 | 64,307 |
| Shares in completed housing corporations and real estate companies | 34,008 | 30,258 |
| Advance payments | 3,684 | 6,509 |
| Other inventories | 14,203 | 8,652 |
| **Inventories, total** | **294,847** | **196,428** |

- During the financial year 2008 there were impairment losses on inventories, EUR 276,000 and EUR 1,072,000.
- During the financial year 2007 there were no impairment losses on inventories.

## 21 TRADE AND OTHER RECEIVABLES

| | Fair value | | Carrying amount | |
|---|---|---|---|---|
| EUR 1,000 | **2008** | 2007 | **2008** | 2007 |
| Trade receivables | 40,438 | 49,871 | 40,438 | 49,871 |
| Loan receivables | 15,078 | 6,331 | 15,000 | 6,340 |
| Gross amount due from customers related to construction contracts | 21,874 | 32,161 | 21,874 | 32,161 |
| Accrued income and prepaid expenses | 1,231 | 1,876 | 1,231 | 1,876 |
| Other receivables | 8,164 | 3,927 | 8,164 | 3,927 |
| **Total** | **86,785** | **94,166** | **86,706** | **94,175** |
| Interest bearing receivables | 15,078 | 6,331 | 15,000 | 6,340 |
| Non-interest bearing receivables | 71,707 | 87,835 | 71,707 | 87,835 |
| **Total** | **86,785** | **94,166** | **86,706** | **94,175** |

In 2008 the Group's trade receivables were on average EUR 45,154,691. The trade receivables are non-interest bearing and they are normally about 30 days by age. During the financial year 2008 there were no impairment losses on trade receivables.

## 22 CASH AND CASH EQUIVALENTS

| EUR 1,000 | **2008** | 2007 |
|---|---|---|
| Cash in hand and at bank | 3,372 | 21,407 |
| **Total** | **3,372** | **21,407** |

## 23 EQUITY

### Share capital, share premium reserve and invested free equity fund

| EUR | Number of shares | Share capital | Share premium reserve | Invested free equity fund | Total |
|---|---|---|---|---|---|
| 1 Jan 2007 | 1,303,200 | 1,303,200 | 1,759,320 | - | **3,062,520** |
| **31 Dec 2007** | **36,768,468** | **3,062,520** | **0** | **87,338,104** | **90,400,624** |
| | | | | | |
| 1 Jan 2008 | 36,768,468 | 3,062,520 | 0 | 87,338,104 | **90,400,624** |
| Purchase and cancellation of treasury shares | -558,000 | | | | **0** |
| **31 Dec 2008** | **36,210,468** | **3,062,520** | **0** | **87,338,104** | **90,400,624** |

**Shares, share capital and share premium reserve**

On the 31 December 2008, the total number of SRV Group Plc's shares outstanding was 36,210,468 and the share capital amounted to EUR 3,062,520. The share has no nominal value.

The Annual General Meeting of SRV Group Plc authorised on 14 April 2008 the Board of Directors to acquire the company's own shares (treasury shares) using the company's non-restricted equity. A maximum of 3,676,846 own shares, or a lower amount that, in addition to the shares already owned by the company and its subsidiaries, is less than 10 per cent of all shares, may be acquired on the basis of the authorization. The authorisation includes the right to acquire own shares otherwise than in proportion to the holdings of the shareholders.

The company's own shares can be acquired in order to be used as part of the company's incentive programs, as payment in corporate acquisitions or when the company acquires assets relating to its business as well as to be otherwise conveyed, held or cancelled.

The authorisation is in force for 18 months from the decision of the Meeting. In 2008 SRV Group Plc acquired 407,759 own shares and SRV Kalusto Ltd acquired 150,241 own shares.

**Invested free equity fund**

Invested free equity fund consists of the net proceeds from the Offering of SRV Group Plc as well as received and cancelled SRV shares.

**Translation difference**

Translation difference comprises of the translation of financial statetements of the foreign subsidiaries to the functional currency of the parent company.

**Fair value reserve**

Fair value reserve comprises of the changes in available-for-sale financial assets.

**Dividends**

After the balance sheet date, the Board of Directors proposed a dividend of EUR 0.12 per share.

## 24 PROVISIONS

### 2008

| EUR 1,000 | Provisions for construction contracts | Other provisions | Total |
|---|---|---|---|
| **1 Jan** | 9,959 | 0 | **9,959** |
| Increase in provisions | 3,558 | - | **3,558** |
| Provisions used | -4,024 | - | **-4,024** |
| Reversals of unused provisions | -113 | - | **-113** |
| **31 Dec** | **9,380** | **0** | **9,380** |
| | | | |
| Non-current | 5,571 | - | **5,571** |
| Current | 3,809 | - | **3,809** |
| **Total** | **9,380** | **0** | **9,380** |

2007

| EUR 1,000 | Provisions for construction contracts | Other provisions | Total |
|---|---|---|---|
| **1 Jan** | 8,451 | 0 | **8,451** |
| Increase in provisions | 3,776 | - | **3,776** |
| Provisions used | -2,031 | - | **-2,031** |
| Reversals of unused provisions | -237 | - | **-237** |
| **31 Dec** | **9,959** | **0** | **9,959** |
| | | | |
| Non-current | 5,888 | - | **5,888** |
| Current | 4,071 | - | **4,071** |
| **Total** | **9,959** | **0** | **9,959** |

- Provisions for construction contracts include the contractual warranty provisions for the projects and a 10-year warranty on residential construction. The 10-year warranty provision is based on index-adjusted historical data.

## 25 INTEREST-BEARING LIABILITIES

| | Fair value | | Carrying amount | |
|---|---|---|---|---|
| EUR 1,000 | **2008** | 2007 | **2008** | 2007 |
| **Non-current** | | | | |
| Loans from financial institutions | 16,291 | 14,470 | 16,340 | 14,429 |
| Housing corporation loans | 53,696 | 23,240 | 53,018 | 23,248 |
| **Total** | **69,987** | **37,710** | **69,358** | **37,677** |

| | Fair value | | Carrying amount | |
|---|---|---|---|---|
| EUR 1,000 | **2008** | 2007 | **2008** | 2007 |
| **Current** | | | | |
| Loans from financial institutions | 95,983 | 26,504 | 95,994 | 26,511 |
| Commercial papers | 6,930 | 0 | 6,887 | 0 |
| Housing corporation loans | 171 | 0 | 171 | 0 |
| **Total** | **103,084** | **26,504** | **103,052** | **26,511** |

## 26 OTHER LIABILITIES

| | Fair value | | Carrying amount | |
|---|---|---|---|---|
| EUR 1,000 | **2008** | 2007 | **2008** | 2007 |
| **Non-current** | | | | |
| Subordinated loan | 0 | 45 | 0 | 45 |
| Other advance payments | 0 | 9 | 0 | 9 |
| Other liabilities | 390 | 360 | 390 | 360 |
| **Total** | **390** | **414** | **390** | **414** |
| **Current** | | | | |
| Trade payables | 19,761 | 25,883 | 19,761 | 25,883 |
| Advance payments related to construction contracts | 18,707 | 45,516 | 18,707 | 45,516 |
| Other advance payments | 1,827 | 138 | 1,827 | 138 |
| Other current liabilities | 7,161 | 7,241 | 7,161 | 7,241 |
| Accrued expenses and prepaid income | 19,322 | 18,134 | 19,322 | 18,134 |
| **Total** | **66,778** | **96,911** | **66,778** | **96,911** |
| **Accrued expenses and prepaid income** | | | | |
| Wages and salaries and related expenses | 6,827 | 6,780 | 6,827 | 6,780 |
| Interest and other financial liabilities | 2,419 | 799 | 2,419 | 799 |
| Periodisations of project expenses | 5,263 | 7,249 | 5,263 | 7,249 |
| Other | 4,814 | 3,305 | 4,814 | 3,305 |
| **Total** | **19,322** | **18,134** | **19,322** | **18,134** |

# 27 FINANCIAL RISK MANAGEMENT

**Interest rate risks**

Changes in interest rates on interest-bearing debts and receivables create interestrate risks. Interest-rate risk management is centralized to Group's Treasury unit. Majority of Group's interest-bearing debt is servicing short-term financing need for the construction period of Group's ongoing projects. The interest period for these loans is chosen to facilitate economic repayment or refinancing of the loans upon release of the property. Interest-bearing loan receivables relating to ongoing projects are funded with ear-marked financing arrangements to meet the on-lending terms. Interest-rate risk is monitored and measured with gap-analysis and average maturity of interest periods. Interest-rate risks are managed with the selection of interest period or with interest rate derivatives. At the end of 2008 the nominal value of interest rate swaps amounted to 18,8 million euros. Hedge accounting was not applied. Changes in interest rate levels have direct impact on Group customers' investment decisions and therefore to Group's operational cash flow. The sensitivity analysis below includes floating rate debt and loan receivables with interest period maturing within the next 12 months.

Interest-bearing debt

| | 2008 | | | | 2007 | |
|---|---|---|---|---|---|---|
| EUR 1,000 | Carrying amount | Average interest rate | Average maturity, months | Sensitivity, EUR [2] | Carrying amount | Sensitivity, EUR |
| Debt | 101,814 | 5.09% | 2.3 | 935 | 64,188 | 434 |
| Receivables [1] | 9,859 | 8.85% | 2.0 | -25 | | |

[1] At the end of 2007 there were no material interest bearing loan receivables

[2] Effect of one percentage point rise in market interest rates on the Group's interest expenses and revenue during the next 12 months. All other variables assumed unchanged.

**Interest rate risks**

The Group is exposed to currency risks relating to the international business' commercial cash flows, financing of the ongoing projects during the construction period and equity and other investments in foreign subsidiaries and project companies. The objective of currency risk management is to minimise the effect of currency fluctuation on earnings and equity. The Group targets to stay currency neutral. Open positions can be hedged with derivatives or currency loans according to Group financing policy. Currency risks are divided into transaction risk and translation risk. Transaction risk relates to business (sales and purchases) and financing (loans) cash flows in foreign or non-operational currencies. Translation risk relates to investments in foreign subsidiaries and project companies and the effect is shown in translation differences in Group consolidated equity. Translation risk relates to investments in foreign subsidiaries and the effect is shown in translation differences in Group consolidated equity. The Group is exposed to RUB, EEK and LVL risk in those entities where the operational currency is not euro.

**Sensitivity to currency fluctuation**

The sensitivity analysis illustrates the impact of currency fluctuations to Group earnings and equity. In the table below the positions are shown as net positions after matching the in- and outgoing cashflows and possible hedge transactions. At the end of 2008 there were no open hedge instruments. The positions include only financial instruments at the balance sheet date and therefore e.g. highly probable sales and purchases that could have been hedged or that could have a neutralising impact on the cashflows are not noted. A change of +/-10% is used as it is considered to be a potential change in the currency areas in question.

| EUR 1,000 | 2008 RUB | 2008 EEK | 2008 LVL | 2007 RUB | 2007 EEK | 2007 LVL | 2007 USD |
|---|---|---|---|---|---|---|---|
| Net position 1) | 366 | -16,499 | 3,849 | -10,839 | -12,331 | 10,234 | 2,975 |
| | | | | | | | |
| Impact on earnings | | | | | | | |
| euro 10% strenghtening | -110 | -1,960 | 145 | 932 | -1,605 | 422 | -183 |
| euro 10% weakening | 134 | 2,395 | -177 | -1,139 | 1,961 | -516 | 225 |
| | | | | | | | |
| Impact on equity 2) | | | | | | | |
| euro 10% strenghtening | 76 | -205 | -445 | -62 | -484 | -508 | - |
| euro 10% weakening | -93 | 251 | 544 | 76 | 591 | 621 | - |

1) Net position countervalue in euros at balance sheet date. The transaction risk and translation risk positions combined. The sign illustrates the direction of the cash flow, e.g. negative sign shows that there is more outgoing than incoming cashflow in that particular position.
2) Direct impact, effect through earnings not noted.

### Liquidity and Refinancing risks

Liquidity and refinancing risk may have an impact on Group result and cash flow if the Group is not able to secure sufficient financing for the operations. The Group maintains adequate liquidity by efficient cash management and related instruments, like committed current account overdraft limits (30 million euros). The Group has a long-term committed Revolving Credit Facility (100 million euros) and in addition to that an uncommitted Commercial Paper Programme (100 million euros) for short-term financing needs. Refinancing risk is managed by maintaining the maturity of the commited credit lines in relation to the cash flows of debt payments. The committed Revolving Credit Facility expires in year 2012. At the end of December 2008 the amount of committed credit lines and cash in hand and in bank accounts amounted to 107 million euros and committed undrawn housing and other project finanacing facilities amounted to 25 million euros. Committed credit offers amounted to 10 million euros. There are standard covenant clauses in financial contracts, the financial covenant being the equity ratio.

### Financial liabilities

| EUR 1,000 | 2008 Carrying amount | 2008 Contractual liability 1) | Maturity 2009 | 2010 | 2011 | 2012 | Later | 2007 Carrying amount | 2007 Contractual liability |
|---|---|---|---|---|---|---|---|---|---|
| Loans from financial institutions 2) | 112,334 | 118,790 | 73,037 | 12,031 | 2,459 | 12,411 | 18,852 | 40,940 | 46,470 |
| Housing loans 3) | 53,189 | 84,829 | 2,444 | 2,494 | 2,649 | 3,344 | 73,898 | 23,248 | 39,481 |
| Commercial Papers | 6,887 | 7,000 | 7,000 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subordinated loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 45 | 45 |
| Derivative liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Trade payables | 19,761 | 19,761 | 19,761 | 0 | 0 | 0 | 0 | 25,883 | 25,883 |
| Investment commitment 4) | 0 | 2,708 | 0 | 0 | 0 | 0 | 0 | 0 | 4,681 |
| **Total** | **192,171** | **233,088** | **102,242** | **14,525** | **5,108** | **15,755** | **92,750** | **90,116** | **116,560** |

1) Includes all contractual payments, e.g. interest and commitment fees
2) On the basis of contract terms committed current account overdrafts are assumed to expire later than 2012
3) Housing loans book value corresponds the sales rate. Interest payment liability is noted for the full contractual amount until the completion of the property and in proportion of the sales rate at the end of December 2007 thereafter.
4) Off-balance sheet liability

### Available liquidity reserves

| EUR 1,000 | 31 Dec 2008 | 31 Dec 2007 |
|---|---|---|
| Committed credit facility | 90,000 | 100,000 |
| Committed current account overdraft limits | 13,604 | 8,641 |
| Cash in hand and at bank accounts | 3,372 | 21,407 |
| **Total** | **106,976** | **130,048** |

- In addition to the above the Group has 25 million euros of undrawn housing loans and other project financing facilities available for selected projects. These are not included in the liquidity reserves.

### Credit risk

The Group is exposed to credit risk relating to receivables from ongoing projects, accounts receivables, loan receivables, cash investments and receivables from derivative Instrument counterparties. The Group does not have any significant investment activities or derivative instrument trading. The investments relate to daily cash management and are mainly short-term bank deposits with the Group's solid relationship banks. The Group Treasury unit is responsible for investment and derivative instrument counterparty risks in accordance with the Group financing policy approved by the Board of Directors. Business units are responsible for credit risk management relating to ongoing projects and accounts receivables in accordance with the Group credit policy which defines the requirements for credit decision process, sales terms and collection process. The Group's commercial counterparties are mainly publicly listed companies or notable institutional- and property investors. In Housing business there are mainly individuals as buyers and during 2008 some rental agreements have also been made relating to completed apartments. The same Group credit policy principles are applied to tenant selection. The loan receivables relate to financing the construction period for ongoing or development projects where the Group has also equity interest.

The credit crisis has had a limited effect to Group customers' capability to arrange financing for their payables but during 2008 the terms of some payables have been renegotiated. At the balance sheet date there were some 0,6 million euros of accounts receivables with renegotiated terms. At the balance sheet date there were some 4,8 million euros (incl. VAT) of accounts receivables under customer complaint. Based on the opinion of the business unit management no impairment has been made for these receivables. At the end of December 2008 the book value of receivables corresponds the maximum credit risk. It is estimated that the securities received, e.g. mortgages or pledged shares, do not decrease the credit risk because due to the exceptional situation prevailing at the balance sheet date it is difficult to make a reliable market valuation for these securities. There were no credit risk concentrations at the end of 2008. There were no relevant credit losses during 2008.

Ageing of accounts receivables

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Current | 27,123 | 27,576 |
| 1–30 days past due | 4,919 | 13,343 |
| 31–60 days past due | 349 | 4,910 |
| Over 60 days past due | 8,047 | 4,043 |
| **Total** | **40,438** | **49,871** |

- There were no past due receivables in any other group of financial assets.

### Price risk

At the end of December 2007 and at the end of December 2008 there were no financial instruments exposed to price risk.

### Capital risk management

The Group secures with the efficient capital structure that the group can give support to its businesses and can grow the shareholder value of the investors. The Group does not have a public rating. The capital structure of the Group is reviewed by the Board of Directors of SRV on a regular basis.

To maintain the capital structure the Group can balance the dividends or issue new shares. Additionally the Group can adjust the businesses and capital to be used to maintain the capital structure. The Group monitors its capital on the basis of equity ratio. Group's objective is to maintain the ratio of total equity to total assets less advance payments above 30 per cent. Total equity consists of equity attributable to equity holders of the parent company and minority interest.

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| Total equity | 166,609 | 158,339 |
| | | |
| Total assets | 423,829 | 331,554 |
| - Advance payments | -20,534 | -45,663 |
| | **403,295** | **285,891** |
| | | |
| **Equity ratio, %** | **41.3** | **55.4** |

## 28 OPERATING LEASES, COMMITMENTS AND CONTINGENT LIABILITIES

### Group as lessee

The future minimum lease payments under non-cancellable operating leases:

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| In less than a year | 2,391 | 1,942 |
| In more than one but less than five years | 1,829 | 2,243 |
| In more than five years | 0 | 4 |
| **Total** | **4,220** | **4,189** |

Liabilities in connection with the operating lease agreements of employee cars generally have duration of three to four years.

The Group has leased the office premises in use. The maximum duration of the operating lease agreements is 18 months. The various terms and conditions of the office premises contracts including the index, renewal and other terms differ from each other.

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| **Collateral given for own liabilities** | | |
| Real-estate mortgages given | 114,693 | 69,856 |
| Pledges given | 0 | 5,167 |

- At the end of 2007 the pledges given contained EUR 924 thousand of pledged inventories and EUR 4,243 thousand of short-term interest-bearing receivables.

| | | |
|---|---|---|
| **Other commitments** | | |
| Guarantees given for liabilities on uncompleted projects | 421 | 71,421 |
| Investment commitments given | 2,708 | 4,681 |

## 29 FAIR AND NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

| EUR 1,000 | 2008 | | 2007 | |
|---|---|---|---|---|
| | Fair values | | Fair values | |
| | Positive | Negative | Positive | Negative |
| **Hedge accounting not applied** | | | | |
| Foreign exchange forward contracts | **0** | **0** | 30 | 0 |
| Interest rate swap | **9** | **0** | 0 | 0 |
| | **9** | **0** | **30** | **0** |

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| **Nominal values of derivative instruments** | | |
| Foreign exchange forward contracts | **0** | 8,525 |
| Interest rate swap | **18,808** | 0 |
| | **18,808** | **8,525** |

- The fair values of foreign exchange forward contracts are based on market prices at the balance sheet date.
- Open foreign exchange forward contracts are hedging the financing cash flow.

## 30 ADJUSTMENTS TO CASH FLOWS FROM OPERATION

| EUR 1,000 | 2008 | 2007 | 2006 |
|---|---|---|---|
| **Non-cash transactions** | | | |
| Minority interest | -125 | -528 | -168 |
| Price difference between institutional/ retail offering and employee offering | 0 | 398 | 0 |
| Change in provisions | -578 | 1,509 | 2,955 |
| Others | 192 | 71 | 40 |
| **Total** | **-511** | **1,450** | **2,827** |

## 31 SUBSIDIARIES AND JOINT VENTURES

| Name | Domicile | Group's holding, % | Group's voting right, % |
|---|---|---|---|
| **Shares in subsidiaries** | | | |
| SRV Toimitilat Ltd | Espoo | 100.00 | 100.00 |
| SRV Asunnot Ltd | Espoo | 100.00 | 100.00 |
| SRV International Ltd | Espoo | 100.00 | 100.00 |
| Pirkanmaan Projektitoimi Oy | Tampere | 65.00 | 65.00 |
| Rakennusliike Purmonen Oy | Joensuu | 65.00 | 65.00 |
| Kiinteistöviitonen Oy | Espoo | 100.00 | 100.00 |
| SRV Kalusto Ltd | Vihti | 100.00 | 100.00 |
| Porvoon Puurakennus Oy | Porvoo | 100.00 | 100.00 |
| Rakennus Pirttimaa Oy | Hämeenlinna | 100.00 | 100.00 |
| KOy Nummelanrinne | Vihti | 100.00 | 100.00 |
| SRV Russia Ltd | Espoo | 100.00 | 100.00 |
| OOO SRV Development | St Petersburg | 100.00 | 100.00 |
| SRV Stroi OOO | Moscow | 100.00 | 100.00 |
| SRV Terbelat Sia | Riga | 100.00 | 100.00 |
| SRV Ehituse AS | Tallinn | 100.00 | 100.00 |
| TBE-Construction Oy | Espoo | 100.00 | 100.00 |
| SRV Kinnisvara AS | Tallinn | 65.00 | 65.00 |
| SRV Ballista AS | Tallinn | 55.25 | 55.25 |
| SRV Develita UAB | Vilnus | 100.00 | 100.00 |
| SRV Realty B.V | Amsterdam | 100.00 | 100.00 |
| Jupiter Realty B.V | Amsterdam | 100.00 | 100.00 |

- The Group has a 50% control in a Russian joint venture OOO MMSG. In the financial year 1 January–31 December 2008 the following assets, liabilities, income and expenses of the joint venture have been included in the Group's balance sheet and income statement: income and expenses EUR 0.0 million, assets EUR 12.0 million and liabilities EUR 0.0 million.

## 32 RELATED PARTY TRANSACTIONS

2008 Transactions between related parties

| EUR 1,000 | Selling of goods and services | Management salaries and other short-term employment- based benefits | Purchase of goods and services | Receivables | Liabilities |
|---|---|---|---|---|---|
| Management | 0 | 0 | 0 | 0 | 0 |
| Joint ventures | 3,885 | 0 | 0 | 13,334 | 0 |
| Associate company | 0 | 0 | 0 | 3,094 | 0 |
| Other related parties | 0 | 0 | 0 | 0 | 0 |
| **Total** | **3,885** | **0** | **0** | **16,428** | **0** |

## 2007 Transactions between related parties

| EUR 1,000 | Selling of goods and services | Management salaries and other short-term employment- based benefits | Purchase of goods and services | Receivables | Liabilities |
|---|---|---|---|---|---|
| Management | 19 | 1,389 | 0 | 0 | 0 |
| Joint ventures | 3,348 | 0 | 0 | 7,077 | 0 |
| Other related parties | 0 | 0 | 82 | 0 | 0 |
| **Total** | **3,367** | **1,389** | **82** | **7,077** | **0** |

## 2006 Transactions between related parties

| EUR 1,000 | Selling of goods and services | Management salaries and other short-term employment- based benefits | Purchase of goods and services | Receivables | Liabilities |
|---|---|---|---|---|---|
| Management | 1,579 | 2,283 | 0 | 338 | 0 |
| Other related parties | 14,343 | 0 | 0 | 0 | 0 |
| **Total** | **15,922** | **2,283** | **0** | **338** | **0** |

- The related parties of SRV include subsidiaries and affiliated companies as well as joint ventures, the Management and owners of SRV as well as companies controlled by the owners of SRV.
- Other related parties include transactions carried out with other companies under the control of the Group's management or with other companies under control of minority shareholders.
- Goods and services are sold to related parties at market price.
- Subsidiaries included in related parties are listed above in Section 31 Subsidiaries and joint ventures. Subsidiaries are included in the consolidated financial statements and therefore the transactions between Group companies are not included in Section 32 Related party transactions.

## Compensation to President and CEO and Board of Directors

| EUR 1,000 | **2008** | 2007 |
|---|---|---|
| Heliövaara Eero, President and CEO | 342 | 269 |
| Nieminen Timo, Deputy CEO | 177 | 149 |
| | | |
| Members of the Board | | |
| Kokkila Ilpo, Chairman | 71 | 54 |
| Kurkilahti Lasse, Vice Chairman | 58 | 31 |
| Hienonen Jukka | 47 | 24 |
| Mustaniemi Matti | 45 | 38 |
| Sarkamies Markku | 44 | 38 |
| Heliövaara Eero [*)] | 0 | 10 |
| **Members of the Board, total** | **264** | **193** |

[*)] The term of Eero Heliövaara as member of the Board of Directors ended on 13 June 2007.

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

## 33 EVENTS AFTER THE BALANCE SHEET DATE

SRV is preparing for a continued downturn in construction markets. Negotiations were initiated in January 2009 within the Group companies for adapting its operations. The Group's Finland-based companies will start codetermination negotiations concerning senior salaried employees and salaried employees. At the same time. SRV will start a similar process in the Group's foreign units. The negotiations will deal with personnel layoffl, contract terminations and adaptation measures. The personnel reduction measures are estimated to affect about 130 employees. Detailed needs and measures will be specified more accurately during the course of the negotiations.

The construction of the Kerca logistics area in Kerava developed by SRV proceeded in January. SRV signed a project management contract for the construction of Anttila's logistics centre in January 2009. Anttila's plans cover the construction of a warehouse of about 19.000 gross square metres. SRV and the city of Kerava agreed on a contract package concerning the development of the Kerca logistics area and concluded a contract for a real estate transaction of four hectares of land and a preliminary contract for an area of 22 hectares. On the first plot SRV plans to build a GCC (Grand Cargo Center) logistics building with about 20.000 square metres of floor space. Kerca occupies an area of 160 hectares on the Kerava-Vantaa border.

In January, SRV and Varma Mutual Pension Insurance Company signed the project management contract concerning the Vierumäki Congress & Resort Hotel project. SRV acts as main contractor with overall responsibility and is in charge of construction and planning. In addition to 191 hotel rooms, the four-storey hotel building includes meeting facilities, six restaurants, fitness room, bowling alley with 10-lanes, and a wellness-area. The hotel will be opened in spring 2010.

## Income statement of the parent company

| EUR 1,000 | 2008 | 2007 | 2006 |
|---|---|---|---|
| | | | |
| **Revenue** | **7,232** | **6,704** | **6,401** |
| Other operating income | 23 | 6 | 17 |
| | | | |
| Purchase during the financial year | 0 | 15,222 | 0 |
| Change in inventories, increase (-) / decrease (+) | 0 | -15,222 | 0 |
| | | | |
| Personnel costs | | | |
| Salaries and other remuneration | -4,449 | -3,944 | -4,306 |
| Indirect personnel costs | | | |
| Pension costs | -695 | -726 | -746 |
| Other indirect personnel costs | -366 | -254 | -346 |
| Depreciation and impairments | | | |
| Depreciation | -398 | -418 | -440 |
| Other operating expenses | -6,606 | -6,028 | -5,435 |
| **Operating loss** | **-5,259** | **-4,660** | **-4,855** |
| Financial income and expenses | 4,795 | -1,857 | -285 |
| **Loss before extraordinary items** | **-464** | **-6,517** | **-5,140** |
| Extraordinary items +/- | 4,432 | 21,695 | 21,160 |
| **Profit before appropriations and taxes** | **3,969** | **15,177** | **16,020** |
| Income taxes | -961 | -1,089 | -4,123 |
| **Net profit for the financial year** | **3,007** | **14,089** | **11,897** |

## Balance sheet of the parent company

| EUR 1,000 | 2008 | 2007 |
|---|---|---|
| | | |
| **ASSETS** | | |
| | | |
| **Non-current assets** | | |
| Intangible assets | 456 | 493 |
| Property, plant and equipment | 552 | 601 |
| **Investments** | | |
| Shares in group companies | 17,550 | 16,117 |
| Receivables from group companies | 900 | 855 |
| Other financial assets | 4,167 | 2,820 |
| **Non-current assets, total** | **23,626** | **20,886** |
| | | |
| **Current assets** | | |
| Inventories | 16,937 | 15,736 |
| Other receivables | 157,784 | 137,522 |
| Cash and cash equivalents | 0 | 52 |
| **Current assets, total** | **174,720** | **153,310** |
| | | |
| **ASSETS, TOTAL** | **198,346** | **174,196** |
| | | |
| **EQUITY AND LIABILITIES** | | |
| | | |
| **Equity** | | |
| Share capital | 3,063 | 3,063 |
| Invested free equity fund | 87,338 | 87,338 |
| Retained earnings | 34,138 | 26,249 |
| Net profit for the financial year | 3,007 | 14,089 |
| **Equity, total** | **127,545** | **130,738** |
| | | |
| **Liabilities** | | |
| Non-current liabilities | 5,866 | 433 |
| Current liabilities | 64,935 | 43,025 |
| **Liabilities, total** | **70,801** | **43,458** |
| | | |
| **EQUITY AND LIABILITIES, TOTAL** | **198,346** | **174,196** |

# Cash flow statement of the parent company

| EUR 1,000 | 2008 | 2007 | 2006 |
|---|---|---|---|
| **Net profit for the financial year** | **3,007** | **14,089** | **11,897** |
| Adjustments: | | | |
| Depreciation | 398 | 418 | 440 |
| Non-cash transactions | 101 | 0 | 0 |
| Financial income and expenses | -4,896 | 1,857 | 285 |
| Capital gains on sales of tangible and intangible assets | 0 | 20 | 0 |
| Income taxes | 961 | 1,089 | 4,123 |
| **Adjustments, total** | **-3,437** | **3,385** | **4,848** |
| | | | |
| Changes in working capital: | | | |
| Change in trade and other receivables | -18,754 | -81,453 | -30,257 |
| Change in inventories | -1,200 | -15,727 | 0 |
| Change in trade and other payables | 1,080 | -5,037 | 26,382 |
| **Working capital, total** | **-18,874** | **-102,216** | **-3,874** |
| | | | |
| Interest paid | -2,743 | -1,328 | -3,004 |
| Interest received | 7,460 | 3,317 | 3,912 |
| Dividends received | 390 | 85 | 183 |
| Income taxes paid | -1,063 | -3,741 | -8,665 |
| **Net cash from operating activities** | **-15,259** | **-86,410** | **5,296** |
| | | | |
| **Cash flow from investing activities** | | | |
| Acquisition of subsidiaries, net of cash | -1,328 | 0 | 0 |
| Property, plant and equipment | -71 | -157 | -358 |
| Intangible assets | -242 | -86 | -468 |
| Other financial assets | -1,493 | -5,349 | -1,384 |
| Sale of investments | 0 | 252 | 0 |
| Sale of property, plant and equipment and intangible assets | 1 | 216 | 2,365 |
| **Net cash used in investing activities** | **-3,133** | **-5,124** | **155** |
| | | | |
| **Cash flow from financing activities** | | | |
| Proceeds from share issue | 0 | 116,602 | 0 |
| Offering fees | 0 | -4,286 | 0 |
| Proceeds from loans | 7,000 | 433 | 0 |
| Repayments of loans | -167 | 0 | -60,000 |
| Change in loan receivables | -1,381 | 6,532 | 44,422 |
| Change in credit limits | 19,088 | 859 | 10,000 |
| Purchase of treasury shares | -1,787 | -29,263 | 0 |
| Dividends paid | -4,412 | -3,128 | -2,215 |
| **Net cash from financing activities** | **18,340** | **87,749** | **-7,793** |
| **Net change in cash and cash equivalents** | **-52** | **-3,785** | **-2,342** |
| Cash and cash equivalents at the beginning of financial year | 52 | 3,837 | 6,179 |
| **Cash and cash equivalents at the end of financial year** | **0** | **52** | **3,837** |

## Statement of changes in equity of the parent company

| EUR 1,000 | 2008 | 2007 | 2006 |
|---|---|---|---|
| Share capital, 1 Jan | 3,063 | 1,303 | 1,303 |
| Transfer from share premium reserve to share capital | | 1,759 | 0 |
| **Share capital, 31 Dec** | **3,063** | **3,063** | **1,303** |
| Share premium reserve, 1 Jan | 0 | 1,759 | 1,759 |
| Transfer from share premium reserve to share capital | 0 | -1,759 | 0 |
| **Share premium reserve, 31 Dec** | **0** | **0** | **1,759** |
| Invested free equity fund, 1 Jan | 87,338 | 0 | 0 |
| Share issue and employee offering | 0 | 116,602 | 0 |
| Cancellation of treasury shares | 0 | -29,263 | 0 |
| **Invested free equity fund, 31 Dec** | **87,338** | **87,338** | **0** |
| Retained earnings, 1 Jan | 26,249 | 17,480 | 8,063 |
| Profit for the previous financial year | 14,089 | 11,897 | 11,632 |
| Dividends paid | -4,412 | -3,128 | -2,215 |
| Purchase of treasury shares | -1,787 | 0 | 0 |
| **Retained earnings, 31 Dec** | **34,138** | **26,249** | **17,480** |
| **Net profit for the financial year** | **3,007** | **14,089** | **11,897** |
| **Equity, 31 Dec** | **127,547** | **130,738** | **32,439** |
| **Statement of distributable funds at 31 Dec** | | | |
| Invested free equity fund, 1 Jan | 87,338 | 87,338 | 0 |
| Retained earnings | 40,337 | 26,249 | 17,480 |
| Dividends paid | -4,412 | -3,128 | 0 |
| Purchase of treasury shares | -1,787 | 0 | 0 |
| Net profit for the financial year | 3,007 | 14,089 | 11,897 |
| **Distributable funds, 31 Dec** | **124,484** | **124,548** | **29,377** |

# SIGNATURES TO THE FINANCIAL STATEMENTS AND REPORT OF THE BOARD OF DIRECTORS, AUDITOR'S NOTE

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

Espoo, 10 February 2009

Ilpo Kokkila
Chairman

Lasse Kurkilahti
Vice Chairman

Jukka Hienonen

Matti Mustaniemi

Markku Sarkamies

Eero Heliövaara
President and CEO

## Auditor's note

The report of the audit conducted by us has been submitted today.

Espoo, 10 February 2009

Jarmo Lohi
Authorised Public Accountant

# AUDITOR'S REPORT

## To the Annual General Meeting of SRV Yhtiöt Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of SRV Yhtiöt Oyj for the year ended on 31 December, 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

### THE RESPONSIBILITY OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

### AUDITOR'S RESPONSIBILITY

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

### OPINION ON THE COMPANY'S FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

In our opinion, the financial statements, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Espoo 10 February, 2009

Jarmo Lohi
Authorized Public Accountant

# GROUP AND SEGMENT INFORMATION BY QUARTER (UNAUDITED)

## Revenue

| EUR million | IFRS Q4/2008 | IFRS Q3/2008 | IFRS Q2/2008 | IFRS Q1/2008 | IFRS Q4/2007 | IFRS Q3/2007 | IFRS Q2/2007 | IFRS Q1/2007 |
|---|---|---|---|---|---|---|---|---|
| Business Premises | 77.9 | 74.3 | 92.2 | 104.8 | 103.2 | 90.6 | 82.2 | 69.4 |
| Housing | 33.3 | 31.4 | 37.1 | 26.0 | 43.5 | 35.5 | 43.9 | 40.1 |
| International | 10.2 | 21.0 | 13.1 | 15.7 | 18.8 | 8.5 | 14.0 | 11.9 |
| Other operations | 3.0 | 2.7 | 2.8 | 2.9 | 2.7 | 2.5 | 4.0 | 1.9 |
| Eliminations | -3.1 | -2.7 | -2.9 | -2.9 | -2.7 | -2.6 | -4.2 | -1.9 |
| **Group, total** | **121.4** | **126.7** | **142.4** | **146.4** | **165.5** | **134.6** | **140.0** | **121.4** |

## Operating profit

| EUR million | IFRS Q4/2008 | IFRS Q3/2008 | IFRS Q2/2008 | IFRS Q1/2008 | IFRS Q4/2007 | IFRS Q3/2007 | IFRS Q2/2007 | IFRS Q1/2007 |
|---|---|---|---|---|---|---|---|---|
| Business Premises | 6.0 | 3.7 | 9.9 | 8.2 | 4.7 | 6.8 | 3.6 | 2.9 |
| Housing | -1.2 | 0.5 | 0.9 | 0.4 | 2.8 | 3.0 | 2.9 | 2.0 |
| International | -2.7 | 10.8 | -0.1 | 1.2 | -9.4 | -1.7 | 1.8 | -0.9 |
| Other operations | -1.4 | -1.0 | -1.6 | -0.9 | -1.1 | -0.5 | -1.1 | -0.4 |
| Eliminations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.4 | 0.0 |
| **Group, total** | **0.7** | **14.1** | **9.2** | **8.9** | **-2.9** | **7.6** | **6.8** | **3.6** |

## Operating profit

| % | IFRS Q4/2008 | IFRS Q3/2008 | IFRS Q2/2008 | IFRS Q1/2008 | IFRS Q4/2007 | IFRS Q3/2007 | IFRS Q2/2007 | IFRS Q1/2007 |
|---|---|---|---|---|---|---|---|---|
| Business Premises | 7.8 | 4.9 | 10.8 | 7.8 | 4.5 | 7.5 | 4.4 | 4.2 |
| Housing | -3.6 | 1.7 | 2.5 | 1.6 | 6.5 | 8.5 | 6.5 | 4.9 |
| International | -26.5 | 51.5 | -0.9 | 7.9 | -49.9 | -19.9 | 12.7 | -7.8 |
| **Group, total** | **0.6** | **11.1** | **6.4** | **6.1** | **-1.8** | **5.7** | **4.8** | **2.9** |

## Profit before taxes

| EUR million | IFRS Q4/2008 | IFRS Q3/2008 | IFRS Q2/2008 | IFRS Q1/2008 | IFRS Q4/2007 | IFRS Q3/2007 | IFRS Q2/2007 | IFRS Q1/2007 |
|---|---|---|---|---|---|---|---|---|
| Business Premises | 5.5 | 2.9 | 9.2 | 8.3 | 4.3 | 6.4 | 3.7 | 3.0 |
| Housing | -2.4 | -0.7 | -0.2 | -0.5 | 1.9 | 2.2 | 2.3 | 1.5 |
| International | -5.3 | 8.7 | -1.5 | 0.2 | -11.5 | -1.4 | 1.6 | -1.1 |
| Other operations | -0.5 | 0.2 | -0.5 | 0.3 | -0.2 | 0.5 | -0.9 | -0.3 |
| Eliminations | 0.2 | 0.0 | -0.2 | 0.1 | 0.2 | 0.1 | -0.7 | 0.0 |
| **Group, total** | **-2.6** | **11.2** | **6.8** | **8.3** | **-5.2** | **7.8** | **6.0** | **3.0** |

## Profit before taxes

| % | IFRS Q4/2008 | IFRS Q3/2008 | IFRS Q2/2008 | IFRS Q1/2008 | IFRS Q4/2007 | IFRS Q3/2007 | IFRS Q2/2007 | IFRS Q1/2007 |
|---|---|---|---|---|---|---|---|---|
| Business Premises | 7.1 | 3.9 | 9.9 | 8.0 | 4.2 | 7.1 | 4.5 | 4.3 |
| Housing | -7.3 | -2.1 | -0.5 | -2.0 | 4.3 | 6.1 | 5.3 | 3.8 |
| International | -51.9 | 41.6 | -11.8 | 1.1 | -60.9 | -16.7 | 11.2 | -9.6 |
| **Group, total** | **-2.1** | **8.8** | **4.8** | **5.7** | **-3.2** | **5.8** | **4.3** | **2.5** |

## Order backlog

| EUR million | IFRS 31 Dec 2008 | IFRS 30 Sep 2008 | IFRS 30 Jun 2008 | IFRS 31 Mar 2008 | IFRS 31 Dec 2007 | IFRS 30 Sep 2007 | IFRS 30 Jun 2007 | IFRS 31 Mar 2007 |
|---|---|---|---|---|---|---|---|---|
| Business Premises | 265.7 | 228.8 | 291.1 | 235.2 | 302.8 | 360.2 | 323.4 | 326.0 |
| Housing | 154.0 | 186.3 | 186.8 | 182.4 | 174.6 | 128.2 | 129.7 | 143.0 |
| International | 35.6 | 40.2 | 43.2 | 33.7 | 51.3 | 57.9 | 64.4 | 38.0 |
| **Group, total** | **455.3** | **455.2** | **521.1** | **451.3** | **528.7** | **546.3** | **517.4** | **507.0** |

## Group key figures

| EUR million | IFRS Q4/2008 | IFRS Q3/2008 | IFRS Q2/2008 | IFRS Q1/2008 | IFRS Q4/2007 | IFRS Q3/2007 | IFRS Q2/2007 | IFRS Q1/2007 |
|---|---|---|---|---|---|---|---|---|
| Revenue | 121.4 | 126.7 | 142.4 | 146.4 | 165.5 | 134.6 | 140.0 | 121.4 |
| Operating profit | 0.7 | 14.1 | 9.2 | 8.9 | -2.9 | 7.6 | 6.8 | 3.6 |
| Financial income and expenses, total | -3.3 | -2.9 | -2.4 | -0.6 | -2.3 | 0.2 | -0.8 | -0.6 |
| Profit before taxes | -2.6 | 11.2 | 6.8 | 8.3 | -5.2 | 7.8 | 6.0 | 3.0 |
| | | | | | | | | |
| Order backlog | 455.3 | 455.2 | 521.1 | 451.3 | 528.7 | 546.3 | 517.4 | 507.0 |
| | | | | | | | | |
| Earnings per share, EUR | -0.06 | 0.21 | 0.12 | 0.16 | -0.17 | 0.14 | 0.18 | 0.07 |
| Equity per share, EUR | 4.54 | 4.61 | 4.40 | 4.38 | 4.22 | 4.33 | 4.46 | 2.29 |
| Share price, EUR | 3.47 | 4.19 | 5.28 | 5.55 | 5.02 | 8.10 | 10.10 | - |
| | | | | | | | | |
| Equity ratio, % | 41.3 | 45.9 | 44.9 | 52.1 | 55.4 | 60.9 | 59.4 | 33.2 |
| Net interest bearing debt | 169.4 | 127.9 | 122.4 | 76.1 | 43.2 | 19.8 | -10.4 | 52.5 |
| Gearing, % | 85.1 | 74.1 | 74.8 | 46.3 | 27.3 | 12.2 | -5.8 | 82.9 |

## Invested capital

| EUR million | IFRS 31 Dec 2008 | IFRS 30 Sep 2008 | IFRS 30 Jun 2008 | IFRS 31 Mar 2008 | IFRS 31 Dec 2007 | IFRS 30 Sep 2007 | IFRS 30 Jun 2007 | IFRS 31 Mar 2007 |
|---|---|---|---|---|---|---|---|---|
| Business Premises | 63.9 | 63.5 | 51.2 | 43.7 | 33.4 | 44.4 | 60.7 | 40.1 |
| Housing | 138.9 | 115.9 | 105.3 | 97.0 | 81.5 | 72.2 | 60.6 | 39.5 |
| International | 138.6 | 143.9 | 145.1 | 115.1 | 101.3 | 65.3 | 58.6 | 29.9 |
| Other operations and eliminations | -2.0 | -16.6 | -5.4 | 4.0 | 6.7 | 25.3 | 58.5 | 23.0 |
| **Group, total** | **339.4** | **306.6** | **296.2** | **259.8** | **222.9** | **207.3** | **238.3** | **132.6** |

## Housing

| Finland, pcs | Q4/2008 | Q3/2008 | Q2/2008 | Q1/2008 | Q4/2007 | Q3/2007 | Q2/2007 | Q1/2007 |
|---|---|---|---|---|---|---|---|---|
| Start-ups | 0 | 49 | 53 | 8 | 155 | 31 | 77 | 100 |
| Sold | 13 | 32 | 63 | 33 | 40 | 62 | 83 | 103 |
| Completed | 260 | 260 | 229 | 125 | 519 | 389 | 132 | 81 |
| Completed and unsold [1] | 133 | 140 | 128 | 105 | 80 | 71 | 30 | 18 |
| Under construction [1] | 265 | 251 | 247 | 298 | 415 | 382 | 593 | 613 |

[1] At the end of the period.

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