

P R O H A

Business Review 2006



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# Proha in Brief

Proha is one of the leading providers of enterprise level project management software and services. We support customers executing projects and managing project business by providing a comprehensive set of tools and services with the best project management practices. In 2006, the net sales for the continuing operations of Proha Group were EUR 41.0 million (EUR 26.4 million in 2005). Currently Proha Group employs over 300 people worldwide.

# Investor Information

Proha's Annual Report is published in Finnish and English on the Internet. The Finnish language version can be found at [www.proha.fi](http://www.proha.fi) and the English language version at [www.proha.com](http://www.proha.com).

Proha reports on its financial development quarterly in accordance with the International Financial Reporting Standards (IFRS).

The Interim Reports during the year 2007 will be published as follows:

- 1-3/2006 Thursday, May 3, 2007
- 1-6/2006 Thursday, August 9, 2007
- 1-9/2006 Thursday, November 1, 2007

Interim reports will not be printed, but will be available in English on the Internet at [www.proha.com](http://www.proha.com) and in Finnish at [www.proha.fi](http://www.proha.fi).

You can also order the Annual Report and Interim Reports by phone at +358 (0)20 4362 000 or fax at +358 (0)20 4362 500, or by e-mail at [info@proha.com](mailto:info@proha.com).

## Proha Group Key Figures

<b>Continuing operations of Proha Group</b>	Jan. 1 - Dec. 31, 2006	Jan. 1 - Dec. 31, 2005
Net sales, EUR million	41,0	26,4
change %	55,3 %	-
Operating Result, EUR million	-0,3	-1,4
% of net sales	-0,8%	-5,3%
Result before taxes, EUR million	-0,6	-1,7
% of net sales	1,5%	-6,4%
Result for the financial year, EUR million	-1,1	-1,9
% of net sales	-2,7%	-7,2%
Earnings per share, EUR	-0,018	-0,032
P/E ratio, EUR	2,23	-3,66
Equity per share, EUR	0,25	0,26
Dividend per share, EUR	0,00	0,00
Personnel, average	302	216

# Year 2006

## in Brief



Year 2006 has been a year of major restructuring for the Proha Group. Divesting Artemis sub-group in summer of 2006 decreased the Group net sales but improved the financial position of Proha. Acquiring the business operations and international subsidiaries of Norwegian Fabcon increases the size and strengthens the international presence of Proha's oil and gas market related project management services business.

The new structure created by these transactions and the strong balance sheet of the company enable growth and improved profitability for the continuing operations. In the fall of 2006 formulated new strategy that focuses on project management and emphasizes international growth and group synergies while streamlining the group structure and management.

The reorganized Proha Group consists of two divisions:

- Dovre Consulting and Services division and
- Safran Systems division.

Dovre Consulting and Services division provides project and supply chain management consulting and services. The software business of Proha was combined into new Safran Systems division that develops, sells and supports project management software and helps the customers fully benefit from them in their business operations.

As part of the new strategy the new SafranOne software platform and new Safran Portal solutions integrate Microsoft Project and Portfolio products, Proha's Safran software products and Microsoft's latest Internet technologies. SafranOne provides advanced software architecture for sustainable solution delivery to customers.



Pekka Pere  
President and CEO  
Proha Plc

# Chief Executive Officer's Review

The year 2006 was a year of change at Proha. Divestment of Artemis and acquisition of Fabcon meant a considerable change for Proha Group. The new strategy and group structure show us new direction that will take us back on track to growth and profitability. Now after the big changes, our organization can focus on development and sales of better software and on providing better services for our customers.

Proha is one of the leading software and service companies specializing in project management. We have more than 20 years experience in project management and also our new strategy stands on this solid foundation. We support customers executing projects and managing project business by providing a comprehensive set of tools and services with the best project management practices.

## Clear and Cost-Effective Group Structure

We revised our strategy in the fall of 2006. The new strategy supports the natural structure of the Group. Dovre Consulting and Service division focuses on project management and supply chain management services globally. At the core of Dovre's business are the large globally operating oil companies and other organizations commissioning large projects. Dovre has years of experience in the field and they are one of the largest consulting companies in their sector in Norway.

The business of Safran Systems division is in development and sales of project management software as well as in the consultancy and training that supports the implementation of software and

project management methods in organizations. Following the divestment of Artemis, the year 2006 was time for development of SafranOne product and establishing a new product strategy based on Microsoft cooperation. Safran Systems division integrates own product development with technologies of selected partners making the products compatible with many of the widely used systems on the market. Safran product platform covers all the main standardized processes of project management. Proha is a Microsoft Gold Certified partner and Safran is one of the few official international launch partners for Microsoft Project 2007.

Our strategy also responds to the changes in technology and project management software markets. Our new software will integrate seamlessly with the technologies already operating within companies. Project management software no longer are isolated units but they are a natural part of software systems and interaction among people, companies and organizations.

## Improved Profitability

Following the restructuring with divestment of loss generating parts of the Group, a considerable profit was recognized. Together with improving profitability of the remaining parts of the Group, the Group operating profit was as much as EUR 11.6 million. With the new structure the continuing operations developed positively. The Group net sales excluding the divestments grew by 55% and were EUR 41 million in 2006. Majority of the net sales were generated by Dovre's services for the oil and gas industry, but the business of Safran Systems division focusing on project management software is developing rapidly.

## Controlled Growth

The new strategy aims also at planned and controlled growth. On one hand the strong market situation is expected to bring steady organic growth in the oil and gas sector relying on long term investments. On the other hand inorganic growth is sought through series of acquisitions that will bring new know-how,

resources and customers to the Group. When successful these acquisition will bring faster growth in a short term and increased growth potential in long term for the Group. As a start Proha acquired a minority share of Datatron Oy that is a Microsoft partner in project management training and tailored software.

## Modern Technology, New Products, Strong Partners

In the fast changing world of software technology partnering with the leading strong players in the field is essential for us. During its more than twenty years history Proha has adopted its technology offering to meet the market needs. We have kept up with the times and abreast of technology development thus providing continuum for the business. Also our customers value our professional know-how and we have many customers with whom the cooperation has continued for nearly as long as we have been in business. Long term cooperation is made possible by reliable operation and up-to-date know-how and technology.

In 2006 we were once again going through a phase of changing technologies. We succeeded in modernizing our product offering and improving our profitability as well as in increasing the net sales in project management services. Next year the technology modernization continues and we will be creating a basis for our growing software business. Dovre Consulting and Services division continues its steady growth. The biggest change is behind us and now we are building a good future with a good tempo.

This past year has been time for reforms and I wish to express my gratitude for our personnel that has toiled persistently for the future of Proha. I also thank our customers and partners for the fruitful cooperation. The reformed Proha continues to be the reliable project management professional that provides strong know how and excellent products to its customers helping them with their business projects.





# Proha Strategy

## Aims at Profitable Growth

Last year Proha took two significant steps to alter the direction of Group's development. Divestment of loss-generating Artemis sub-group cut the Group's net sales, but restored its financial health. The Group's position in the oil and gas sector was strengthened when the Norwegian subsidiary Dovre International acquired the business operations and international subsidiaries of Fabcon Management.

Proha's strategy was renewed to correspond the changed situation and to take the Group back on track of growth and profitability. The reforms respond also to the changes in technology and business environment. However, the strong project management know-how remains the strategic cornerstone of Proha.

### New Group Structure and Increased Synergies

The Group structure was clarified by establishing two business divisions, Dovre Consulting and Services division and Safran Systems division.

Both Safran Systems division and Dovre Consulting and Services division focus on profitable international growth. The divisions utilize synergies generated from project management know-how, software, distribution channels and customer base. On both sides of the business, the further integration of services and systems will improve Proha's competitiveness and increase the value delivered to customers. At present oil and gas industry companies represent the majority of customer base for both divisions.

### Dovre Consulting and Services

Dovre Consulting and Services division provides project and supply chain management consulting and services.

Dovre Consulting and Services division consists of Dovre International AS and the acquired Fabcon companies. Dovre is a leading project management and supply chain management consultancy and service provider for large customers globally. Dovre aims at increased market share in the industries outside oil and gas sector while maintaining the leading position in the Norwegian oil and gas industry and strengthening the international business in the field. Currently Dovre employs nearly 270 people in nine countries.

### Safran Systems

Safran Systems division develops and sells world class project management software and provides support for them.

Customers use the project management software developed by Safran Systems division both for management of industrial investment projects, and for management of project organizations. Safran Systems division integrates its own innovations with technologies of selected partners making the products compatible with many of the widely used systems on the market. Safran Systems provides added value for existing project management and ERP systems by extending their functionalities and life cycles. Safran product platform covers all the main standardized processes of project management.



Microsoft project management and collaboration tools are one of the division's focus areas. Proha is a Microsoft Gold Certified partner.

The operations and products of Proha's Norwegian subsidiary Safran Software Solutions AS, Finnish subsidiary Datamar Oy as well as the Proha Mobile Business Unit are organized as Safran Systems division. The new integrated and internationally operating division is better positioned to serve our current and new customers worldwide.

## Growth Also through Acquisitions

In the coming years Proha will expand its international business further both through organic growth and through acquisitions to extend its service network. The growth through a series of structured acquisitions is intended to be gained at a low risk level by maintaining a moderate level of capital employed and not committing the group's cash funds extensively.

Proha is one of the leading providers of enterprise level project management software and services. We support customers executing projects and managing project business by providing a comprehensive set of tools and services with the best project management practices. Our operations are international with largest business units in Norway, USA, Canada and Finland.

## The leading principles of Proha's software business

- 1) Focused, affordable and fast product development based on cooperation between Nordic innovation teams, Asian development teams and the Group's project management specialists
- 2) Range of services supporting the software customers
- 3) International sales organized according to customers
- 4) Close cooperation with few selected partners, including Microsoft



# Dovre Consulting and Services

## Division

Proha's Dovre Consulting and Services division provides project management and supply chain management consulting and services. Dovre Consulting and Services division is a major provider of project management and supply chain management consulting and services for large internationally operating customers. The division consists of Dovre International AS and Fabcon companies acquired by Dovre in 2006. Fabcon and Dovre have offices in Stavanger, Oslo, Bergen, Houston, St. John's and Alberta and branch offices in Great Britain, France, Russia, Singapore, Korea and Nigeria. Dovre Consulting and Services division accounted for 93% of Proha Group's net sales in 2006.

The net sales and profitability of Dovre Consulting and Services division developed positively in 2006. The division's net sales grew by 56% and were EUR 38.1 million (EUR 24.5 million in 2005). Acquisition of Fabcon sped the growth for its part and expanded the division's international operations considerably. Fabcon had operations in eight countries around the world in 2006.

Largest customers for Dovre Consulting and Services division are ExxonMobil (Global Services), Statoil, Norks Hydro and BP. The long term frame agreements with these large oil and gas industry customers cover most of the business. Examples of customers outside the oil and gas industry are Norwegian Ministry of Finance and Statkraft. In 2006 Dovre also gained several new customers many of whom are companies developing new technology in oil and gas industry, e.g. Sea Metric International,

Aker Floating Production, MPF Corp. and Sevan Marine.

Currently Dovre Consulting and Services division employs close to 270 people in nine countries. Dovre's employees are professionals in project and supply chain management with both qualified educational background and international experience.

The general outlook is good for business development of Dovre Consulting and Services division. In Northeastern Canada projects will be completed and that will temporarily cause decline in the service business in Canada. Initiation of new projects in Alberta Canada are targeted to replace the completed projects. In other locations around the world the consulting and services business is anticipated to develop favorably. In addition to further development within oil & gas in Norway and internationally, Dovre aims at an increased market share outside oil and gas.

### Our Job Is to Make Projects Succeed

Dovre Consulting and Services division provided comprehensive services for both management of individual projects and project portfolios. We have extensive experience in supporting customers thorough the entire project life span, from initiation to quality assurance.

Key areas within project management are:

- Project Management
- Construction Management

- Technology Management
- Project Commissioning Management
- Project Control including cost and planning
- Project Risk Management
- Project Quality Management
- Project Health, Safety and Environmental (HES) Management

### Professional Supply Chain Management Enhances Investment Productivity and Saves Customer's Costs

Dovre Consulting and Services division provides supply chain management in all its phases from building a strategy to its implementation. Our business covers the full array supply chain projects from single project supply chain management to comprehensive project portfolio procurement management. Our extensive experience gives us solid professional support to operate boldly and innovatively.

Dovre International's supply chain management customers come from various industries in the offshore, public and traditional industry sectors. We cover all categories of procurement, from non-strategic procurement to project procurement in large, complex contracts. We have used our competence to make contributions to projects from the smallest to the largest in Europe.

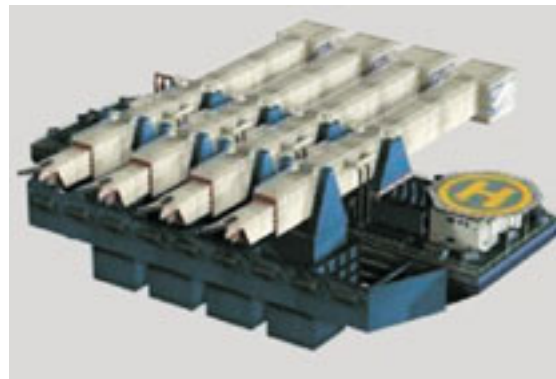
Key areas are:

- Market analysis
- Procurement strategy
- Contract formulation
- Tender evaluation
- Contract management
- Dispute resolution

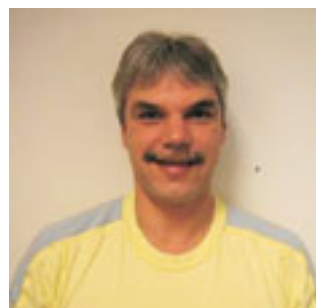
### Examples of Customer Projects

In 2006 oil and gas sector accounted for approximately 90% of Dovre Consulting and Service division's business. The operations of Fabcon companies acquired in 2006 are fully focused on oil and gas sector. In 2006 the investment level in oil and gas industry has remained record high. A considerable share of Dovre's services are covered by long term frame agreements with the large customers and the level of employment for the consultants has been high.

**SeaMetric International AS** is a private company founded in March 2000, with the purpose of developing a revolutionary simple marine heavy lift system based on a new invention.



The Twin Marine Lifter can be used for both removal and installation of platform topsides, jackets, sub sea installations, boats or similar objects. The vessels will have a DP Class 3 capability, and will have accommodation facilities and a helideck.



**Svein Syslak** of Dovre is currently assigned to SeaMetric International to manage all their engineering activities.

## Supply Chain management project

In the city of Oslo, Waste-to Energy Agency (EGE) is producing power and district heating from waste. In addition to operating existing facilities EGE is building a new production plant for industrial utilisation of household-waste. Estimated total cost is NOK 1.2 billion. Dovre's **Oddgeir Tryti** acts as Procurement Manager for EGE. He has a comprehensive experience within supply chain management with specialisation in contracting for public sector and infrastructure projects.

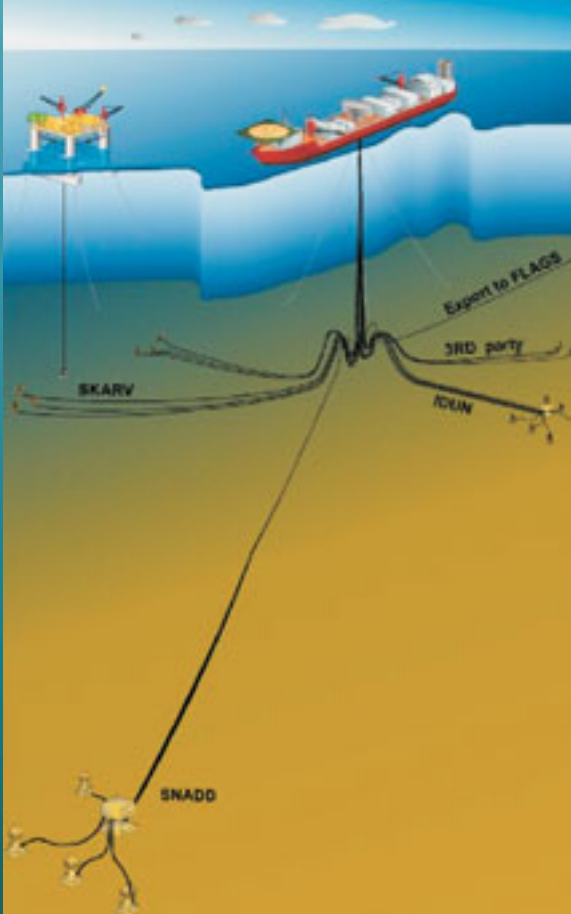


## Project Commissioning Tordis IOR Project



Tordis oil field was discovered in 1987. Feasibility studies concluded that there was a potential to increase recovery from Tordis using a two step approach. Research showed that the production could be increased in two phased project that started in summer 2006 and will end at the estimated start of production in October 2007. Dovre's **Steinar Martinsen** is acting as Commissioning manager. He is responsible for planning and preparation for offshore commissioning and execution of offshore commissioning and handover to operation.





## Project Contract Management

The **Skarv-Idun** development consists of a new built floating production and storage operation unit (FPSO) and subsea infrastructure. The first production of the FPSO is scheduled for 2011. Skarv and Idun fields are operated by BP, Statoil, Norske Shell AS, ExxonMobil, Shell and Norsk Hydro.



**Brian Walmsley** is specialized in contract management. In Norway he has been assisting BP with their large contracts.







**Odd Andreassen.** Odd joined Dovre in 2005 and currently is engaged as Senior Planner within Norsk Hydro, dividing his time between three different projects. Planning tools utilized includes Microsoft Project, Microsoft Project Office and Primavera.

**PROJECTS:**

1. Troll Future Development Project, a joint Hydro/Statoil project to increase production and extend the lifetime of the field.
2. Development of an international onshore oil and gas field. The project includes drilling, construction of a gas and oil separation plant, and pipelines.
3. Implementation of Microsoft Project Office in Norsk Hydro.



## Projects in Canada

In 2006 Dovre's company in Canada, Fabcon Canada has had most of its business related to oil and gas projects in the East coast. The year has been very busy during finalisation of several projects in St. Johns. The activity in East coast will be reduced because of lesser projects during 2007 and the company therefore during late fall established a new office in Alberta targeting the Oil Sands projects in North-East Canada.

Fabcon Canada Limited provides Drilling Supervision and HSE Management services for Chevron Canada Ltd's project. The Orphan Basin oil field is located in the North Atlantic approximately 300 kilometers off the coast of Newfoundland. The project size is approximately USD 200 million.



Fabcon Canada Limited have provided Husky Energy Ltd with multiple project services for various phases of its White Rose project. The size of White Rose project is over USD 3 billion.

## From USA the Operations Span Around the World

The main business in the US is generated from the major oil and gas companies like ExxonMobile, ConocoPhillips and ChevronTexaco. After the purchase of Fabcon, Dovre now holds a global frame agreement within project management with ExxonMobile. In 2006 the services provided through this agreement were carried out in the USA, Russia, Nigeria, Spain, Italy, Korea, Norway and Canada. Fabcon's consultants based in USA have been involved in the ExxonMobile's Sakhalin project.

## Agbami Project in Nigeria

The Agbami project off the coast of Nigeria is operated by Chevron and its partners. Currently Agbami is one of the largest projects in Nigeria. In the project the FPSO is built by Daewoo yards in Korea, the subsea equipment are responsibility of FMC Technologies, Inc with its units in USA, Norway and Nigeria. Also Dutch SBM and French Technip are involved in the project.


Dovre's **Lasse Kirkhus** is working with the Agbami project in FMC. His work consist of keeping up with cost and planning issues and follow-up of all the sub-contractors.



The picture shows Subsea Trees ready to be shipped from Houston to Nigeria







# Safran Systems Division

Safran Systems division develops and sells project management software that our customers will use both for management of industrial investment projects, and for management of project organizations. When the operations of a company or an organization need to be reorganized, their productivity improved or when a new business is being developed, the products and services of Safran Systems division offer tools and methods for their accomplishment. Safran Systems provide added value for existing project management and ERP systems by extending their functionalities and life cycles.

Safran Systems division that operates internationally was established in 2006 when Proha's software business was reorganized. The products and services of Proha's Norwegian subsidiary Safran Solutions AS, Finnish subsidiary Datamar Oy and Mobile Business Unit were organized under the new division. The new internationally operating division is better able to serve both present and future customers globally.

## Proha-Microsoft Cooperation Brings Customers Flexibility and Security in Delivery

Proha is a Microsoft Gold Certified partner within the field of project management and portfolio management solutions. Safran Systems division integrates its own innovations with technologies of

selected partners making the products compatible with many of the widely used systems on the market. The cooperation between Proha and Microsoft brings added security in delivery and flexibility in the implementation projects of Microsoft based project and portfolio management solutions.

As a Microsoft partner Proha also offers implementation and training services for Microsoft Office Project, Project Server and Portfolio Server tools.

## New Safran Software Products are Made to Meet the Customer Needs

Safran project management software and components improve the customers' business processes and enhance the use of their systems through generally accepted project management methods. The software solutions are organized in two groups, industrial investment projects and projects requiring management of professionals in person work intensive projects. The project management software solutions are assembled from software components and related services selected by the customers according to their needs.

As part of the new strategy Proha decided to commercialize a new software product line that is developed by Proha's development organization in Finland and in Asia. In 2006 SafranOne product concept was developed towards function specific

solutions. SafranOne is a technical platform used for various portal solutions developed separately. In the fourth quarter of 2006 the development of Safran Portal for Knowledge Projects was initiated aimed at project management of knowledge work. Other members of the family of products are Safran Portal for Investment Projects and Safran Portal for Project Portfolios. Proha products utilize the latest and most widely used technology available on the markets.

## Development of Familiar Safran Project and Safran For Microsoft Project Continues

Also new version of Proha's previously developed software solutions Safran Project and Safran for Microsoft Project were introduced to the markets. The close cooperation with Microsoft is continuing with the latest version of Safran for Microsoft Project being introduced to the markets simultaneously with Microsoft Project 2007 software.

Safran Project is a project schedule and resource management software designed for project professionals to manage large and complex project schedules and resources. The software is especially suited for the management of large construction, offshore and ship building projects. Safran for Microsoft Project is a component for Microsoft Office environment allowing the use of Safran Project reporting through Microsoft Project.

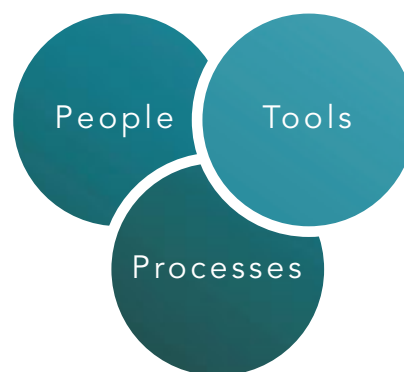
## Fast and Easy Connection to ERP and Project Management Systems

Based on Proha's own intelligent SMS solution Mobile Workflow Manager Proha's subsidiary Datamar Oy has made applications for various uses where ease of communication and two-way SMS dialogues are needed. Upgrading alert level for rescue personnel, Microsoft Outlook/Exchange™ integration for communication of meeting reservations, application for allocation of urgent maintenance work and polling applications for customer service operations are examples of versatile intelligent SMS applications.

RescuePlanner developed by Proha's Datamar is used by e.g. Helsinki Rescue Department, Tampere Regional Rescue Department and Oulu - Koillismaa Regional Rescue Department in Finland. In 2006 the development of the software continued with a new version 3.2.

## Project Management Training and Consulting Services

Proha's project management professionals have extensive experience of various areas of application and various organizations. We are committed to enhancing our customers' project management. We offer a comprehensive selection of services that help personnel to improve their project management skills, refine organizational practices and processes as well as implement the best project management software tools to support project management.



With the help of our training services it is possible for the personnel to improve their project management skills, support the development of project management processes and to adopt mutually accepted practices within the organization.

Proha's project management consulting services help customers to succeed in their projects and to manage their projects effectively following good governance practices. The principle in Proha's model to advance project management is to create a distinct and controlled pathway from the organization's present status to the targeted state of project management and to divide the progress in controlled phases.



# Corporate Governance

Proha Plc follows the recommendations of the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industries and Employers (presently Confederation of Finnish Industries EK) regarding the corporate governance of publicly held companies. Proha makes one deviation from the recommendation:

A share-based bonus system may also be applied to those members of the Board, who do not have an employment relationship with the company.

## Group structure

Proha Group consists of two divisions: Dovre Consulting and Services division and Safran Systems division.

### **Dovre Consulting and Services Division**

Dovre Consulting and Services division provides project and supply chain management consulting and services. Dovre Consulting and Services division consists of Dovre International AS and its recently acquired Fabcon companies.

Dovre International AS is a Norwegian based company focusing on international project management and supply chain management services mainly within oil and gas sector. Dovre has subsidiaries in the USA and Great Britain already prior the

acquisition. During the period under review, Dovre acquired the business of Fabcon and its international subsidiaries. Fabcon is an internationally operating oil and gas industry project management consultant established in 1977 with 70 employees. Fabcon has subsidiaries in Canada, United States, France, Singapore, Nigeria and Great Britain. In addition, Fabcon has branch offices in Russia and South Korea.

### **Safran Systems Division**

The software business of Proha is reorganized by establishing the internationally operating Safran Systems division. Safran Systems division develops and sells project management software that customers will use both for management of industrial investment projects, and for management of project organizations.

The operations and products of Proha's Norwegian subsidiary Safran Software Solutions AS, Finnish subsidiary Datamar Oy as well as the Proha Mobile Business Unit are organized as Safran Systems division.

Safran Software Solutions AS is a Norwegian company specializing in project management software for the oil and gas sector. Finnish Datamar Oy offers tailored software solutions in client/server and Internet environments.

## General meeting

The highest decision-making body in Proha Plc is the General Meeting of shareholders. The Annual General Meeting is held within six months after the end of the financial year on a date set by the Board of Directors. The Board of Directors may convene an Extraordinary General Meeting.

The General Meeting decides among other things on:

- adoption of the financial statements and disposition of result
- discharge of the members of the Board of Directors and the CEO from liability
- the number of members on the Board of Directors and their appointment
- election of auditors
- remuneration for the Board of Directors and on the auditors fees
- raising or lowering the share capital or on the relevant authorization given to the Board of Directors
- amendment of the Articles of Association

In accordance with the Articles of Association, a notice of a General Meeting shall be sent to the shareholders not earlier than two (2) months and not later than seventeen (17) days before the meeting by publishing an announcement of the meeting in at least one national newspaper designated by the Board of Directors or by sending the notice to the shareholders by registered mail to the address registered in the shareholders' register. Proha's practice is to publish a notice in the Finnish daily newspaper Helsingin Sanomat. The notice is also published as a stock exchange bulletin and on Proha's Internet pages. Candidates nominated for the Board of Directors are disclosed in the notice of the General Meeting or in some other way after the publication of the notice and before the General Meeting, if the candidate has given his/her consent to the election and is supported by shareholders who account for at least 10% of the company's shares. The company also announces the Board of Directors' proposal for the company's auditor. The company strives at introducing first-time candidates

to the shareholders at the General Meeting that is convened for the purpose of the election of the Board.

## Board of Directors

### Composition and Term of Office

In accordance with the Articles of Association, Proha's Board of Directors is composed of no less than three (3) and no more than eight (8) members. The term of the members of the Board of Directors lasts until the end of the Annual General Meeting following the election.

All members of the Board of Directors are elected at the General Meeting. The Articles of Association do not specify an upper age limit for the members of the Board or restrict the number of terms for them nor does it restrict the authority of the General Meeting in the election of the members of the Board in any other way. One member of the Board is elected Chairman by the Board.

### Duties and Operation Principles

Proha Plc's Board of Directors is responsible for the management and the appropriate arrangement of the corporate governance, operation, accounting and financial management in accordance with the Finnish Companies' Act, the company's Articles of Association, the supplementary corporate governance instructions approved by the Board, and the charter.

The Board shall handle all matters that carry financial, operational or principle importance. The Board shall.

- decide on the group strategy,
- decide on the group structure and organization,
- discuss and adopt interim reports, consolidated financial statements and the Board of Directors' reviews,
- approve the Group's policy, budget and investment plan,
- decide on individual investments, acquisitions, divestments, company arrangements and contingent liabilities that are strategically or financially important,

- oversee the risk management and the law conformity of the company's operations,
- decide on the Group management's compensation system,
- prepare the dividend policy and be responsible for the development of the shareholder value,
- appoint the CEO of the company, decide on his/her compensation and oversee the top management structure,
- appoint the deputy for the CEO, if needed, and
- be responsible for other duties defined by the Companies' Act or other regulations

#### **Independence of the Board members**

Proha's Board of Directors has evaluated the independence of its members in relation to the company and its most significant shareholders.

As defined in the Corporate Governance Recommendation, Chairman of the Board Olof Ödman, and Board members Ernest Jilderda and Pekka Mäkelä are independent of both the company and its significant shareholders.

The present Proha Board is strongly representative of the company shareholders, which the Annual General Meeting has considered appropriate.

#### **Meeting procedures and self-evaluation**

The Board of Directors convenes 10 times per year or more often if necessary. The Board has not assigned its members any particular areas of business for monitoring. The CEO of the company acts as the presenting officer at the meetings. The legal counsel of the company acts as secretary of the Board of Directors. The Board shall evaluate its operations and working methods on a regular basis by conducting a self-evaluation once a year.

#### **Remuneration and other benefits of the Board of Directors**

The remuneration and expense compensations of the Board of Directors shall be determined on a yearly basis by the Annual General Meeting. On April 25, 2006 the Annual General Meeting decided that the Chairman of the Board be paid EUR 18,000

and each Board member, at the moment of election not employed by the Proha Group or by such company which owns more than five percents of Proha's share capital and who does not exercise dominant influence over such company, to be paid EUR 10,000 per year as remuneration for board work.

The members of the elected Board entitled to these compensations are Chairman Olof Ödman and member of the Board Ernest Jilderda. Any remuneration for attending the Board meetings shall not be paid.

In 2006, the Board of Directors convened 26 times, the average participation percentage of the Board meetings was 90.38%.

#### **Deviation from the Corporate Governance Recommendation 45**

In accordance with Proha's practice, a share-based bonus system may also be applied to those members of the Board who do not have an employment relationship with the company. The members of Proha's Board of Directors participate in the option program of the company. Numbers of options are presented in the Presentation of the Board.

#### **Board committees**

The board has not designated any separate committees.

### **Chief Executive Officer**

The duty of the CEO is to manage the operations of the company in accordance with the instructions and orders given by the Board. The CEO informs the Board on the development of the operational and financial situation of the company. The duty of the CEO is to see to it that the book keeping of the company complies with the law and that the financial matters are being handled in a reliable manner.

At the Board meetings the CEO acts mainly as presenting officer and is in charge of preparing draft resolutions. In matters seen appropriate by the CEO, he may delegate the presentation and the preparation of draft resolutions to another member of the Group's management. The Board of Directors appoints the CEO and decides on his salary and other compensation and service terms and conditions. The service terms



and conditions shall be agreed on in writing. The CEO is not appointed for a specific term but until further notice.

Current annual salary as confirmed by the Board: EUR 302,000. Other benefits: individual pension insurance, car benefit. During the financial period 2006 the CEO has been given 210,000 new option rights as per option plan 2006 for subscription.

The company has a service contract with Mr. Pekka Pere. The contract is of indefinite duration. The agreed severance pay corresponds to 24 months' salary and the contract does not include terms and conditions of retirement age

## Other management of the company

Proha Group has a new management team with Pekka Pere as the chairman. The other members of the management team are Arve Jensen, Birger Flaa, Steinar Dalva, Sirpa Haavisto and Pekka Halonen.

Pekka Pere is the President and CEO of Proha Group and has the responsibility to manage the Safran Systems division of Proha.

Arve Jensen is Executive Vice President of Proha Group with the responsibility to manage the Dovre Consulting and Services division of Proha. He is also the Managing Director of Dovre International AS.

Birger Flaa is the Senior Vice President of Proha Group with a special responsibility to manage the international expansion of Dovre Consulting and Services division of Proha. He is a member of Proha Board of Directors.

Steinar Dalva is the Senior Vice President of Proha Group with the responsibility to manage the existing Safran products and the relationships with the international partners. He is also the Managing Director of Safran Software Solutions AS.

Pekka Halonen is responsible for the Growth Ventures operations aiming at the inorganic growth of both divisions through acquisitions.

Sirpa Haavisto is the Chief Financial Officer of Proha Group.

## Compensation system

The Annual General Meeting of Shareholders makes decisions on the compensation of the Members of the Board of Directors. The Board decides on the compensation of the CEO and the CEO on the other management. The compensation of the management in subsidiaries is decided in corresponding order. In addition to the normal salary, bonus and option programs are used in the Group.

The shareholdings and warrants of the Board, CEO and top management are disclosed under their presentation.

## Audit

According to the Articles of Association Proha has no less than one and no more than two auditors (Authorized Public Accountants). If the company has only one auditor, who is not an auditing firm, or the General Meeting considers it necessary, one or two deputy auditors shall be elected. The term of the auditors lasts until the end of the first Annual General Meeting following the election.

The Annual General Meeting on April 25, 2006 elected Ernst & Young Oy to continue as the Company's auditor, with Ulla Nykky, APA, as the auditor in charge.

Proha Group's auditor fees (EUR 1000)

	2006	2005
Annual audits	185	452
Other professional services	8	133
Total	247	585

Auditors fees for 2006 include the auditors fees for the continuing operations only, because subgroup Artemis that was divested on June 30, 2006 has not disclosed its auditors fees for 2006. In 2005 Artemis sub-group accounted for EUR 417 thousand of the Proha Group's total auditors fees.

## Internal control and risk management

The Board of Directors is responsible for the proper supervision of the book-keeping and the control of

the financial matters of the company. The duty of the CEO is to manage the operations of the company in accordance with the instructions and orders given by the Board. The CEO informs the Board on the development of the operational and financial situation of the company, based on the monthly reports from company's subsidiaries. The main purpose of statutory audits is to conclude that the financial statements give correct and sufficient information about the group results and the financial position during the financial period. In addition to the statutory audits, the auditors may report on the ongoing audit of the administration and functions to the Board of Directors.

Proha manages its risks by being aware of the central risk factors in business and financing as well as of linking risk management as part of business processes. In risk management the principle of risk diversification is applied. Proha Board of Directors supervises the company risk management.

The recognized risks are finance risks, price risks, technology risks, risks of demand, and dependence on development of customer business area.

The primary financial risks are currency risk, interest rate risk and liquidity risk. Proha operates globally. Due to the diversified currency risk no forward foreign currency contracts or other corresponding hedging are used. The Group liquidity is managed through cash and liquidity management. The aim is to maintain the balance between fixed and flexible rate loans.

Compared to the Group's business volume the amount of loans with fixed interest rates is not such that the fair value interest risk would require hedging. It is the principle of Proha to not guarantee loans for the subsidiaries. Typical Proha customers are large and financially solid companies, which for its part reduces the Group's credit risk. The Group does not provide actual customer financing

Rapid changes in generally accepted IT utilities and architectures might pose a risk to software business. The occurrence of exceptionally rapid changes is, however, unlikely.

The business of Dovre and Fabcon is based on long term customer relationships and agreements, and consequently the changes in demand are reflected with delay in the business. The challenge is to recruit professionals to meet the demand in the Norwegian markets. In Proha's business, no single customer generates over 5% of the Proha Group's net sales. The dependence of the Norwegian business on the oil, gas

and off-shore industry is significant, and therefore substantial and long-term changes in the energy prices may pose a risk to the Norwegian operations. Because the customer agreements in Norwegian business are generally long term and a considerable portion of employment agreements are tied to customer projects, the risks are rather in the business volume than in profitability. Proha's subsidiary Dovre manages the price risk by making long term frame agreements with the customers.

## Insider administration

According to the Securities Market Act Proha's permanent insiders are the members of the Board of Directors, the CEO and the auditor in charge. Other permanent insiders are people who, in their work, come into regular contact with information that has a relevant effect on the value of securities.

Proha Plc maintains an insider register at the SIRE system of the Finnish Central Securities Depository. Current insider holding information is on display at the premises of Finnish Central Securities Depository in Helsinki at Urho Kekkosen katu 5 C, 8th floor.

All insiders have received the insider guidelines of the company. The company follows documented procedures in the administration and non-disclosure of inside initiatives. The content of the guidelines for permanent insiders corresponds to the insider guidelines by the Helsinki Stock Exchange of January 1, 2006 and which are based on a recommendation by the Helsinki Stock Exchange, the Central Chamber of Commerce and the Confederation of Finnish Industries and Employers.

The manager of administration and the legal council of the company control the observation of the insider guidelines by sending extracts of the information entered into the insider register for review to the insiders on a regular basis and by monitoring the observation of trading restrictions for insiders.

Proha's permanent insiders are not allowed to trade securities issued by the company within a period of 14 days before the publication of the interim report and the financial statements. Trading with the company's securities is also not allowed, if the insider is in the possession of unpublished inside information which may affect the value of the share.

The permanent insiders' register of Proha Plc is available at the NetSire service of Finnish Central Securities Depository (APK).



# Proha

## Board



Name: Olof Ödman, Chairman of the Board  
Year of birth : 1943  
Education: M.Sc.  
Main occupation: Board work and investor  
Primary working experience: Founder and chairman of META Group in Sweden and Finland. CEO and President for the Databolin Group in Scandinavia (1979-1994).  
Date of inception of the board membership :  
December 7, 1999  
Other simultaneous key positions of trust :  
Chairman of the board at: Dovre International AS, Golf de Pierpont, Jeeves Information Systems AB, Kyslinge golf AB, Safran Software Solutions AS, Transaction Network Services TNS AB.  
Shareholdings in the company : 1 250  
Option rights : 181 700\*



Name: Pekka Pere  
Year of birth : 1957  
Education:  
Studies at the Helsinki University of Technology  
Main occupation : President and Chief Executive Officer, co-founder of Proha Plc  
Primary working experience : KPMG Wideri Oy, Partner (1985 - 1991), Finnsystems Oy, Consultant (1979 - 1983)  
Date of inception of the board membership : December 29, 1983 (date of establishment of Proha)  
Other simultaneous key positions of trust : Member of the board of Federation of The Finnish Information Industries, Member of the Economic Policy Committee of the Central Chamber of Commerce, member of the board of directors at Dovre International and a number of IT-companies in Finland.  
Shareholdings in the company : 4 241 105  
Option rights : 847 700\*



Name: Pekka Mäkelä

Year of birth : 1945

Education: M.Sc. University of Tampere

Main occupation : Consultant, Openway Oy, co-founder of Proha

Primary working experience : Chairman and chief executive officer of Proha (1984 - 1999), managing director of KPMG Wideri Consulting Oy (1985 - 1992), chairman of the board of directors at Tietonovo Oy (1986 - 1992) and Novosys Oy (1989 - 1992), director of consulting and chief executive officer at Finnsystems Oy (1977 - 1984), division manager at Tietotehdas Oy (1972 - 1977).

Date of inception of the board membership : April 24, 2004. Previous membership December 29, 1983 - July 30, 2001

Other simultaneous key positions of trust : Member of the board of Project Management Institute Chapter Finland

Shareholdings in the company : 2 923 775

Option rights : 96 600\*



Name: Birger Flaa

Year of birth : 1951

Education: Electric Engineer

Main occupation : Director, Dovre Consulting and Services Division,

Chairman of the Board of Dovre International AS, Independent consultant

Primary working experience : The founder and Chairman of the Board of Dovre International (1984-)

Date of inception of the board membership : April 22, 2005

Other simultaneous key positions of trust: Member of the Board of Dovregruppen AS

Shareholdings in the company: -

Option rights : 90 000\*



Name: Ernest Jilderda

Year of birth: 1951

Education: Techn. University (HTS chemical technology)

Main occupation : Stirr IT up bv (1999-), Venture capital activity, managing

partner; Erning Management & Consultancy B.V. (1996-), owner, consultant

Primary working experience: Watermark NL (2004 - 2005), general manager;

Augeo Software bv (2000 - 2004), CEO & President; Baan Company NV

(1993 - 1996), managing director Baan Netherlands, president Baan Europe;

Bull Nederland N.V. (1989 -1993) VP Sales

Date of inception of the board membership: April 25, 2006

Other simultaneous key positions of trust: Partner of "Van Veen en Partners", the Netherlands

Shareholdings in the company: -

Option rights: 30 000\*

\*The number of options is given as the number of shares that can be subscribed on the basis of each person's options.

# Proha

## Management Team



Name: Sirpa Haavisto  
Year of birth: 1963  
Education: M.Sc. (Econ.), APA  
Main occupation: CFO, Proha Plc  
Primary working experience: Auditor (1988 - 1995) and APA (1995 - 1996), at Ernst & Young Oy predecessors. International auditor (1996 - 1998) Ernst & Young LLP, Chicago, USA. Local partner and IAS- and US Gaap expert (1998 - 2002)  
Other simultaneous key positions of trust: -  
Shareholdings in the company: 0  
Option rights: 280 005\*



Name: Pekka Halonen  
Year of birth: 1961  
Education: L.Im, MBA  
Main occupation: Director, Growth Ventures Operations  
Primary working experience: Kansallis-Osake-Pankki (1987-1994), Selin Finance, director (1994-1996), PCA Corporate Finance, Partner (1996-2001)  
Other simultaneous key positions of trust: -  
Shareholdings in the company: 5 300  
Option rights: 389 005\*



Name: Birger Flaa  
Year of birth : 1951  
Education: Electric Engineer  
Main occupation: Director, Dovre Consulting and Services Division, Chairman of the Board of Dovre International AS, Independent consultant  
Primary working experience: The founder and Chairman of the Board of Dovre International (1984-)  
Date of inception of the board membership : April 22, 2005  
Other simultaneous key positions of trust : Member of the Board of Dovregruppen AS  
Shareholdings in the company: -  
Option rights: 90 000\*



Name: Arve Jensen

Year of birth: 1959

Education: M.Sc.

Main occupation: President/CEO of Dovre International, Director, Dovre Consulting and Services Division

Primary working experience: 16 years as Project Management Consultant within oil & gas: Aker Engineering (1984-1987); Self-employed (1987-1990); ABB (1990-1993); Dovre (1993-2000)

Other simultaneous key positions of trust: Member of the board of Project Management Institute Oslo Chapter

Shareholdings in the company: 13 268

Option rights: 180 000



Name: Steinar Dalva

Year of birth: 1950

Education: Mechanical Engineer

Main occupation: CEO and Chief Software Architect Safran Software Solutions AS, Director, Safran Systems Division responsible for Safran products and international partnerships

Primary working experience: Founder, CEO and Chief Software Architect in Safran Software Solutions AS (1997 -); Technology adviser to Visma's CEO (1997); Founder and CEO of Milestone Scandinavia, Distributor of PowerBuilder in Norway and Sweden (1992-1994); Founder and CEO of Dovre Informasjons-Systemer As (1988-1997); Product Manager, Consultant at Metier Management Systems Scandinavia (1985-1988); Various project management positions within major oil & gas projects at Aker (1975-1985)

Other simultaneous key positions of trust:

Shareholdings in the company: 0

Option rights: 202 705\*

\*The number of options is given as the number of shares that can be subscribed on the basis of each person's options.

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