SRV ANNUAL REPORT 2009

SRV

ANNUAL REPORT 2009

Dynamic

+

Reliable

+

Pioneer

+

Service-minded

Constructively different

SRV is a constructive partner that works in open cooperation with all stakeholders. SRV is actively involved in the development of the built environment, bringing its own ideas and skills to both individual construction projects and large-scale area development. SRV bears its responsibility not only for its own work, but also for customer and partner relationships, occupational safety and the environment. SRV boldly develops new solutions and perspectives to construction. All operations set out to fulfil the needs of the customer – whether a private homebuyer, a company in need of business premises or a public administration organisation.

End-to-end solutions for construction projects

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. We specialise in the development and construction of commercial premises, offices, housing, logistics centres and underground infrastructure. The main focus of our operations is on both our own project development and project management contracting, in which SRV's operating model yields the greatest added value to both customers and owners. All operations are carried out in close cooperation with the customers and other stakeholders.

SRV is an expert organisation built on a core of project development and project management experts as well as specialised construction professionals. The organisation is flat and decision-making is swift. Our corporate culture enables employees to influence the final results of their work. Dialogue between individuals and business areas, the exchange of ideas and information, and our respect for professional skills foster a motivating and innovative atmosphere.

We know our responsibilities and act accordingly in all areas. Our reputation as a reliable employer and partner is the key to our success. Risk management and safety are core elements of our operations.

SRV's customers include companies, property investors, public sector organisations and individual homebuyers. Our long-term customer relationships are based on understanding the operations of our customers and the successful implementation of projects.

Three business areas

SRV's business operations are organised into three business areas: Business Premises, Housing and International business areas.

Business Premises carries out office, commercial, logistics and rock construction as well as selected special projects, such as educational and research facilities.

The Housing business area is responsible for housing construction and regional operations. SRV's housing construction focuses on the Greater Helsinki Area and growth centres. SRV specialises in apartment houses in city centres and large-scale area development sites. The company builds residential units for private consumers, pension funds, housing investors and public sector organisations. We have regional units in Tampere, Turku, Jyväskylä, Lappeenranta, Joensuu and Oulu.

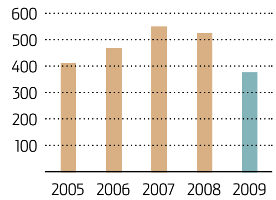
Internationally, SRV develops property projects and serves as a project management contractor in Russia and the Baltic countries. Operations include the development and construction of hotels, offices, shopping centres, industrial facilities and logistics centres. In Russia, operations are centred on the St. Petersburg and Moscow areas as well as selected large cities. In the Baltic countries, the main thrust is on the construction of business premises and housing in Tallinn and Riga. Our strength in the international market is based on our knowledge of local conditions and culture. Local partners are on board all projects.

Key figures (IFRS)

	2009	2008	2007	2006	2005
Revenue, EUR million	385	537	561.4	479.5	422.0
Operating profit, EUR million	9.9	32.9	15.1	24.6	21.8
Operating profit, % of revenue	2.6	6.1	2.7	5.1	5.2
Return on equity, %	1.4	9.4	6.9	27.3	34.0
Return on investment, %	4.7	12.9	9.7	15.9	19.1
Equity ratio, %	41.3	41.3	55.4	31.7	19.8
Order backlog, EUR million	480.6	455.3	528.7	453.7	251.8
Personnel on average	776	871	761	688	671

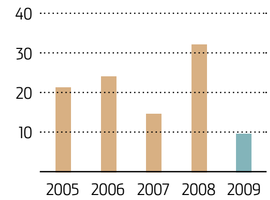
Revenue

EUR million



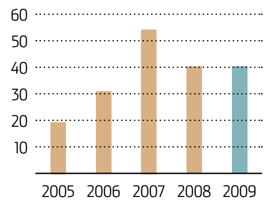
Operating profit

EUR million



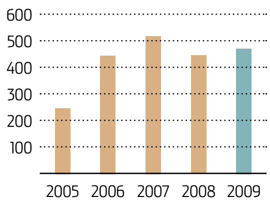
Equity ratio

(%)

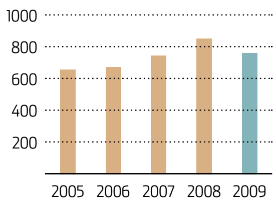


Order backlog

EUR million



Personnel



EVENTS IN 2009

Economy

20.5%

growth in the revenue of the Housing business area

- Even though the revenue of Business Premises declined, its profitability remained good.
- The Group's order backlog grew.

Responsibility

38%

less work accidents at SRV's sites

- SRV Network Register helps us fight against the grey economy.
- We kicked off a large-scale training programme for developing professional and supervisory skills.

Operations

47%

more apartments sold

- Housing sales picked up towards the end of the year.
- SRV established a property investment fund in Russia with VTB Capital and Deutsche Bank.
- Business Premises landed major new projects: the Vierumäki Congress & Spa Hotel, Anttila's logistics centre in Kerca, an ensemble of apartment houses for the Tapiola Group in Itäkeskus, the renovation of the Aurora Building for the Helsinki Deaconess Institute and the expansion of the Helsinki Fair Centre.
- Jukka Hienonen was appointed as SRV Group Plc's new President and CEO as from 1 August 2010.

Customer-focused in the downturn

As 2009 began, the crisis in the real economy was in full force. Companies had to adapt to significant changes – keeping on top of the business contraction became the primary objective. As the downturn in construction showed no signs of letting up, SRV reacted quickly with efficiency-boosting measures. We set challenging targets and achieved them.

Our competitiveness is founded on open, customer-focused and top-quality project management implementation, coupled with the innovative development of construction projects. This approach demonstrated its strength in the financial crisis. We made strong outlays on our customer relationship management and getting new orders. Our efforts yielded results. We were able to increase our order backlog. The amount of new agreements was on a par with the previous year.

The SRV Approach proved its effectiveness in the downturn as well. SRV carried out construction projects on schedule – and in many cases even ahead of schedule. We also maintained a high level of occupational safety – one of the cornerstones of SRV's operations – at our sites throughout the report year.

Business Premises holds on to its position, Housing swings to growth

Business premises market plunged into a cyclical trough during the review period. Even though the unit's revenue declined, its profitability remained good. SRV Business Premises held on to its strong market position in the Greater Helsinki Area. At year's end, we stepped up our operations in Finland's other growth centres.

2009 was a year of two halves for Housing. The business area started the year from a very challenging position, as the weak consumer confidence in the future had brought housing sales to a virtual standstill. SRV made short-term corrective actions – for instance, practically no new developer contracting housing projects were started up in early 2009. We focused on customer marketing – thanks to which our order backlog saw growth of 30 per cent during the year. We continued to upgrade our housing customer services. When housing sales picked up, we reacted rapidly by deciding to start up 247 developer contracting housing units towards the end of the year.

Boosting business opportunities in Russia

The Russian economy remained weak last year. Both our customers and we pushed back projects. Nevertheless, the Russian construction market remains highly interesting. SRV's strengths in Russia are our long-term experience and networked operating strategy. We are well poised to tap market potential thanks to our robust project development expertise and well-oiled concepts that are based on our expertise in the business of our users and investors. In addition, we have the solvency to leverage market opportunities and the SRV Approach provides us with efficient means of implementing projects.

SRV systematically continued to make headway in spearhead projects. Our most significant development project is the 8.5-hectare land area in St. Petersburg, on which we plan to build premises for offices and commercial, hotel, restaurant and entertainment companies.

Establishing a property fund with VTB Capital and Deutsche Bank opens up significant construction opportunities for SRV. The fund primarily invests in the construction of offices, commercial premises, hotels and upscale housing in Moscow and St. Petersburg. In addition to investment returns, the fund will provide SRV with project management contracts valued at no less than EUR 200 million. I believe that the first sites will be started up in early 2010.

Project development – a resource for the entire Group

In spite of the recession, we forged ahead with our long-term development projects in line with plans. SRV's robust solvency and financial position enable us to develop our own property projects and implement them at a later date. Our project development organisation serves the entire Group and our well-rounded project portfolio includes interesting and innovative sites, such as the four high-rises we plan to build in Keilaniemi.

Substantial outlays on developing personnel expertise

SRV's success is based on the expertise of our personnel and its continuous development. In the latter part of the year, we launched a large-scale training programme in the Group to hone professional and supervisory skills in both our site and office organisations. Our professional training programmes seek to ensure that the Group's best practices are adopted in all our business functions and that we can keep developing our professional skills with the experts in the industry. We also started an extensive supervisory training programme with our partner, JTO School of Management.

The customer comes first

In line with our customer-focused strategy, we seek to implement projects faster, achieve objectives better, and enable our customers to have a say in the project in the different phases of implementation. Our customer-focused operations hinge on being dynamic, reliable, service-minded and a pacesetter. Combined with the firm commitment of our personnel, these qualities lay a solid foundation for profitable growth and competitiveness, even in a challenging market.

One of the most challenging years in economic history is now behind us. I would like to thank SRV's employees for their excellent work, entrepreneurial spirit and strong commitment to the success of SRV and our customers. I would also like to extend my thanks to our customers and partners for fruitful co-operation in our joint projects and to our shareholders for their confidence in us.

Hannu Linnoinen
CEO

The SRV Approach works in tough times, too

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. SRV's brand promise – Constructively Different – also includes the company's values: responsibility, open co-operation, bold in development and enthusiasm for doing.

Our vision is to be a pioneer in the construction business with our SRV Approach. SRV is the innovative leader in project development and seeks to be the leading builder of business premises in Finland, the Baltic countries and selected areas of Russia. We want to be the forerunner in customer-focused housing construction in Finland and the most attractive employer in the business for expert professionals. Our aim is that SRV's growth and profitability will outpace the industry average by a good margin.

Growth from Russia and regional operations in Finland

Our operational goals are to ensure profitability, step up development projects, and boost the efficiency of operations and customer relationship management. SRV is developed as a single entity and brand. We primarily generate growth with outlays on both business in Russia and regional operations in Finland as well as through higher efficiency in the implementation of our own projects. SRV is being developed further as a desirable employer. We hone competitiveness by upgrading customer service and knowledge of the businesses of our main customer groups and working out concepts for total service solutions that can be offered to customers.

SRV's financial aim is to achieve medium-term revenue growth of 15 per cent on average. The annual average growth target for International Operations is over 30 per cent. Our objective is to achieve an operating margin of 8 per cent in the medium and long term. We seek to maintain our equity ratio above 30 per cent.

Megatrends point the way

In 2010, SRV will zero in on increasing operations in Russia, own housing production and the construction of business premises outside the Greater Helsinki Area. We will usher in higher efficiency and a systematic approach to starting up developer contracting projects. In our internal operations, we will develop management and firm up cooperation between the Group's functions. Other development focuses include sales and customer relationship management. We will maintain and hone our high standards in occupational safety, social responsibility and sustainable development.

The realisation of SRV's strategy hinges on megatrends in society, understanding the needs of customer groups and cooperating with an extensive network of customers and partners. Our pioneering occupational safety and efforts to fight the grey economy are hallmarks of our operations. We seek to take more practical steps to promote sustainable development and energy efficiency in all construction projects.

The SRV Approach yields a significant competitive edge

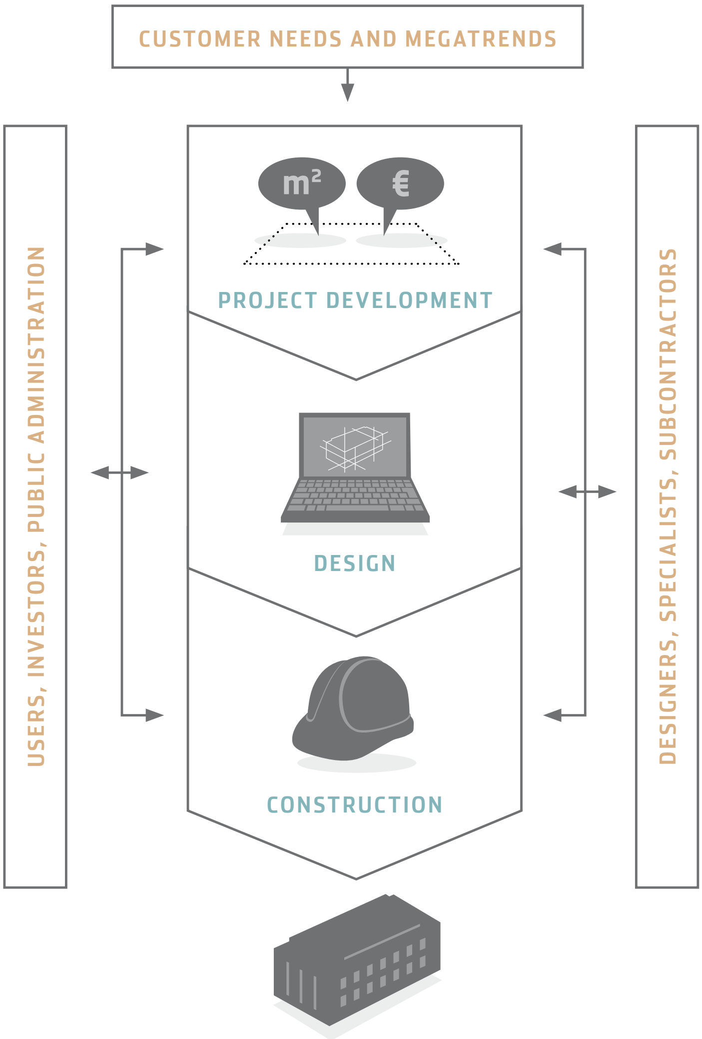
SRV introduced large-scale project management contracting to Finland over 20 years ago and has developed and expanded it systematically ever since. The result is the SRV Approach.

The SRV Approach combines project development and project management implementation, smoothly integrating construction project development, design and construction. Different phases overlap and are implemented flexibly. SRV handles project management. Bidding competitions are held for each construction subcontract. The work is outsourced to reliable specialists. SRV always assumes end-to-end responsibility for the project.

Overlapping project phases in line with the SRV Approach also makes it possible to optimise the decision-making schedule. In other words, when digging begins, there's no need to have the carpet materials picked out.

Carrying out projects with SRV under the SRV Approach yields overall economy for customers, along with faster project implementation at the agreed level of quality. The final results of the construction project measure up to the customer's needs.

The SRV Approach is based on networked operations. SRV's customers include the users and owners of the premises, homebuyers and public sector organisations. Our partners in project implementation are designers, specialists, material suppliers and specialised contractors.



The SRV Approach combines the entire construction project into a consistent and flexible process that ensures overall economy, faster implementation and results that are a better match to the customer's needs.

Construction downturn stabilising

Construction slumped in SRV's area of operations during the report year. The situation is expected to remain challenging in the near future. However, the global economy began showing signs of a recovery towards the end of the year. The longer-term outlook for construction is good. In particular, Russia presents excellent opportunities.

In the first half of 2009, the global economy slid rapidly into a recession. Finland's export-driven economic growth turned sharply negative. However, the economy began showing signs of levelling off in the latter half of the year thanks to massive stimulus packages. That said, the signs of recovery are still weak and are seen in the Finnish economy with a delay. The financial markets remain unstable and interest rates will be low for a long time to come. The global economy is expected to swing to slight growth next year.

The Finnish economy contracted by about 7 per cent in 2009. It is forecast that the economy will start growing slightly in 2010. Construction peaked in 2007. Thanks to work in progress, a decline was for the most part seen only in the number of construction permits in 2008. Construction contracted steeply in 2009, with an estimated decrease of about 12 per cent. This contraction will most likely continue in 2010, albeit at a slower rate. Construction and the property markets are expected to remain challenging, but the outlook will improve gradually.

The long period of strong economic growth prior to the recession boosted the investment and construction markets to a record high, which increased construction costs and hindered the availability of materials. However, cost level has somewhat decreased in step with the contraction of construction. The availability of materials and labour is currently at a good level.

Challenges in Business Premises

Construction of commercial premises and offices was still at a moderate level in 2009 due to work in progress, but declined towards the end of the year. After the peak in construction, the supply of commercial premises and offices has been growing and vacancy rates are rising. It is forecasted that rents will continue to drop, especially outside the Greater Helsinki Area. In 2010, office construction in particular will most likely contract significantly due to weakening employment. Logistics construction also decreased in 2009. The structural change in the retail business will support logistics construction in the future, but the decrease in domestic and transit good flows reduces the need for investments. In the near future, new projects will be delayed by the uncertain economy.

Infrastructure construction saw a slight decrease in 2009 and is expected to remain unchanged in 2010 in spite of government stimulus measures. The decrease in municipal tax revenues cuts into the civil engineering investments of the municipal sector. Cost pressures in the infrastructure industry eased off during the report year as the volume of operations declined.

Renovation saw further growth. In the future, this trend will be maintained by the growth and ageing of the building stock and by the modernisation of the technical quality and energy efficiency of buildings.

Stronger confidence stimulated housing sales

In 2009, the previously weak consumer confidence in the development of their household finances began to strengthen. In addition, the low interest rate level stimulated housing sales towards the end of the year, especially in the growth centres. The number of unsold residences decreased and the selling times shortened. Housing prices have been on the up for years, but the rate of growth now slowed down. Although state-supported housing production saw substantial growth and market-financed residential start-ups recovered at year's end, housing production remained at about 20,000 residential units. Population growth and the rising numbers of immigrants, coupled with the smaller size of households will increase the need for new construction in the future. According to a study by VTT, this need will remain at about 30,000 residential units annually until 2015. However, in the next few years, housing construction will fall short of this level.

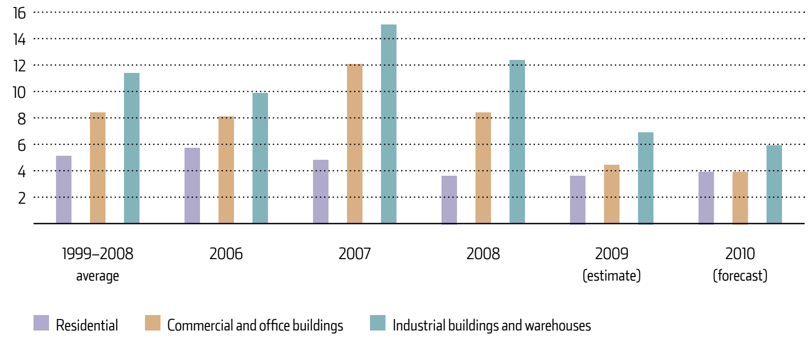
Downturn eases off in Russia and slows down in the Baltic countries

The financial crisis hit Russia hard in the third quarter of 2008, hindering lending and significantly weakening the development of the economy in 2009. The first signs of stabilisation were seen towards the end of the year. It is estimated that GDP contracted by 8.5 per cent in 2009. High inflation and interest rates have put the brakes on growth in private consumption, but they are declining due to the contraction of the economy. The rise in oil prices has improved the Russian economy. Construction declined steeply in 2009,but housing construction began to recover at year's end. In the near future, the markets will remain unsettled. That said, Russia presents a wealth of good opportunities for the property business in the longer term. The potential for construction in the country is massive due to its deteriorating infrastructure and developing economy.

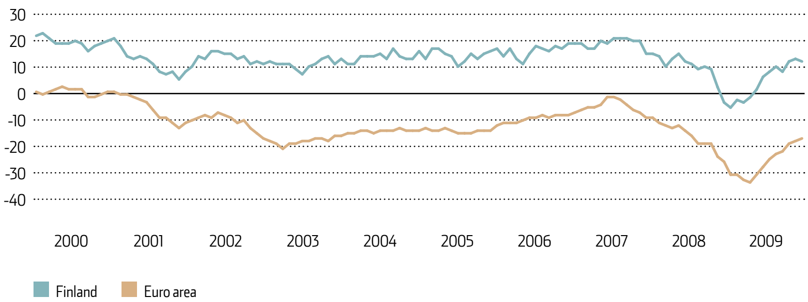
The economies of the Baltic countries continued to plummet in 2009. Exports declined and public finance cutbacks are keeping private consumption at a low level. According to the Bank of Estonia, GDP contracted by about 14 per cent and is forecast to decline further in 2010, albeit at a slower pace. Property and housing prices have fallen substantially. The Latvian economy also contracted markedly in 2009. Furthermore, speculation about devaluation caused uncertainty in all the Baltic countries. Like its neighbours, Lithuania is in a recession and no actual growth is expected in the near future.

Publications released by Nordea and the Confederation of Finnish Construction Industries have been used as sources.

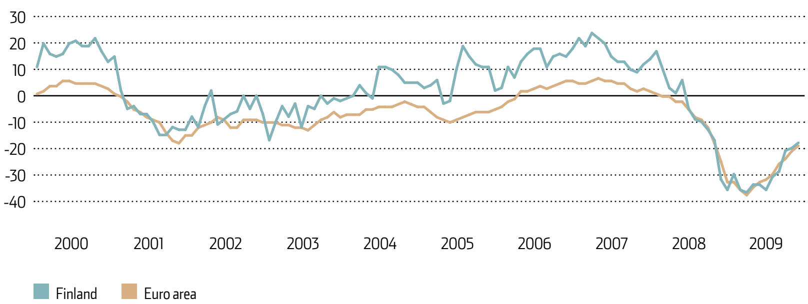
Starts on building construction (million m^3)



Consumer confidence indicator



Industrial confidence indicator



BUSINESS PREMISES

SRV's Business Premises engages in retail, office, logistics and rock construction, property development as well as the lease and sale of developer contracting projects. The business area also builds selected special projects, such as hotels as well as teaching and research facilities for public administration. Business Premises implements projects developed either in-house or by customers under a project management model. Projects are also carried out on a developer contracting basis. In addition to new construction, we implement large-scale, demanding renovation projects. The operations of Business Premises focus on the Greater Helsinki Area and major sites in selected growth areas.

In 2009, Business Premises had revenue of EUR 208.0 million. Profitability remained good, even though revenue and operating profit declined compared with the previous year. The order backlog was almost on a par with the previous year and amounted to EUR 255.3 million. SRV's robust expertise in implementation supports both the profitability of current projects and the acquisition of new customers in a tight market situation.

HOUSING

SRV's housing production focuses on upscale apartment houses in city centres and low-rise residential areas with single-family, terraced and semi-detached houses. Most of the projects are developer contracted, but the business area also carries out cooperative and negotiated projects.

In major growth centres outside the Greater Helsinki Area, the regional units also build business premises. SRV has six regional units in the growth centres: SRV Pirkanmaa in the Tampere region, SRV Keski-Suomi in Jyväskylä, SRV Lounais-Suomi in Turku, Rakennusliike Purmonen in Joensuu and SRV Kaakkois-Suomi in Lappeenranta.

Revenue in the Housing business area amounted to EUR 154.1 million in 2009. Growth in the volume of contract projects and the pick-up in housing sales increased revenue and operating profit. Housing sales to consumers rebounded, especially in the last quarter. In the latter part of the year, SRV decided to start the construction of 247 developer contracting housing units. At the end of the year, the order backlog was EUR 200.7 million. The order backlog grew thanks to new contracts and developer contracting housing projects.

INTERNATIONAL OPERATIONS

SRV's International Operations comprise its businesses in Russia and the Baltic countries. In order to clarify the Group structure, SRV split its International Operations into two new companies at the end of 2009. The new companies are SRV Baltia Oy and SRV International Oy, which is responsible for operations in Russia.

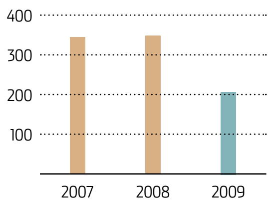
In the international market, SRV develops projects and serves as a project management contractor. In Russia, SRV specialises in the development and construction of commercial and multifunction premises, shopping centres, offices, hotels and different kinds of production and logistics facilities. In the Baltic countries, SRV has also been active in the housing market.

International Operations posted revenue of EUR 22.9 million in 2009. Revenue was impacted by the weak market in its territories, due to which only a small number of projects were ongoing. The development costs of in-house projects also cut into operating profit. Revenue and operating profit for the previous year were increased by the sale of a hotel in Ekaterinburg. At the end of 2009, the order backlog was EUR 24.6 million.

The property fund SRV established with VTB and Deutsche Bank in summer 2009 is a major step forward in the implementation of our Russian growth strategy.

Revenue

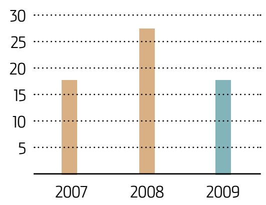
EUR million



Change from 2008: -40.4%

Operating profit

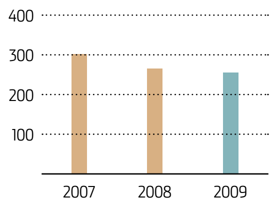
EUR million



Change from 2008: -35.4%

Order backlog

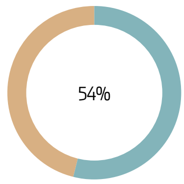
EUR million



Change from 2008: -3.9%

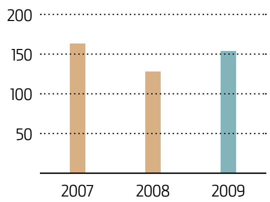
Share of Group revenue

%



Revenue

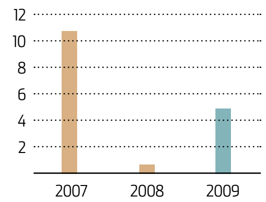
EUR million



Change from 2008: 20.5%

Operating profit

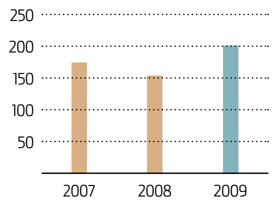
EUR million



Change from 2008: 590.1%

Order backlog

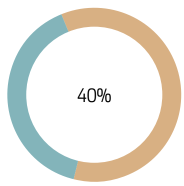
EUR million



Change from 2008: 30.3%

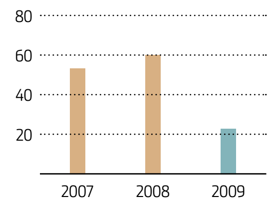
Share of Group revenue

%



Revenue

EUR million



Change from 2008: -61.9%

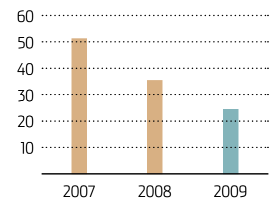
Operating profit

EUR million

Change from 2008: -185.4%

Order backlog

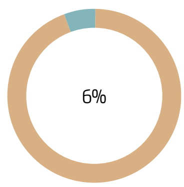
EUR million



Change from 2008: -31.0%

Share of Group revenue

%



Dynamic SRV Business Premises

SRV Business Premises is dynamic, taking the initiative in both project planning and implementation. SRV presents alternatives for implementing projects with the greatest overall economy. The final decisions are always made with the client. SRV has deepened its knowledge of the business operations of its customer segments. This enables the company to present proposals and alternatives that serve customers better.

In spite of the tight market, SRV Business Premises performed well. When the economy is down, it is more important than ever to have long-established customers. We will pull through the recession with our regular customers and lay the groundwork for the future.

Business Premises was able to maintain the volume of its order backlog at the same level as in previous years. Due to the muted market for business premises, a larger share of work orders was accounted for by competitive bidding and the overall size of projects is declining. Work at the long-term sites SRV secured before the market quieted down will continue into 2011. We successfully landed enough new work so that at the end of 2009 we could already focus our attention to acquiring orders for 2011.

The current business cycle has increased the share of the market accounted for by competitive contracting. However, calling for competitive bids can expose clients to risks. Contractors may be tempted to bid for work no matter how low the price – and this might ultimately lead to shoddy workmanship. Due to the current economic climate, SRV has also participated more actively in competitive bidding, but has done so prudently and deliberately.

The downswing has had an upside, too. We have been able to build some projects on a faster schedule thanks to the improved availability of labour and materials. In addition, construction subcontracting prices have remained competitive due to the tight market.

The organisation and personnel are playing an even greater role in construction projects. Many clients have firm preferences about which people and organisation to attach to their project. When a project is carried out well, it will bear fruit later.

In its operational development, SRV Business Premises has zeroed in on developing building information modelling in co-operation with software suppliers, customers and designers as well as deepening the expertise of its personnel.

A year of large projects

2009 was a year of large projects for SRV Business Premises. Ongoing projects included the extension and alteration works of Stockmann's department store in the centre of Helsinki and the construction of the Helsinki Music Centre in a prime location opposite the Parliament Building.

Towards the end of the year, an agreement was made with the Finnish Fair Corporation for large-scale extension works at the Helsinki Fair Centre. The construction of an ensemble of apartment houses close to Itäkeskus, Helsinki was started up for the Tapiola Group in November. The project comprises 309 rental apartments, a two-storey basement parking facility as well as service, restaurant and commercial premises.

In the Aurora Building conversion project, SRV is refurbishing old hospital and hotel buildings for the Helsinki Deaconess Institute for use as supportive and assisted-living housing. In addition, a new preparation kitchen, cafeteria and library will be built on the premises for the Diaconia College.

Further outlays have been made on rock construction. The order backlog is also good in this sector. Of the large-scale infrastructure projects ongoing in the Greater Helsinki Area, SRV is participating in the construction of the Ring Rail Line. The government and municipalities are making outlays on route projects, thanks to which SRV is well poised to increase its rock construction business.

"Co-operation is increasingly important in acquiring new work. Projects that are carried out well lead to new assignments. The order backlog of SRV Business Premises remained on a par with previous years."

JUHA PEKKA OJALA,
EXECUTIVE VICE PRESIDENT, BUSINESS PREMISES

MAJOR PROJECTS IN 2009

Project	Type	Location	Completion
Helsinki Music Centre	Cultural building	Helsinki	2011
Stockmann *	Commercial	Helsinki	2010
Congress & Resort Hotel	Hotel	Vierumäki	2010
City service tunnel, interior works	Rock construction	Helsinki	2009
STC Meiramitie	Logistics	Vantaa	2009
Anttila logistics centre	Logistics	Kerava	2010
K-Rauta	Commercial	Vaasa	2009
HTC Keilaniemi Building A	Office	Espoo	2009
Social & Kommunal Högskola	Teaching facilities	Helsinki	2009
Neste Oil, central laboratory	Laboratory	Porvoo	2010

Commercial | Cultural building | Hotel | Laboratory | Logistics
Office | Rock construction | Teaching facilities | * renovation

CALM YET DYNAMIC

Dynamism is not always about speed and flashiness. Project Manager Markku Muhonen is calm and collected on the job. He was awarded the well-deserved honour of Finnish Construction Manager of the Year 2009. Each year, Finnish Construction Managers and Engineers RKL hands out this award in public recognition of exemplary work and noteworthy achievements in construction.

Markku Muhonen has played an active role in the development of the SRV Approach. He has also made a significant contribution to developing occupational safety in the entire construction industry. Other major matters that Markku Muhonen has had a hand in developing that have improved the image, technical level and management culture of construction include a state-of-the-art logistics system, a project management and meeting system, operating practices for projects in city centres, and numerous measures to combat the grey economy, such as orientation, access permits and site access routes.

SRV Housing – at your service

SRV's housing production focuses on apartment house projects in the Greater Helsinki Area. In the current market there is biggest demand for apartment houses– and large projects are a better fit than low-rise housing for SRV's operating model. SRV applies its own housing production concepts in slightly different ways in different projects in line with the requirements of the plot and zoning. In addition to developer contracting projects, SRV Housing has numerous ongoing ARA-financed projects and negotiated contracts. Regional units also build business premises.

SRV Housing has adopted a service-minded approach in all its operations. The business area has considered how each of its departments can improve the service chain and how the construction process can cater to customers' wishes. This covers project design, procurements, construction sites and sales alike. A computer system is under development which enables homebuyers to choose materials and make other such choices.

The large-scale training and monitoring system development projects that have been kicked off and completed at SRV Housing sites have brought results. The production process has been honed and projects now run even more smoothly according to plans and calculations.

A defensive victory in the midst of the recession

The outlook was grim at the beginning of 2009. Housing sales were at a virtual standstill in December 2008. The market was tough and contract prices declined.

The housing market turned a corner in April. Housing projects were started up and SRV agreed on negotiated contracts with Asuntosäätiö (Housing Foundation). Two apartment houses in Vallikallio were sold to Sato. Work began on a privately financed day-care centre in Vantaa, and the construction of a Kodin Terra hardware and home decoration department store and an ABC service station store started in Nokia.

Housing sales picked up as summer and autumn went on. In November, SRV sold as many as 30 residential units. The year improved towards its end. The business area posted higher operating profit than last year and surpassed its budgeted target. Earnings also outperformed the forecast. At the end of the year, SRV Housing had a good order backlog. Negotiated contracts comprised a large share of the orders. In addition, developer contracting projects with a total of 247 residential units were started up towards the end of the year. Most of these unitsare located in the Greater Helsinki Area and the rest in Tampere and Jyväskylä regions.

Sales of new sites developed favourably. SRV even sold sites scheduled for completion more than a year later. In the previous year, almost without exception, only sites that were about to be completed were sold.

SRV Housing had to lay off personnel due to the tight market early in the year, but in the autumn called all available personnel back to work in Southern Finland. Customer service resources were bolstered at year's end.

Geographical market split

In the prevailing market situation, there is a clear split in regional operations. The order backlog is good in Tampere and Turku. Work is ongoing at numerous contract sites in both of these areas. The situation is significantly weaker in Jyväskylä and Northern Finland.

> "SRV Housing has adopted a service-minded approach in all its operations. Once the housing market picked up, we achieved a defensive victory over the recession."
>
> JUHA-VEIKKO NIKULAINEN, EXECUTIVE VICE PRESIDENT, HOUSING

MAJOR PROJECTS IN 2009

Project	Type	Location	Completion
Nokia Kolmenkulma, Terra and ABC	Commercial	Nokia	2010
Oscar in Helsinki **	Apartment house	Helsinki	2009
Vallikallion Helmi & Rubiini in Espoo**	Apartment house	Espoo	2009–2011
Vallikallion Safiiri & Turkoosi	Apartment house	Espoo	2010
HOAS Pasteuer, Viikki	Apartment house	Helsinki	2010
Pakkalanrinne day-care centre	Day-care centre	Vantaa	2010
Vantaan Musketööri **	Apartment house	Vantaa	2011
Vantaan Martti **	Apartment house	Vantaa	2011
Tietotie Upper Secondary School	Teaching facilities	Valkeakoski	2010
Perennankatu	Apartment house	Turku	2009
Jokivarsi, service apartments	Apartment house	Jyväskylä	2010
Scania centre	Industrial	Jyväskylä	2010

Apartment house   Commercial   Day-care centre   Industrial

Teaching facilities   ** Developer contracting project

CUSTOMISED SERVICE FROM START TO FINISH

SRV is building Asunto Oy Vantaan Musketööri in Kartanonkoski. The warehouse and factory of Parker Hannifin previously stood on the plot. SRV built new business premises in Koivuhaka for the company. The plot was zoned for apartment houses. The old building was demolished, and two new apartment houses with a total of 88 apartments will be built on the site. The building basements will feature the first heated parking in Kartanonkoski.

A computer-based system ensures that customers' wishes are implemented throughout the construction process. Site visits are organised for future residents while construction is in progress. In addition to a traditional home maintenance manual, residents are provided with personal guidance on the use of the apartment and its fixtures.

A reliable international partner

SRV develops and builds high-quality, customer-focused business premises in Russia, drawing on its strong expertise in business concepts. Our operations in Russia hinge on reliability, transparency and design principles that comply with high standards.

We take on end-to-end responsibility for projects. Top-notch design and implementation as well as reliable partners that are the best in the business guarantee that SRV projects achieve their goal: both the investors and the end users of the business premises can have confidence in the end result.

As in other markets, environmental values are increasingly important in construction in Russia. We always adhere to high-quality, extensive design principles in all construction projects, ensuring energy efficiency and accounting for sustainable development.

SRV has long-term experience of business and property development in Russia. On the basis of our experience, we can quickly screen out unrealistic projects so we can focus on financially profitable sites. This enables our customers to allocate their development outlays correctly and implement them faster as well as facilitates the availability of financing. SRV also invests in projects when necessary. Our developer contracting projects comprise well-oiled commercial, office, hotel and logistics sites.

The recession provides time for project development

In economic terms, 2009 was the most difficult and challenging year in Russia in recent history. At the beginning of the year, the country's economy plummeted at a record rate. However, Russia was among the first countries to start recovering. The decline of its economy already levelled off in February.

Even though the economic downslide ended, the property and construction business did not see any substantial improvements during the report year. The markets will remain challenging in the next few years. Property vacancy rates have grown and rents have dropped substantially, as a result of which property sales have come to a virtual standstill. Foreign funding has been almost entirely withdrawn from the market, which has also contributed to worsening the recession in the property business.

In spite of the financial crisis, SRV's project implementation has been kept well in hand. We made further investments in our own projects – and will continue to do so. Our international organisation has been developed with a view to meeting future challenges.

The total volume of SRV's international operations fell short of expectations in 2009 because projects were pushed back. We will seek substantial growth in 2010. Our main focus in Russia will remain on property development projects in St. Petersburg and Moscow.

2009 was an especially difficult year in the Baltic countries. SRV's Baltic operations were minimal, as well. However, we continued to develop projects actively.

> "SRV is a reliable and transparent partner in Russia, too. During the economic downturn, the main focus of operations has been on project development."
>
> VELI-MATTI KULLAS,
> EXECUTIVE VICE PRESIDENT, RUSSIA

MAJOR PROJECTS IN 2009

Project	Type	Location	Completion
Russia			
Etmia II	Office	Moscow	2009–2010
Park Inn Pulkovskaya *	Hotel	St Petersburg	2009
Park Inn Pribaltiskaya*	Hotel	St Petersburg	2010
Papula, I -stage	Apartment house	Vyborg	2008–2009
SKA: facade renovation *	Sports facilities	St Petersburg	2010
Baltic countries			
International School	Teaching facilities	Riga	2011
Joekaare	Apartment house	Tartu	2009
Metsaveere I -stage	Low-rise residential	Tallinn	2009

Apartment house Hotel Low-rise residential Office Sports facilities
Teaching facilities * renovation

INSTITUTIONAL INVESTORS WANT A RELIABLE PARTNER

In summer 2009, SRV established a property fund in Russia with VTB Capital and Deutsche Bank. The other investors involved in the fund are the Finnish pension insurance companies Ilmarinen and Etera. SRV's role in the fund is to serve both as an investor and a project management contractor.

The fund primarily invests in the construction of offices, commercial premises, hotels and upscale housing in Moscow and St. Petersburg. It may also invest in completed investment sites that are already up and running.

The goal for 2009 was to organise the fund company into operational readiness and do the groundwork to get it on a growth track. Participation decisions on the first projects will be made at the beginning of 2010.

Trailblazing project development

SRV's Project Development seeks to find premises for users, owners for premises and investments for owners. Every project involves a total package approach – users, premises and investors must be brought together.

Project Development has to be able to anticipate future trends and then develop projects to meet upcoming needs. We must get the jump on our competitors and think differently.

Project Development sets its sights on the long term – in some projects we look forward 15 years and beyond. The right timing is vital in project implementation. It does not pay to start too early. A long-term approach requires us to have many project candidates under development. Successful project development is based on keeping an open mind. We must always think what we could do differently.

The future trends impacting on housing production are urbanisation, the ageing of the population, the effects of climate change and greater use of public transport. Retail projects will be focused on city centres. Good transport connections will be increasingly important in office construction as well. In all our operations, we concentrate on growth centres.

In addition to the Project Development unit's own development teams, we have set up joint concept teams for the business areas and Project Development. These teams focus on different areas of operations, seeking to deepen business expertise in retail, hotel construction, logistics and offices. In these teams, Project Development brings its knowledge of markets, users and needs to the table.

Systematic acquisitions of land and zoning co-operation with the authorities play a key role in project development. All of SRV's development projects are started up through Project Development.

A LONG ROAD FROM A FIELD TO A WELL-OILED RETAIL AND BUSINESS AREA

At the beginning of the millennium, the area between the western highway junction and Mäntsäläntie road in Porvoo was still a field. In 2000, SRV and the City of Porvoo teamed up to develop this field into a large retail and business area. The retail area measures some 23 hectares. From 2005-2009, a total of 60,000 m2 of retail space has been built. The business park is located on the northern side of Mäntsäläntie road. The first premises were completed in autumn 2009 in line with the STC concept. The tenants of this office building include Kuninkaantien Työterveys, the Employment and Economic Development Office of Eastern Uusimaa (which operates under the Employment and Economic Development Centre of Uusimaa) and the Facilities Centre of the City of Porvoo.

Progress in development projects

One of the major development projects of 2009 was the Karisto Shopping Centre in Lahti, which we have developed with Kesko for well over two years. Marketing to tenants started at the end of the year. A K-citymarket will be one of the engines of the centre. Karisto will also house outlets for well-known fashion brands.

The planning of the Derby Business Park has proceeded into the zoning phase in Espoo. The zoning plan is expected to be completed in spring 2010.

Other projects under ongoing development and design in 2009 included the City Spa in Helsinki city centre, the Keilaniemi Towers apartment houses in Espoo and a large-scale development project in St Petersburg.

In 2009, Project Development zeroed in on housing production, which has a great deal of potential. Project development operations have also been deepened in Russia and the Baltic countries.

R&D projects started

SRV and VVO are on board Sitra's Low2No project, in which a sustainable urban district will be built in Jätkänsaari. The project seeks to develop and implement energy-efficient and innovative urban construction solutions. The solutions developed in the project will set an example for others to follow in Finland and abroad. Low2No aims to rapidly cut down on the energy consumption of apartment houses and offices.

The SRV InTo – The Innovative Town Concept for the Future – research project was launched in 2009. InTo aims to develop an eco-efficient concept for regional construction, based from day one on the needs and goals of not only the residents and users of the area, but also sustainable development and society as a whole. This new concept will be used in SRV's project development. The project seeks, develops and conceptualises new models and methods for the design and implementation of regional construction projects. InTo also includes a co-operation model for use between municipalities and private companies in the implementation of regional development projects. The Henna area in Orimattila – located next to the Lahti direct railway line and highway – is the development platform and pilot site for the concept. Construction will take 15-20 years. The key partners in the research project are SRV, the City of Orimattila and VTT. In addition to SRV, the project is being funded by TEKES and the City of Orimattila.

SRV builds sustainable development

During construction, decisions are made that have an extensive, long-term impact on the lives of many people. And thus people have numerous expectations for built environments. Environmental issues are a topical example. The drive to be green is evident in both regional planning and the methods used to implement the buildings. As a construction company, SRV must be able to see far off into the future with its stakeholders and build a sustainable future.

The guiding themes of SRV's corporate responsibility are founded on its field of business and own culture: the transparency of the production chain, occupational safety and preventing the grey economy. Other key issues include personnel wellbeing, the development of environmental responsibility and the financial stability of the company. In this corporate responsibility section, we will discuss our main social responsibility themes and environmental issues. Financial responsibility is reviewed extensively in other sections of the Annual Report.

Management and monitoring systems are the foundation of corporate responsibility efforts

Responsibility is one of SRV's major values. Our other values are open co-operation, bold in development and enthusiasm for doing. In addition to the values, we have specified principles and systems to support management and continuous development. One of the most important of these is SRV's environmental policy. We have made a commitment to operate in line with sustainable development and report on the environmental impacts of our operations.

SRV seeks to ensure that its entire chain of operations is manageable, transparent and legal. We require our subcontractors to operate responsibly, too. The criteria set for subcontractors are high quality, solid references and proof that their operations are responsible. We have been partners with most of our subcontractors for years. The major tools for ensuring responsible business in our co-operation with subcontractors are the SRV Network Register and SRV Safety.

The SRV Network Register includes all up-to-date information on companies in the subcontractor chain as required by the authorities. This register is the first Finnish tool for significantly improving subcontractor chain transparency. Companies and employees in the chain can easily contact the contractor through SRV Safety and propose initiatives on matters such as improving on-site safety.

SRV Network Register – part of on-site responsibility

Unrivalled project management implementation is one of SRV's competitive edges. For customers, this means that projects are implemented efficiently and stay on schedule. Not only do we complete our projects on time – our open operating model even enables us and our customers to speed up the schedule. Well-organised sites are a must for efficient construction. We make sure that construction work runs smoothly and uphold our responsibilities. SRV continuously makes outlays on upgrading efficiency and has developed the leading electronic register in the construction industry – the SRV Network Register – for in-house use.

SRV Network Register – a tool for site safety

Workers must receive orientation on site safety practices in order to maintain safety and well-oiled operations at construction sites. All those working on SRV sites are familiarised with SRV's general and specific on-site practices. All on-site employees are recorded in the SRV Network Register. It is used for supervising in real time that on-site workers have received orientation and have access authorisation. The electronic register also includes information on employee competences and serves as a tool for managing professional skills. Information on photo IDs – which are legally mandatory – is also entered in the register.

SRV Network Register – the site management tool of the SRV Approach

We continuously develop our operations to ensure efficient and hitch-free site operations. Clear principles and unambiguous compliance also increase efficiency. One of our principles is that subcontractors undertake to perform the agreed contracts on their own – contracts may not be sold or split without our separate consent. With the SRV Network Register, we monitor that on-site work is carried out only by SRV-approved contractors and skilled workers.

SRV Network Register – a real-time tool for fighting against the grey economy

In addition to monitoring site safety and quality, the SRV Network Register is also used to uphold social responsibility in the construction industry.

All companies in SRV's subcontractor network are responsible for complying with collective bargaining agreements and occupational safety regulations as well as taking care of all statutory employer contributions and other obligations. SRV seeks to ensure that its entire chain of operations is manageable, transparent and legal.

SRV guides its subcontractors to operate in line with a responsible model. Our general and site-specific obligations apply to all those who work with us. Our uncompromising approach has been lauded by clients, contractors, labour market organisations and the authorities alike.

The SRV Network Register is a tool that enables us to both improve the management of the subcontractor network and ensure compliance with statutory obligations. Thanks to the centralised Network Register, all SRV sites have the same up-to-date information at their disposal. The register was first introduced at pilot sites in 2008. It is developed on the basis of feedback from the sites and legislative amendments. Persons are appointed to maintain the register on each site.

The use and applications of the SRV Network Register are expanded continuously. At present, the register includes up-to-date information on about 1,200 companies and over 3,000 employees on different sites. Subcontractors regularly provide us with their tax and employer register extracts and information on duly paid pension contributions.

The Network Register upgrades the efficiency of SRV's reporting to the authorities. The register is intended to improve the real-time nature of information and the openness of co-operation with the authorities. Our vision for the future is that subcontractors will feed their client responsibility documents electronically into the system and the authorities will get their own reports directly from the system.

To eradicate the grey economy, SRV has developed the transparency of the construction industry and its subcontractors for over 10 years in close co-operation with the authorities. This benefits all parties operating legally in society. When the grey economy can be kept under control, companies whose operations are transparent and above board can grow and generate wellbeing. The development of the SRV Network Register is a strong indication of our commitment to safety and legality.

Occupational safety is the outcome of actions and teamwork

Construction is labour-intensive. For this reason, ensuring occupational safety and safeguarding personnel wellbeing are of prime importance to SRV. Our target is zero accidents. SRV is a pace-setter in occupational safety. Some of the safety practices we have adopted on our own initiative have now been incorporated into occupational safety legislation. An SRV representative serves as an expert in national and industry-specific occupational safety groups.

SRV seeks to foster positive experiences of occupational safety – it is the right and responsibility of each and every on-site employee. Co-operation with educational institutions aims to ensure that young students in the field are familiarised with occupational safety issues. This raises the starting level of knowledge of occupational safety, facilitating its continuous improvement. Attitudes are the key to success.

Good practices spread

Promoting occupational safety is based on systematic safety management and mobilisation. SRV requires subcontractors to make a firm commitment to upholding and developing occupational safety. SRV's safety manager is responsible for developing occupational safety. Safety Support Groups develop occupational safety on a project-by-project basis. In addition to SRV representatives, these groups include the client, representatives of the authorities and the occupational safety officers of the companies working on the site. Safety risks are assessed through co-operation and the active exchange of information.

Thoroughly identifying and systematically preventing risks repays the effort. It is now legally mandatory to use yellow high-visibility vests on construction sites. This safety practice was first introduced at SRV's Kamppi site. These vests feature reflectors and were taken into use as part of risk management at the site in 2003. The use of high-visibility vests on construction sites became legally mandatory in June 2009.

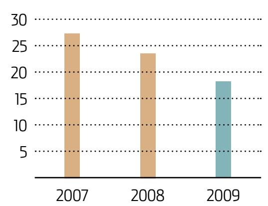
SRV's progressive safety efforts are driven by enthusiastic experts. SRV's long-term shop steward Esko Kokkonen has developed occupational safety for years. In 2009, he received a special medal from Minister of Social Affairs and Health Liisa Hyssälä for his work on improving work environments. The honour was granted in recognition of Kokkonen's strong personal contribution to developing occupational safety in the construction industry as a whole. Kokkonen emphasises openness, co-operation and orientation in the development of occupational safety. Over the years, he has shown the ropes to thousands of construction workers.

Less accidents

The accident frequency rate represents the safety of companies and industries. It indicates the number of accidents requiring medical attention per one million working hours. The figure includes all accidents that resulted in at least one full day of absence from work. SRV's accident frequency rate in 2009 was 18.1. In 2008, the accident frequency rate was 24.0 at SRV's Finnish companies. Including export companies, it was 23.3. Also in 2009, there were no accidents leading to fatalities.

For many years now, SRV's accident frequency rate has been only about a third of the comparison figure for the industry. The accident frequency rate of SRV Business Premises has remained below 15 for many years running, about a fifth of the industry average.

Accident frequency in SRV



Regional planning and construction rise to environmental challenge

It is vital to keep climate change under control – new solutions are required for construction and the built environment. SRV is designing Henna, an eco-efficient area in Orimattila, as part of the SRV InTo research project (The Innovative Town Concept for the Future). Development projects carried out under the STC (Smart Tech Centre) concept aim at environmentally optimal solutions for business premises.

The SRV InTo research project is developing a model for the low-carbon towns of the future. The pilot site is the Henna area in Orimattila, next to the Lahti direct railway line. The area is being zoned for a town of about 20,000 residents. Construction is slated to begin in 2011 and is expected to take about 20 years.

The town of the future is designed to use very little non-renewable natural resources and energy. The area will feature efficient mobility, favouring rail, bicycle and pedestrian traffic. Good local services and telecom solutions will reduce the need to travel. The concept is designed to be ecological, from the infrastructure up to the construction solutions.

Aiming at higher energy efficiency for business premises

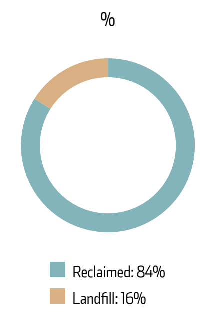
SRV has developed the STC (Smart Tech Centre) concept to provide tailor-made and efficient premises packages for SMEs. SRV started up an internal STC concept development project in 2009 with a view to developing the energy efficiency and other environmental features of the concept as well as examining the impacts of different alternative solutions on the lifecycle costs of buildings.

Recycling worksite waste

In order to ensure that the environmental objectives set for construction projects are achieved, each SRV worksite in Finland drafts an environmental plan that identifies the environmental perspectives of the site and specifies measures for reducing adverse impacts. The plan reviews the environmental objectives set for the project, on-site waste management, hazardous waste handling, measures to prevent noise, dust and other local nuisances, the energy and water supply, measures to prevent environmental impacts, actions to be taken when accidents occur as well as communications and reporting.

Wastes comprise the major direct environmental impact of worksites. SRV has teamed up with Lassila & Tikanoja to focus on reducing the amount of waste and efficiently sorting and recycling it. SRV's domestic sites seek to recycle at least 80% of the waste generated, demolition waste and surplus soil are not included. SRV's environmental reporting system keeps track of waste amounts and recycling rates. In 2009, reporting covered 66% of SRV's sites in Finland (65% in 2008). The reported amount of waste was 8047 tonnes (7041 tonnes in 2008) and the recycling rate was 84% (84% in 2008).

Reclaiming of waste



Good leadership and well-rounded tasks foster wellbeing

Personnel wellbeing and successful business are built on good leadership and workmates. 2009 was a challenging year for HR. SRV was not spared from the effects of the international financial crisis. Adaptation measures were carried out in the early year, but redundancies were avoided. SRV is giving personnel greater internal mobility and bolstering the competence of experts.

SRV started codetermination negotiations in January 2009. The negotiations concerned the Group's senior salaried employees and salaried employees. The negotiations led SRV to lay off 60 persons either for a fixed period or until further notice, but redundancies were not necessary. It was agreed with the office-based salaried employees who were not in the scope of the layoffs that they would get time off in lieu of holiday pay. Part of the adaptation measures could be implemented through retirement. SRV sought to fill all job vacancies by means of internal recruitment. Towards the end of 2009, SRV was able to recall some of the laid off employees, particularly in the Housing business area in Greater Helsinki, thanks to the recovery of the housing market.

Our competence is our edge

We seek to offer even more competitive solutions to our customers – and thus it is becoming increasingly important to disseminate best practices and transfer experience and competence. SRV is a house of experts that develops projects innovatively and implements them efficiently. Our success hinges on excellent product expertise based on customers' needs as well as project management skills in all project phases. Interaction between customers, partners and personnel is emphasised. SRV is bolstering leadership expertise. We kicked off a comprehensive training programme for leadership and interaction skills in late 2009. SRV is a strong construction expert and pioneer, both now and in the future – thanks to which we can offer a wide range of tasks to our employees.

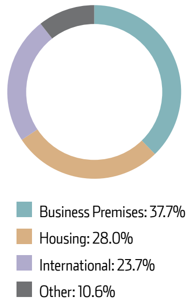
Key figures

	2009	2008	change, %
Average number of employees	776	871	-10.9
Employees at 31 Dec	767	870	-11.8
Permanently employed	706	787	-10.3
Women, %	20	20	0.0

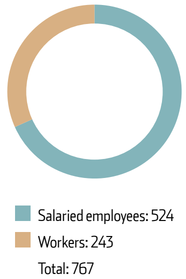
Number of employees by business area 31 December

	2009	2008	change, %
Business Premises	289	296	-2.4
Housing	215	285	-24.6
International	182	191	-4.7
Other	81	98	-17.3
Total	767	870	-11.8

Share of employees by business area



Salaried employees/workers



SRV Group Plc's corporate governance is based on Finnish legislation, SRV Group Plc's Articles of Association and the 2008 Finnish Corporate Governance Code for listed companies, with the exceptions specified below. SRV Group Plc's shares are listed on NASDAQ OMX Helsinki and the company observes the rules and regulations concerning listed companies that have been issued by the stock exchange as well as the regulations of the Financial Supervisory Authority.

SRV Group Plc complies with the 2008 Finnish Corporate Governance Code for listed companies with the exception of Recommendation 18, according to which committees shall have at least three members as a rule, and Recommendation 25, according to which no less than three members shall be elected to the Audit Committee. According to the standing orders of the Committees, they shall have two to three members who are elected by the Board of Directors from amongst its number. Two members can be appointed to a Committee if the Board considers this appropriate in view of the structure of the Board and the number of directors.

The 2008 Finnish Corporate Governance Code for listed companies is available at the Internet site of the Securities Market Association, www.cgfinland.fi.

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. 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 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 three weeks before the meeting. The notice is also published on the company's Internet site. Shareholders who are registered in the company's shareholder list eight weekdays before the General Meeting shall 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 matters 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, 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 of the Board members as its chairman. 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 its members have been deemed to be independent of the company and of its major shareholders.

The General Meeting of 24 March 2009 elected five members to the Board of Directors. The following persons were elected:

- Ilpo Kokkila
  Chairman of the Board of Directors
- Lasse Kurkilahti
  Vice Chairman of the Board of Directors
- Jukka Hienonen
- Hannu Leinonen (resigned from the Board on 30 September 2009)
- Matti Mustaniemi

Of the members, Lasse Kurkilahti, Jukka Hienonen, Matti Mustaniemi and Hannu Leinonen are independent of both the company and its major shareholders. Ilpo Kokkila is a major shareholder and is not independent of the company. Personal information and the holdings of the Board members are presented on pages 32 and 30 respectively.

The Board of Directors convened 11 times in 2009. On average, 94.3% of the Board members attended the meetings of the Board.

The Board of Directors is responsible for the administration of the company and the due organisation of operations. In addition to the tasks set forth in the Companies Act, the Board of Directors approves the company's vision, mission and values as well as ratifies the strategies, budgets and business plans set to achieve them. 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 for 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 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 in legislation and the Articles of Association.

The Board of Directors meets regularly as set in the meeting schedule, which is confirmed in advance, and also when necessary. The Board of Directors has a quorum when more than half of the members are present and one of them is the chairman or the vice chairman. The CEO and the chief legal counsel, who serves as the secretary of the Board, participate in Board meetings. Other members of the Corporate Executive Team participate in Board meetings on the invitation of the Board.

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

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 standing orders confirmed by the Board of Directors and they report to the Board. The committees do not have independent power of decision. Their task is to prepare matters for decision 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 is comprised of members whom the Board of Directors elects from amongst its number.

The chairman of the Audit Committee was Matti Mustaniemi. Markku Sarkamies served as a member of the Audit Committee until the General Meeting held on 24 March 2009, after which Lasse Kurkilahti became a committee member. The Audit Committee met five times during 2009. Attendance at meetings was 90%.

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 is comprised of members elected by the Board of Directors from amongst its number. The committee's chairman in 2009 was Ilpo Kokkila and the members were Jukka Hienonen and, from 24 March – 30 September 2009, Hannu Leinonen. Of the members, Jukka Hienonen and Hannu Leinonen are independent of both the company and its major shareholders. Ilpo Kokkila is a major shareholder and is not independent of the company.

The Nomination and Remuneration Committee met three times during 2009. Attendance at meetings was 100%.

President and CEO

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 bookkeeping complies with the applicable law and that management of funds is handled in a reliable manner. He prepares matters to be dealt with and decided 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 deputy to the president.

Eero Heliövaara, M.Sc. (Eng., Econ.), served as the president of SRV Group Plc until 11 August 2009, when the position was assumed by Hannu Linnoinen, LL.M., M.Sc. (Econ.). Timo Nieminen, M.Sc. (Eng.), is the senior executive vice president and the deputy to the president.

Corporate Executive Team

The Corporate Executive Team and its working committee assist the president and CEO in planning operations and in line management as well as prepare matters to be dealt with by the parent company's Board of Directors. The Corporate Executive Team deals with matters concerning business operations as well as operations control and development.

The members of the Corporate Executive Team are:

Hannu Linnoinen	President and CEO, Chairman
Timo Nieminen	Deputy CEO, Vice Chairman
Juha Pekka Ojala	President, Business Premises and the Baltic countries
Veli-Matti Kullas	President, Russia
Juha-Veikko Nikulainen	Executive Vice President, Housing
Katri Innanen	Chief Legal Counsel
Valtteri Palin	Senior Vice President, Financial Administration
Pirjo Ahanen	Senior Vice President, HR
Jussi Ollila	Senior Vice President, Communications and Marketing

The working committee of the Corporate Executive Team includes Hannu Linnoinen, Timo Nieminen, Juha Pekka Ojala, Veli-Matti Kullas, Juha-Veikko Nikulainen and Jussi Ollila. The vice president in charge of Development Affairs acts as the secretary of the Corporate Executive Team and its working committee. In 2009, the Corporate Executive Team convened 12 times and the working committee 32 times.

Personal information and the holdings of the Corporate Executive Team members are presented on pages 33 and 30 respectively.

Remuneration, salaries and bonuses

The General Meeting decides on the remuneration paid to the members of the Board of Directors and the committees. 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.

Board of Directors' remuneration

The Annual General Meeting held on 24 March 2009 confirmed 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.

Total remuneration of the Board members for 2009 amounted to:

Ilpo Kokkila, Chairman of the Board	70,000
Lasse Kurkilahti, Vice Chairman of the Board	58,500
Jukka Hienonen	46,000
Hannu Leinonen	21,000 (24.3.-30.9.2009)
Matti Mustaniemi	45,000
Markku Sarkamies	14,000 (1.1.-24.3.2009)
Total	**254,500**

Terms of the president's contract and his shareholding

As the president is serving on a temporary basis, SRV Group Plc and Hannu Linnoinen have not made a separate CEO agreement. According to his contract, his period of notice is six months. If SRV Group Plc dismisses Hannu Linnoinen, he is entitled to receive termination compensation amounting to six months' full pay 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 months' pay must also be paid as termination compensation. The president's retirement age and pension are set in accordance with the legislation in force.

The maximum amount of the performance bonus paid to the president is equivalent to three months' salary. The maximum amount of the share bonus corresponds to nine months' salary.

President Hannu Linnoinen owns 615,566 SRV Group Plc shares, representing 1.67% of SRV Group Plc's shares and votes. As at 31 December 2009, 326,000 of the shares owned by Hannu Linnoinen are subject to lockup terms such that he is entitled to sell 81,500 shares as from 1 January 2010, 81,500 as from 1 January 2011, 81,500 as from 1 January 2012 and 81,500 as from 1 January 2013. The other shares owned by Hannu Linnoinen are freely transferable.

On 15 December 2009, SRV Group Plc and Jukka Hienonen signed a president's contract under which he will assume the position of president no later than 1 August 2010. The president is entitled to retire at 60 years of age. SRV Group Plc pays pension contributions amounting to 20% of the president's salary, exclusive of performance bonuses. SRV is not responsible for the amount of the pension payable later. The contractual period of notice is six months. If SRV Group Plc dismisses the president, he shall be paid termination compensation amounting to 12 months' pay. If the president terminates the contract before serving for more than two years, he will be paid termination compensation amounting to six months' pay. If the president terminates the contract after serving for more than two years, he will be paid termination compensation amounting to 12 months' pay.

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.

In the contract between SRV Group Plc and Jukka Hienonen, it is agreed that the performance bonus to be paid to him is based on the profits of SRV Group and that it shall amount to a maximum of 40% of the president's annual salary.

SRV Group Plc's Board of Directors has also ratified the principles of the share-based incentive scheme for key employees in 2008–2010. The Board of Directors approves the criteria and targets of the scheme annually. The key criteria are based on the performance of the Group and business areas. Equity bonuses may not exceed nine 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.

SRV Group Plc has made share incentive agreements with Jukka Hienonen and two executives. Under the agreement made with Jukka Hienonen, he will be granted 1,500,000 rights entitling him to either subscribe for or purchase 1,500,000 SRV Group Plc shares at a price of EUR 4.80 per share (weighted average price for the six months preceding the agreement) or receive an amount of cash equivalent to the benefits from the exercise of the rights, as decided by the company. These rights can be exercised during five periods, the first of which will begin on 1 August 2010 and the last of which will end on 31 July 2016. According to the terms of the scheme, half of the post-tax value of the rewards must be tied to SRV Group Plc shares and the shares are subject to a two-year lockup agreement. A similar incentive agreement has been made with one of the executives, with 500,000 rights granted.

In addition, one of the business area executive vice presidents has an agreement concerning a share incentive scheme 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 per year, 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, his deputy and the Corporate Executive Team

EUR	Regular salary including fringe benefits 2009	Bonuses paid 2009	Total 2009
President and CEO Eero Heliövaara (1.1.–11.8.2009)	169,176	–	169,176
President and CEO Hannu Linnoinen (12.8.–31.12.2009)	104,316	–	104,316
Deputy CEO	145,409	14,600	160,009
Other Corporate Executive Team members	794,363	59,303	853,666

Employee shareholding scheme 2005

In autumn 2005, SRV Henkilöstö Oy, 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 Oy merged into SRV Group Plc and its shareholders received new SRV Group Plc shares as merger consideration. The merger consideration was determined on the basis of the listing price such that for each SRV Henkilöstö Oy share owned, the shareholder received about 16.33 SRV Group Plc shares.

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

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 and CEO, the 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 deputy auditor. The 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 14 days prior to the publication of a financial statement bulletin and interim report.

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

Audit

The auditor is elected at the Annual General Meeting to a term of office that ends at the close of the next Annual General Meeting following the auditor's election.

The Annual General Meeting held on 24 March 2009 elected Ernst & Young Oy, Authorised Public Accountants, as the regular auditor, with Mikko Rytilahti, Authorised Public Accountant, as the chief auditor.

In 2009, the auditor was paid auditing fees of EUR 236,000. In addition, the auditor was paid EUR 18,000 for other services (including all the companies belonging to the same group or chain).

Major characteristics of the internal control and risk management systems related to SRV's financial reporting

SRV continuously monitors its functions to ensure that the result of its operations is reliable. The objective of internal control is to ensure that the company's operations are efficient and productive, reporting is reliable and that laws and regulations are complied with. However, the internal control system cannot provide full certainty that risks can be prevented.

SRV's business operations are guided by consistent Group-wide business principles, decision-making authorisations and values. Internal control is founded on a healthy corporate and management culture and specified reporting and the grounds thereof. In particular, internal control is based on financial reports, management reports, risk reports and internal audit reports. The company's main operations are controlled by means of written internal operating policies and procedures.

SRV's business operations are based on the implementation of construction projects. 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.

Financial control

The internal control system applied to business operations is the responsibility of the executive teams of the business areas and the controller function in accordance with SRV's Group principles and instructions. In ensuring the effectiveness and efficiency of operations, a key control process is the monthly financial reporting process with analyses of deviations between actual results, budgets and continuously updated forecasts of business performance and construction projects.

The Board of Directors of SRV Group Plc and the Auditing Committee, the Corporate Executive Team and the working committee of the Corporate Executive Team, the management teams of the business areas and the financial administration are responsible for the Group's internal control system. In ensuring the accuracy of the Group's financial reporting, a key control process is the monthly management financial reporting process with analyses of deviations between actual results, budgets and continuously updated forecasts.

Financial management and the control of operations are supported and co-ordinated by the Group's financial administration and the controller organisation of SRV's business functions. SRV has drafted Group-level reporting models for standardising the financial reporting of the business functions. The reports of the business functions seek to ensure that control covers all the major aspects of business operations. This ensures that any deviations from financial objectives are identified, communicated and reacted to efficiently, in a harmonized and timely manner.

Financial control measures also include the ongoing business control procedures of the management. Financial reports define the key control indicators that aim to measure and support business efficiency and consistency and to monitor the achievement of the set objectives.

The Board of Directors has approved the internal approval limits drafted by the Corporate Executive Team.

Reliability of financial reporting

Monitoring of the reliability of financial reporting is based on the principles and guidelines SRV has set for the financial reporting process.

The interpretation and application of financial statement standards are centralised in the Group's financial administration, which maintains the SRV IFRS Accounting Manual under the supervision of the company's Audit Committee. The Group's financial administration oversees compliance with these standards and instructions.

The supervision of budgeting and reporting processes is based on SRV's budgeting instructions. The Group's financial administration is responsible for drafting and maintaining these instructions on a centralised basis. The principles are applied consistently throughout the Group.

Internal audit

The internal audit operates under the Board of Directors of SRV Group Plc. The Board of Directors may use an external service provider to attend to the internal audit. The internal audit reports to the Board's Audit Committee, the president and the senior vice president, financial administration.

The audits are based on the Audit Plan, which is approved annually by the Audit Committee. Reports on the audits carried out are submitted to the Audit Committee and annually to the company's Board of Directors.

Shareholdings, 31 Jan 2010

Members of Board

Ilpo Kokkila	13,552,000 shares
Ownership of companies under his control	5,178,129 shares
In addition, SRV Group Plc and SRV Kalusto Oy, which are under Ilpo Kokkila's control, owns its own shares	1,000,000 shares
Jukka Hienonen	20,000 shares
Ownership of companies under his control	none
Lasse Kurkilahti	2,200 shares
Ownership of companies under his control	none
Matti Mustaniemi	65,322 shares
Ownership of companies under his control	none

President and his deputy

Hannu Linnoinen	615,566 shares
Ownership of companies under his control	none
Timo Nieminen	418,266 shares
Ownership of companies under his control	none

Other members of the Corporate Executive Team

Pirjo Ahanen	1,700 shares
Katri Innanen	none
Veli-Matti Kullas	103,984 shares
Juha-Veikko Nikulainen	2,000 shares
Jussi Ollila	1,000 shares
Juha Pekka Ojala	99,984 shares
Valtteri Palin	26,129 shares

SRV engages in systematic risk management in order to protect itself against factors that might hinder its business operations and to recognise new opportunities. 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.

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.

Overall responsibility for risk management rests with the company's Board of Directors and president and CEO. The 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.

STRATEGIC RISKS

Macroeconomy

Changes in the economic cycle or in the operating environment of the customers can have a material impact on SRV's operations and thereby 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 can go into decline. The construction volume decreases and competition for projects heats up.

Availability of financing and 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.

Managing cyclical risks at SRV is based on 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 developer contracting projects. Projects are analysed carefully 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 and in Finland's growth centres. At the same time, the operations of the business areas are balanced out.

The management of growth-related risks is 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

The most significant risks for the company's own organisation relate to retaining its present staff and obtaining new, skilled employees. These aims are promoted through a sound human resources policy that emphasises systematic training and a good working environment, active co-operation with 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 technical and operational risks. These risks are managed with project plans, steering of the design and planning process, quality assurance plans and implementation control. In the management of subcontractor processes, SRV carries out close co-operation with the authorities. SRV's proactive efforts to develop its operations – which are co-ordinated in all business areas – also play a key role in risk management.

For more information on SRV's risk management, see pages 21, 22, 29 and 66.

Ilpo Kokkila
Born 1947, M.SC. (Eng.)
Chairman of the Board of Directors
Chairman of the Nomination and Remuneration Committee 2007–

Matti Mustaniemi
Born 1952, M.SC. (Econ.)
Member of the Board 2005 –
Chairman of the Audit Committee 2007 –

Lasse Kurkilahti
Born 1948, M.SC. (Econ.)
Member of the Board 2007–
Vice Chairman of the Board of Directors 2008–
Member of the Audit Committee 2009–

Jukka Hienonen
Born 1961, M.SC. (Econ.)
Member of the Board 2007 –
Member of the Nomination and Remuneration Committee 2007–
CEO of SRV Group Plc as of 1 August 2010.

Hannu Leinonen was a member of the Board until 30 September 2009.

Information on the share holdings of the Board of Directors is presented on page 30. More detailed information on their positions and work experience is presented at www.srv.fi/investors/corporate_governance

From left to right

Hannu Linnoinen
Born 1957, B.Sc. (Econ.), Master of Laws
CEO from 12 August 2009 to 31 July 2010, Senior Executive Vice President and CFO as from 2006. Joined the Group in 2006.

Timo Nieminen
Born 1958, M.Sc. (Eng.)
Senior Executive Vice President and Deputy CEO as from 2002. Joined the Group in 1987.

Juha Pekka Ojala
Born 1963, B. Sc. (CE)
Executive Vice President, Business Premises as from 2002, Executive Vice President, the Baltic countries as from 2008. Joined the Group in 1997.

Juha-Veikko Nikulainen
Born 1961, M.Sc. (Eng.)
Executive Vice President, Housing, as from 2007. Joined the Group in 2007.

Veli-Matti Kullas
Born 1956, M.Sc. (Eng.)
Executive Vice President, Russia, as from 2004. Joined the Group in 2004.

Katri Innanen
Born 1960, LL.M.
Chief Legal Counsel as from 2008. Joined the Group in 2008.

Jussi Ollila
Born 1967, Master of Social Science
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.

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 2010

The Annual General Meeting will be held on 16 March 2010
Interim Report January–March 2010: 5 May 2010 at 8.30 a.m.
Interim Report January–June 2010: 5 August 2010 at 8.30 a.m.
Interim Report January–September 2010: 4 November 2010 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

CEO
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
02201 Espoo
Finland

FINANCIAL STATEMENTS

This report describes the SRV Group´s financial performance in 2009. SRV Group Plc´s full financial statements for the financial year 1 January–31 December 2009 are included in the company´s official financial statements, which are available on the company´s website at www.srv.fi

1 January–31 December 2009

- **SRV's revenue was EUR 385.0 million (EUR 537.0 million 1–12/ 2008), change 28.3% negative**
- **Operating profit was EUR 9.9 million (EUR 32.9 million), change 69.8% negative**
- **Profit before taxes was EUR 5.8 million (EUR 23.7 million), change 75.6% negative**
- **The order backlog at the close of the review period was EUR 480.6 million (EUR 455.3 million), change 5.6%**
- **New contracts EUR 396.1 million (EUR 399.1 million), change 0.8% negative**
- **The equity ratio was 41.3 per cent (41.3%)**
- **Earnings per share were EUR 0.06 (EUR 0.43)**
- **Proposed divided EUR 0.12 (EUR 0.12) per share**

GROUP KEY FIGURES

EUR million	**IFRS 1–12/ 2009**	IFRS 1–12/ 2008	change, MEUR	change, %
Revenue	385.0	537.0	-152.0	-28.3
Operating profit	9.9	32.9	-23.0	-69.8
Financial income and expenses, total	-4.2	-9.2	5.0	
Profit before taxes	5.8	23.7	-17.9	-75.6
Order backlog	480.6	455.3	25.3	5.6
New agreements	396.1	399.1	-3.1	-0.8
Operating profit, %	2.6	6.1		
Net profit, %	0.6	2.8		
Equity ratio, %	41.3	41.3		
Net interest bearing debt	180.7	169.4		
Net gearing ratio, %	110.1	101.7		
Return on investment, %	4.7	12.9		
Return on equity, %	1.4	9.4		
Earnings per share, EUR	0.06	0.43		
Equity per share, EUR	4.48	4.54		
Weighted average number of shares outstanding, million pcs	36.0	36.5		

Consolidated revenue was EUR 385.0 million (EUR 537.0 million 1–12/ 2008). The share of revenue generated in Finland was 94 per cent (89%), whereas 6 per cent (11%) came from Russia and the Baltic countries. Revenue in the Business Premises business area was EUR 208.0 million (EUR 349.1 million). Revenue in the Housing business area was EUR 154.1 million (EUR 127.9 million). Revenue in the International business area was EUR 22.9 million (EUR 60.1 million).

The Group's operating profit was EUR 9.9 million (EUR 32.9 million 1–12/ 2008). Operating profit margin was 2.6 per cent (6.1%). Operating profit in the Business Premises business area was EUR 18.0 million (EUR 27.8 million). Operating profit in the Housing business area was EUR 4.9 million (EUR 0.7 million). Operating loss in the International business area was EUR 7.9 million (operating profit of EUR 9.2 million).

The Group's profit before taxes was EUR 5.8 million (EUR 23.7 million 1–12/ 2008). Net profit for the review period was EUR 2.3 million (EUR 15.3 million). Earnings per share were EUR 0.06 (EUR 0.43). Return on equity was 1.4 per cent (9.4%) and return on investment was 4.7 per cent (12.9%).

The order backlog was EUR 480.6 million on 31 Dec 2009 (EUR 455.2 million on 31 December 2008). The share of order backlog which has been sold (construction contracts and sold developer contracting production) amounted to EUR 316 million (EUR 280 million on 31 Dec 2008), and the unsold share amounted to EUR 165 million (EUR 176 million). Value of new contracts signed during the review period was EUR 396.1 million (EUR 399.1 million 1–12/ 2008

KEY FIGURES FOR THE SEGMENTS

Revenue

EUR million	**IFRS 1–12/ 2009**	IFRS 1–12/ 2008	change, MEUR	change, %
Business Premises	208.0	349.1	-141.1	-40.4
Housing	154.1	127.9	26.3	20.5
International	22.9	60.1	-37.2	-61.9
Other Operations	8.7	11.5	-2.8	-24.1
Eliminations	-8.8	-11.6	2.8	
Group, total	**385.0**	**537.0**	**-152.0**	**-28.3**

Operating profit

EUR million	**IFRS 1–12/ 2009**	IFRS 1–12/ 2008	change, MEUR	change, %
Business Premises	18.0	27.8	-9.8	-35.4
Housing	4.9	0.7	4.2	590.1
International	-7.9	9.2	-17.1	-185.4
Other Operations	-4.7	-4.9	0.2	
Eliminations	-0.3	0.1	-0.4	-462.2
Group, total	**9.9**	**32.9**	**-23.0**	**-69.8**

Operating profit

%	**IFRS 1–12/ 2009**	IFRS 1–12/ 2008
Business Premises	8.6	8.0
Housing	3.2	0.6
International	-34.4	15.4
Group, total	**2.6**	**6.1**

Order backlog

EUR million	IFRS 31 Dec 09	IFRS 31 Dec 08	change, MEUR	change, %
Business Premises	255.3	265.7	-10.4	-3.9
Housing	200.7	154.0	46.7	30.3
International	24.6	35.6	-11.0	-31.0
Group, total	**480.6**	**455.3**	**25.3**	**5.6**
- sold order backlog	316	280		
- unsold order backlog	165	176		

EARNINGS TRENDS OF THE SEGMENTS

Business Premises

EUR million	IFRS 1–12/2009	IFRS 1–12/2008	change, MEUR	change, %
Revenue	208.0	349.1	-141.1	-40.4
Operating profit	18.0	27.8	-9.8	-35.4
Operating profit, %	8.6	8.0		
Order backlog	255.3	265.7	-10.4	-3.9

The Business Premises business area comprises SRV Toimitilat Oy's retail, office, logistics and rock construction operations and property development.

Revenue in the Business Premises business area was EUR 208.0 million (EUR 349.1 million). The decrease in revenue could be attributed to the general decline in construction volumes, and to the volume of around EUR 39 million relating to the extension project of the Stockmann department store not being recognised as SRV's revenue. Operating profit was EUR 18.0 million (EUR 27.8 million). Operating profit margin rose to 8.6 per cent (8.0%). The order backlog was EUR 255.3 million (EUR 265.7 million).

Projects completed during the review period included the renovation of the office building at Hakaniemenranta 6 in Helsinki as well as the construction and renovation of Svenska Social & Kommunal Högskolan at Snellmaninkatu 6 in Helsinki for Senate Properties, production premises for Caternet in the Kivikko district in Vantaa, and HTC office buildings in the Keilaniemi district in Espoo. STC (Smart Tech Centre) concept office buildings were completed in Porvoo's King's Gate area and at Koivuhaantie in Vantaa. The Plantagen garden store with office was also completed in Porvoo's King's Gate are, as well as a retail centre of 20,000 cubic meters in the northern wing of the area. In the city of Vantaa, an office and warehouse building for SGN and a logistics centre for Transphere were completed. In Kerava, the new timber crushing plant for Lassila & Tikanoja was completed, and in Lahti a car dealership and a repair shop for Autosalpa. The main contract for the interior construction of the Helsinki City Service Tunnel, with a total volume of 120,000 cubic metres, was also brought to completion. The underground car park built by SRV was completed in the Kamppi district of Helsinki and opened to the public in May. The P-City car park is operated by Europark Finland Oy.

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

In January 2009, 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 Centre) logistics building with about 20,000 square metres of floor space. Kerca occupies an area of 160 hectares on the Kerava-Vantaa border.

In February 2009, property and contract agreements were signed concerning the Anttila logistics centre to be built in Kerca. Kesko pension fund bought a plot of 40,000 square metres from the city of Kerava, where a high-bay warehouse of approximately 19,000 gross square metres for Anttila will be built. The volume of the building is 300,000 cubic metres. Preconstruction on the plot has been completed and the construction works will be finished in August 2010.

SRV Business Premises signed a project management contract agreement with Varma Mutual Pension Insurance Company in June to build a production and logistics centre for Primula bakery in Järvenpää. The centre includes production, logistics, sales and administration premises as well as a luncheonette, cafeteria and bakery shop. The total floor area of the project is 13,000 square meters and production in the premises is scheduled to begin in the early autumn of 2010.

In July, SRV was selected as the project management contractor for the renovation of the Aurora-house of the Helsinki Deaconess Institute. SRV is in charge of rebuilding the old hospital and hotel into supported and assisted accommodation units, as well as of building new facilities in the building.

In September, SRV and the insurance companies Tapiola General and Tapiola Life signed a contract for the construction of Housing Company Helsingin Vanhalinna, close to Itäkeskus in Helsinki. The gross floor area of the project is 42,000 square meters, and it includes 309 rental apartments as well as service, restaurant and retail premises.

In October, SRV and the Finnish Rail Administration signed a contract for tunnel excavations of the Ring Rail Line in Vantaa. SRV builds the Ruskeasanta station and excavates Ring Rail Line tunnels. A total length of 3.6 kilometres of rail line tunnels will be excavated. This contract is part of the Ring Rail Line project that will link the Vantaankoski line, via the Helsinki-Vantaa airport, to the main rail line.

In October, SRV and the Finnish Fair Corporation signed a project management contract for the expansion of the exhibition and convention centre. This contract covers the construction of a new multi-purpose hall, considerable field work and the alteration of the existing hall. The new hall will have a floor area of about 19,000 square meters and will be completed in late August 2011.

During the review period, contracts were also concluded to build a service tunnel for the University of Helsinki in the heart of Helsinki and an equestrian centre for the Primus riding centre in Espoo. Renovation of an office building for Ilmarinen was started in the Niittykumpu district in Espoo. The preliminary works for the extension and renovation of Malmi Hospital in Helsinki were started, as was the extension of the Mercuria Business College in Vantaa. The construction of production plant for Lassila & Tikanoja was commenced in Kerava. The construction of a logistics and warehouse facility for Ilmarinen began in Tuusula, as well as the construction of new premises for Fin-Seula Oy. In addition, SRV was awarded the project management contract for the new premises of Hyvinkää town hall.

The office building in Hakaniemenranta was selected as the construction project of the year 2008 for Senate Properties. Through this recognition, Senate Properties seeks to encourage and support skilled designers and builders. The recognition is based on general quality factors and social responsibility, as well as solutions that support the clients and innovations.

Housing

EUR million	IFRS 1–12/2009	IFRS 1–12/2008	change, MEUR	change, %
Revenue	154.1	127.9	26.3	20.5
Operating profit	4.9	0.7	4.2	590.1
Operating profit, %	3.2	0.6		
Order backlog	200.7	154.0	46.7	30.3

The Housing business area comprises housing construction in the Helsinki Metropolitan Area and the neighbouring municipalities, as well as regional business operations. Besides housing, regional business operations include commercial, business premises and logistics construction projects.

Revenue in the Housing business area for the review period amounted to EUR 154.1 million (EUR 127.9 million) and operating profit was EUR 4.9 million (EUR 0.7 million). Order backlog was EUR 200.7 million (EUR 154.0 million). The increase in operating profit was attributed to the increase in the volume of contracting, brisker housing sales at the end of the year, and the cost savings measures implemented. Operating profit was eroded by the total losses of EUR 1.2 million from SRV Keski-Suomi's three completed construction projects.

More resources were allocated to contracting and, during the review period, contracts worth EUR 140.5 million were concluded with external clients. EUR 82.6 million of the concluded contracts were negotiation contracts, where SRV has also acted as developer. SRV is building the S-Group's Kodin Terra hardware and home decor department store and ABC service station for Tampereen Osuuskauppa in Nokia. Also in Tampere, a car dealership focusing on the sale of BMWs and Minis will be renovated for Aro-Yhtymä. The Pakkalanrinne day care centre will be built for lease to the City of Vantaa, the investor in the project is Ilmarinen Mutual Pension Insurance Company. A contract was signed with Scan-Auto to build a Scania centre in Jyväskylä, for servicing large vehicles, and an earthworks contract was signed for a similar project in Oulu. Provisional premises for the Cygnaeus school centre in Jyväskylä and Valintatalo market in Nokia are also being built.

During the review period, 323 (76) housing units were sold to investors under negotiation contracts. A construction contract was signed with Sato to build two housing blocks with a total of 74 units on a property previously owned by SRV in the Vallikallio district in Espoo. In the Ulrika area in the Rekola district in Vantaa, 50 right-of-occupancy homes are being built for Asuntosäätiö. 40 housing units are being built for Tampereen YH in Ylöjärvi and 42 units in the Henneri area in Tampere on a property previously owned by SRV. In Jyväskylä SRV is building a total of 117 service-accommodation units for Jyväskylän Nuoriso- ja Palveluasunnot ry. They will be used mainly as elderly care homes.

SRV won contracts worth EUR 57.9 million through bidding competitions. The most important of these were a high-rise project of 104 apartments for HOAS (Foundation for Student Housing in the Helsinki Region) in the Viikki district of Helsinki and the piping renovation of two housing companies in the Haaga district of Helsinki. Two apartment houses with a total of 75 apartments are being built for the city of Joensuu A health centre is being built for the town of Ylöjärvi for, and an S market for the S Group in Lappeenranta.

In the Varsinais-Suomi region, SRV signed several contracts during the period: A well-being centre for the municipality of Tarvasjoki, the Logicity terminal for Varsinais-Suomen Kaukokiito in the vicinity of Turku airport, a sports hall for the municipality of Aura, and an industrial hall for Turun Thermohuolto. In addition, restaurant facilities in connection with the Turku Fair and Congress Centre will be expanded and renovated, and the premises of Kiinteistö Oy Kuninkaanväylä will be renovated.

During the period under review, SRV began the construction and sales of 251 developer contracting housing units in seven projects. Six of these, containing a total of 247 apartments, were started up during the final quarter. SRV will build an apartment building with 88 apartments in the Kartanonkoski district in Vantaa, and an apartment building with 67 apartments in the Martinlaakso district in Vantaa. The construction of the final building with 43 apartments began in the Vallikallio district in Espoo, where SRV is building five apartment buildings. Seven extremely high-quality terraced houses and semi-detached houses are being built in Haukilahti in Espoo. The construction of an apartment building with 28 apartments in Parkano and of a building with 14 apartments in Jyväskylä began at the year-end, and a terraced house with 4 apartments in Oulu at the beginning of the year. The Helsingin Oscar condominium with 64 units in the Töölö district in the immediate vicinity of Kamppi in Helsinki was completed in October.

During the review period, 207 (141) developer contracting units were sold. Sales picked up, particularly in the fourth quarter with the sale of 86 (13) residential units. At the end of the period, 263 (265) residential units were being constructed, 231 (226) of which had not been sold. There were 171 (133) completed but unsold units, 40 of which were rented at the period-end. A total of 252 (260) developer contracting residential units were completed during the review period. SRV has several residential projects in prime locations whose planning has been taken further. Strict criteria have been established for the start-up of new developer contracting projects; start-ups will be considered depending on pre-marketing results.

Developer contracting housing production in Finland

	1–12/2009	1–12/2008	muutos, kpl
Start-ups	251	110	141
Sold	207	141	66
Completed	252	260	-8
Completed and unsold [1]	171	133	38
Under construction [1]	263	265	-2
- of which unsold [1]	231	226	5

1) At the end of the period

During the review period, codetermination negotiations were commenced in SRV Keski-Suomi in Jyväskylä region due to financial and production reasons. As a result of these negotiations, SRV dismissed three salaried employees. Erkki Jaala, the regional manager in SRV Keski-Suomi, left the company in October. In December, codetermination negotiations were commenced in SRV Pohjois-Suomi in Oulu due to financial and production reasons.

International Operations

EUR million	IFRS 1–12/2009	IFRS 1–12/2008	change, MEUR	change, %
Revenue	22.9	60.1	-37.2	-61.9
Operating profit	-7.9	9.2	-17.1	-185.4
Operating profit, %	-34.4	15.4		
Order backlog	24.6	35.6	-11.0	-31.0

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

Revenue in the International business area was EUR 22.9 million (EUR 60.1 million). Operating loss was EUR 7.9 million (a profit of EUR 9.2 million). Revenue and operating profit were affected by the small number of projects under construction, and operating profit also by the development costs of developer contracting projects and the fixed costs of business operations. Revenue and operating profit for the comparison period were increased by the sale of the hotel in Ekaterinburg, where EUR 14.2 million was recorded in revenue and EUR 13.5 million in operating profit. The order backlog was EUR 24.6 million (EUR 35.6 million).

Russia

The Etmia II office and parking facility project in the heart of Moscow has reached shell & core completion. Due to the slow-down of demand in the Moscow office market, SRV has decided to do the fit-out works in the office section itself with completion scheduled for the year-end. Negotiations with potential tenants are under way. SRV's role in the project is to act as the project management contractor and as co-owner with a 50 per cent stake.

In the Moscow area, a building permit was granted for the Mytischi shopping centre project which has been developed by SRV. Construction of the electrical connection has started. The majority owner of the project is the Finnish real estate investment company Vicus, with a 75 per cent stake. Due to the global financing situation, negotiations concerning the financing of the project have not been successful. The site organisation has been temporarily moved to other projects to await the final investment decision. The final investment decisions will be made after the financing of the project and negotiations with the tenants have been concluded. SRV owns 25 per cent of the shopping centre project and its total investments amount to about EUR 7.7 million.

SRV continued the development of the roughly 8.5 hectare land area in St Petersburg. 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 invested about EUR 50 million in land and properties. Further investment in land acquisition by SRV is estimated at EUR 10 million. At the moment, SRV owns 87.5% of the project, but its ownership will decline to 77.5 per cent when all land-owning arrangements have been completed according to the cooperation contract.

Phase II of the renovation works of the Pribaltiskaya hotel and phase II of the renovation of hotel Pulkovskaya, both operated by the Rezidor Group, were completed during the period.

The development of the Eurograd logistics area in St Petersburg continued. SRV has 49 per cent ownership of the Russian company that possesses a plot of 24.9 hectares located north of St Petersburg, in the near vicinity of the Ring Road. 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 has been completed. Site planning has begun and negotiations with potential tenants for phase I are under way.

Demand for the apartments in the Papula residential area in the city of Vyborg remained weak during the review period and no new transactions were concluded. 30 of the first-phase units had been sold to a Russian company that was unable to arrange financing for the transaction and the sale had to be cancelled. The sale of another unit also had to be cancelled. At the end of the period, 32 units were unsold.

During the review period, SRV concluded the establishment of a real estate fund together with VTB Capital and Deutsche Bank. The fund will invest mainly in office, retail and hotel projects as well as in the construction of top end residential projects in Moscow and in St Petersburg. The fund can also invest in operating completed properties.

SRV's share of the investment commitments in the first phase is EUR 20 million. VTB Capital and Deutsche Bank are also investors in the fund. Other investors are the pension insurance companies Ilmarinen and Etera. The final target for the investment commitments of the fund is at least EUR 300 million, which may equal as much as EUR 1 billion in investment volume.

VTB Capital and Deutsche Bank will act in partnership as the sponsor and general partner of the fund. Their tasks will include identifying investments and arranging financing for the projects. SRV acts both as an investor and project management contractor with respect to the fund, through which it expects to receive at least EUR 200 million worth of construction contracts.

In December, SRV signed a letter of intent with the Chinese Baltic Pearl CJSC to construct a shopping centre in St. Petersburg. According to the letter of intent, SRV will initiate the required preliminary work, which includes concept design, market research and the arrangement of external financing. Once the conditions of the letter of intent have been fulfilled, SRV intends to design and build a shopping centre with a floor area of more than 100,000 square meters in two phases and over a period of three years. The companies have also agreed to set up a joint venture that will own the property. The construction of the shopping centre will move ahead if a final investment decision is made by 31 December, 2010. The shopping centre is part of the Baltic Pearl development project in which Baltic Pearl CJSC will develops a land area of over 205 hectares, located south-west of central St. Petersburg. This project is China's largest international investment project, apart from oil and natural gas investments.

Baltic countries

Volumes in the Baltic business operation were low. No new residential projects start-ups are scheduled in the present market situation. In Estonia, 6 (6) residential units were sold during the period and, all in all, 35 (41) units were up for sale in already-completed projects at the end of the period. The number of staff in Estonia was adjusted to the market situation.

On 9 April 2009, SRV and the International School of Latvia signed a contract agreement concerning the construction of an international school in Riga. The design phase of the project is completed, but due to delays in the client's financing the start-up has been postponed to 2010.

SRV Terbelat Sia, a subsidiary of SRV Group Plc, has been engaged as a claimant in international arbitration proceedings in Berlin concerning a power plant construction contract in Latvia with a Latvian customer, SIA Juglas Jauda. SRV suspended the work due to breach of contract by the customer and terminated the contract in the autumn of 2007. On 28 July 2009, the arbitration tribunal confirmed SRV's right to terminate the contract and ordered the defendant to pay SRV approximately EUR 1.4 million in costs and interest. SRV applied for the enforcement of the arbitration tribunal's decision in a Latvian local court, where the customer has also initiated proceedings, based on the same contract, against SRV. SRV signed an agreement with the customer in December whereby the customer will pay SRV compensation of EUR 0.5 million. This agreement had no material impact on the financial results.

Other Operations

EUR million	**IFRS 1–12/2009**	IFRS 1–12/2008	change, MEUR	change, %
Revenue	8.7	11.5	-2.8	-24.1
Operating profit	-4.7	-4.9	0.2	

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

The revenue of Other Operations during the review period was EUR 8.7 million (EUR 11.5 million) and operating loss was EUR 4.7 million (EUR -4.9 million). This decrease in revenue was caused by lower operation volumes. The operating loss was reduced by cost savings measures. Fourth-quarter revenue was EUR 2.3 million (EUR 3.0 million) and operating loss was EUR 1.4 million (EUR -1.4 million). The lower revenue was due to lower operation volumes.

FINANCING AND FINANCIAL POSITION

Net operational cash flow improved to EUR 3.6 million (a loss of EUR 103.2 million in January-December 2008). This improvement can be attributed to the downsizing of inventories instead of pursuing strong growth, due to which the change in working capital was slightly positive. The group's inventories were EUR 291.4 million (EUR 294.8 million), the share of land areas and plot-owning companies being EUR 153.0 million (EUR 142.1 million). The Group's invested capital amounted to EUR 349.9 million (EUR 339.4 million).

At the end of the review period, the Group's financing reserves were EUR 124.4 million, of which the Group's cash assets amounted to EUR 5.2 million and committed undrawn financing reserves and credit facilities amounted to EUR 119.2 million. The Group's net interest-bearing liabilities were EUR 180.7 million on 31 December 2009 (EUR 169.4 million). Net financing expenses totalled EUR 4.2 million (EUR 9.2 million).

Investments in SRV's developer contracting housing projects in Finland consonant with the RS-system, including completed, unsold projects, total around EUR 75.9 million. SRV estimates that the completion of these projects requires another EUR 32 million. Undrawn housing corporate loans total EUR 41 million. Investments in business premise projects in Finland amount to EUR 25.5 million. Investments in international developer contracting projects amount to about EUR 42 million, of which EUR 1.9 million relates to unsold residential projects in Estonia, EUR 3.5 million an unsold housing project in Vyborg and EUR 36.7 million in Etmia office project and Mytischi shopping centre project.

Equity ratio was 41.3 per cent (41.3%). The change in the equity ratio and net liabilities was affected by the increase in inventories in particular. The Group's shareholders' equity totalled EUR 164.3million (EUR 166.6 million on 31 December 2008). The return on investment was 4.7 per cent (12.9%) and the return on equity was 1.4 per cent (9.4%).

INVESTMENTS

The Group's investments totalled EUR 3.7 million (EUR 16.8 million) and were mainly related to the acquisition of shares of one subsidiary. In the reference period, EUR 10.0 million of the investments were related to the properties in the IBI project.

UNBUILT LAND AREAS, LAND ACQUISITION COMMITMENTS AND LAND DEVELOPMENT AGREEMENTS

Land reserve 31 Dec 2009	Business Operations	Housing	International Operations	Total
Unbuilt land areas and land acquisition commitments				
Building rights*, m²	199,000	257,000	842,000	1,298,000
Capital invested incl. commitments, EUR million	36	56	98	190
Land development agreements				
Building rights*, m²	466,000	354,000	117,000	937,000

* 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

In March, the City of Oulu granted SRV a planning reservation for an approximately 5 hectare land area in the immediate vicinity of Oulu harbour. SRV aims to develop logistics facilities and business premises in the area, together with the Port of Oulu and companies operating there.

GROUP STRUCTURE

SRV is Finland's leading project management contractor that builds and develops commercial and business 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, the Group's parent company, is responsible for the Group's management, treasury, finance and administrative functions. The Property Development and Building Systems units support and serve all of the Group's business operations.

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

CHANGES IN GROUP STRUCTURE

In June 2009, SRV acquired 100 per cent ownership of Pirkanmaan Projektitoimi Oy. To streamline the business structure and operations, SRV initiated the process to merge the company into SRV Asunnot Oy in July 2009. Pirkanmaan Projektitoimi was merged with SRV Asunnot Oy on 31 December 2009 and continues to operate under the business name SRV Pirkanmaa.

RATIONALISING MEASURES

On 19 January, SRV began negotiations to adjust the number of employees to the market situation. The codetermination negotiations concerning the Group's Finnish companies were concluded on 26 March, and as a result SRV laid off 60 persons during 2009. In addition to lay-offs, the company agreed with the Finnish employees that additional holiday pay would be traded for time off. A similar process has been started in the Group's companies abroad. These and other Group-wide measures generated savings of around EUR 6 million in the Group's fixed costs in 2009.

PERSONNEL

SRV had an average payroll of 776 (871) employees, of whom 544 (614) were white-collar. The parent company had an average staff of 53 (66) white-collar employees. At the close of the review period, the Group had 766 (870) employees, of whom 47 (66) were employed by the parent company. An average of 17 per cent (15) of the employees work in subsidiaries and representative offices abroad. At the end of the review period, SRV had a total of 18 (25) 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). The salaries and compensations paid during the financial period totalled EUR 35.8 million (EUR 37.7. million)

Personnel by business area

	31 Dec 2009	31 Dec 2008	Share of Group personnel, 31 Dec 2009, %
Business Premises	289	296	37.7
Housing	215	285	28.0
International	182	191	23.7
Other Operations	81	98	10.6
Group, total	**767**	**870**	**100.0**

During the final quarter, we focused strongly on our personnel's professional and supervisory skills. The objective of the training programs is to take full advantage of the group's best practices and the latest know-how in the industry in all business operations.

The share-based incentive plan for 2009 includes about 77 employees and the reward is based mainly on consolidated and partly on business area performance. The rewards to be paid for the earning period 2009 correspond to 77,340 SRV Group Plc shares. In addition, a sum of money corresponding to this number of shares is paid for tax withholding purposes.

OUTLOOK FOR CONSTRUCTION

After a rapid decline, the global economy has taken an upward turn. However, the recovery is slow and the situation in the property and construction market continues to be challenging. It is estimated that the Finnish economy will grow slightly in 2010.

Falling construction input prices have levelled out. The availability of subcontracting and materials is good. Unemployment in construction is increasing and government support measures have been initiated.

Consumer confidence has strengthened in the housing markets, this together with the low interest level have increased demand, prompting a larger number of new start-ups in developer contracting housing projects. Weakening employment trends will have a negative short-term effect on the housing markets. Meanwhile, in the longer term, migration to population growth centres and the smaller size of household dwelling units will increase the need for housing construction.

New start-ups in commercial and office construction decreased during the review period. Vacancy rates in office premises have reached a high level and construction is slow. The near future outlook for commercial and logistics construction is somewhat better.

Renovation continues to grow, and in the long term, this trend is maintained by the growth of the building stock, the ageing of existing buildings, as well as modernisation needs to meet current technical standards and energy efficiency requirements. The outlook for civil engineering has weakened despite government support measures.

The economic situation in the Baltic countries has remained weak. Construction and the property markets are extremely slow. In the short term, the economic situation in the Baltic countries will continue to be difficult.

The Russian economy continues to be challenging. A faltering investment trend is reflected strongly in construction, reducing it significantly. The scarce availability of financing limits growth opportunities. The Russian national economy is reviving due to rising oil prices. Inflation has abated and interest rates have declined.

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 cash flow from operating activities and financing costs. The general economic situation is weak and is lowering the volume of property investments. Interest rates are low, but the availability of credit from the banks is poor and loan margins have risen to a high level. The banks' own refinancing has become more expensive, which has shortened customers' loan maturities.

The international financial crisis can weaken the availability of financing for property development and investments, making it more difficult for SRV's customers to obtain financing throughout SRV's operating regions and in Russia in particular. Property values face pressures and the number of property transactions and new project start-ups has decreased due to difficulties in securing financing. The financial crisis can intensify SRV's risk of being forced to tie up capital in projects for longer than intended.

SRV's revenue is generated by construction projects. The company's revenue and result depend on the order backlog, volume of new projects, and the profitability of individual projects as well as their progress. The recognition date of developer contracting projects also depends on the percentage of sold premises therein. As of 1 January 2010, the Completed Contract Method will be applied to revenue recognition for housing unit sales.

Project sales are affected by factors such as the availability of financing for the buyer and occupancy rate. When sales are delayed, the recognition of revenue and operating profit is delayed correspondingly. Postponed start-ups of developer contracting projects increase the level of development expenses, which are recorded as costs. Housing sales have revived somewhat in Finland, while they remain at a standstill in Estonia. 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 the control of these underlines the need for long-term planning. In a poor economic situation, financing risks relating to subcontractors will also increase (including labour market disturbances, bankruptcies and the grey economy). SRV's contracting model requires skilled and competent personnel. Construction projects also face other case-specific risks relating to the design and construction of projects (including new and difficult planning solutions, thermal insulation and waterproofing, and occupational safety). Warranty and liability obligations related to construction can span up to ten years.

Besides land acquisition risks, property projects face other challenges, such as those related to the outcome of zoning, soil conditions, financing, commercialisation of projects, partners, and the geographical location and type of project. In accordance with its strategy, SRV has focused on developer contracting projects and has increased its land acquisition in Finland and Russia in particular.

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 2009 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 of EUR 100 million, EUR 55 million of which will mature in December 2012 and EUR 45 million in December 2013. 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 will be disclosed in the 2009 Annual Report and Notes to the Financial Statements.

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

The 2009 annual report including Financial Statements, Report of the Board of Directors and Corporate Governance Statement is available in the company's website at www.srv.fi on week 8/2010.

ENVIRONMENTAL ISSUES

In its operations, the Group seeks to adhere to the principles of sustainable development and to minimise the harmful environmental impacts of buildings over their entire life cycle. Attention is paid to environmental management during both the design and actual construction stage. In 2009, two research projects were launched to develop sustainable building and implementation models. In Finland, SRV employs an environmental reporting system on its construction sites.

HCORPORATE GOVERNANCE AND RESOLUTIONS OF GENERAL MEETINGS

The Annual General Meeting was held on 25 March 2009. The AGM adopted the financial statements for 2008 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. The date of dividend payment was set at 3 April 2009. Mr Ilpo Kokkila was elected chairman of the Board of Directors and Mr Jukka Hienonen, Mr Lasse Kurkilahti, Mr Hannu Leinonen and Mr Matti Mustaniemi were elected Board members. The firm of public accountants Ernst & Young Oy was elected as the company's auditor. Mikko Rytilahti, authorised public accountant, will act as the principal auditor.

The Annual General Meeting authorised the Board of Directors to resolve on the acquisition of the company's own shares (treasury shares). This authorisation will remain 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 authorisation. The Annual General Meeting authorised the Board of Directors to resolve on the transfer of treasury shares against payment or without consideration. This authorisation is in force for two years from the decision of the meeting.

In its organisational meeting on 25 March 2009 the Board of Directors elected Lasse Kurkilahti vice chairman of the Board, Matti Mustaniemi chairman of the Audit Committee, Lasse Kurkilahti member of the Audit Committee, Jukka Hienonen and Hannu Leinonen members of the Nomination and Remuneration Committee and Ilpo Kokkila chairman of the Nomination and Remuneration Committee.

On 12 August 2009, Eero Heliövaara, President and CEO of SRV resigned from his post. The Board of Directors appointed Senior Executive Vice President, CFO Hannu Linnoinen as CEO and began the process to select the new CEO. On 15 December 2009, the Board of Directors appointed Jukka Hienonen (M.Sc. Econ.) as SRV's President and CEO effective as of 1 August 2010.

On 9 September 2009, Hannu Leinonen, Member of SRV's Board of Directors, resigned from the membership of the Board of Directors after being appointed CEO of Destia Oy. A new member of the Board of Directors will be elected in the next Annual General 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 had a total of 5,762 shareholders on 31 December 2009.

The share closing price at OMX Helsinki at the end of the financial year was EUR 5.89 (EUR 3.47 on 31 December 2008).). The highest share price in the financial year was EUR 5.97 and the lowest was EUR 2.75. The change in the all-share index of the Helsinki Stock Exchange (OMX Helsinki) during the same period was 19.5 per cent positive and the OMX Industrial and Services index 83.5 per cent positive.

At the end of the review period, the company's market capitalisation was EUR 210.7 million, excluding the Group's own shares. About 8.3

million shares were traded during the period and the trade volume was EUR 31.4 million.

On 13 May 2009 the Board of Directors of SRV Group Plc decided to exercise its authorisation to acquire the company's own shares. The share acquisition started on 25 May 2009. At the end of the review period, SRV Group Plc's subsidiary SRV Kalusto Oy had 215,562 of SRV Group Plc's shares acquired in accordance with the conditions of the merger plan of SRV Group Plc and SRV Henkilöstö Oy. On 31 December 2009, SRV Group Plc and SRV Kalusto Oy had a total of 1,000,000 of SRV Group Plc's shares, representing 2.7 per cent of the total number of the company's shares and votes. On 10 February 2010, the Group had a total of 1,000,000 shares with an average acquisition price of EUR 3.7 (2.7 per cent of the total number of the company's shares and votes).

Eero Heliövaara, SRV Group Plc and Ilpo Kokkila concluded a contract on 11 August 2009 stipulating that SRV Group Plc and Ilpo Kokkila commit themselves to buying or to designating a buyer of the 1,909,483 SRV shares owned by Eero Heliövaara so that the shares will be sold by 5 January 2010 at the latest, and that the received price will average EUR 4.45 per share. This agreement creates a situation in which the shares will be transferred so that the threshold as intended in the Chapter 2 Section 9 of the Securities Market Act falls below one twentieth (1/20) of the voting rights and total number of shares. The arrangement was based on an earlier agreement concerning the shares.

FINANCIAL TARGETS

As SRV's medium term aim, the Board of Directors has set the achievement of annual average growth of approximately 15 per cent in Group revenue and annual average growth of 30 per cent in revenue from 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. In addition, the company aims to maintain an equity ratio of 30 per cent.

The international economic and financial crisis has hampered the growth outlook for business operations. Realisation of the sales of developer contracting projects has an essential effect on the development of profitability. In the current economic conditions, the set financial targets cannot be met. The company is endeavouring to maintain profitability by rationalising operations and cutting costs.

EVENTS AFTER THE REPORTING PERIOD

The value of new contracts in the Business Premises business area grew by EUR 55.7 million in January. The Housing business area sold 38 residential units in January (6 units in January 2009).

In January, SRV signed a contract for the construction of spa hotel Holiday Club Saimaa in Lappeenranta, in the Rauha area. An aqua park with a wellness area, a restaurant world and a multifunction ice arena will operate in connection with the spa hotel. SRV is acting as a contractor and investor in the project. The spa hotel will be completed in summer 2011.

In January, SRV signed an agreement to buy a total of 28,000 square metres of building rights from VVO Rakennuttaja Oy. The land areas transferred in the agreement consist of leaseholds, purchase options and direct landed property. These areas are located in the Metropolitan Helsinki area: in Arabianranta and Kannelmäki in Helsinki and in Matinkylä in Espoo. They have been zoned for the construction of apartment buildings.

On 5 January 2010, SRV implemented the agreement signed with Eero Heliövaara on 11 August 2009 and Nordea Bank AB (publ) acquired the shares for a per-share price of EUR 4.45. At the same time SRV signed a EUR 8.5 million derivative agreement with Nordea maturing in July for 1,909,483 company shares, according to which the shares will be sold to SRV or an entity named by SRV.

OUTLOOK FOR 2010

Revenue in 2010 is expected to exceed the previous year's level and profit before taxes is expected to be clearly positive.

PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The parent company's distributable funds on 31 December 2009 are	EUR 141,438,732.44
of which net profit for the financial year is	EUR 23,034,038.48

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

A dividend of EUR 0.12 per share be paid to shareholders, or	EUR 4,412,216.16
The amount to be transferred to shareholders' equity	EUR 137,026,516.28

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, 2010

SRV Group Plc
Board of Directors

KEY FINANCIAL INDICATORS

		2009	2008	2007	2006	2005
		IFRS	IFRS	IFRS	IFRS	IFRS
Revenue	EUR million	385.0	537.0	561.4	479.5	422.0
Operating profit	EUR million	9.9	32.9	15.1	24.6	21.8
Operating profit, % of revenue	%	2.6	6.1	2.7	5.1	5.2
Profit before extraordinary items	EUR million	5.8	23.7	11.5	20.7	21.7
Profit before extraordinary items, % of revenue	%	1.5	4.4	2.1	4.3	5.1
Profit before taxes	EUR million	5.8	23.7	11.5	20.7	21.7
Profit before taxes, % of revenue	%	1.5	4.4	2.1	4.3	5.1
Net profit for the financial year attributable to equity holders of the parent company	EUR million	2.3	15.7	7.2	14.5	12.6
Return on equity, %	%	1.4	9.4	6.9	27.3	34.0
Return on investment, %	%	4.7	12.9	9.7	15.9	19.1
Equity ratio, %	%	41.3	41.3	55.4	31.7	19.8
Property, plant and equipment investments	EUR million	3.7	24.8	5.4	3.3	2.7
Property, plant and equipment investments, % of revenue	%	1.0	4.6	1.0	0.7	0.6
Order backlog	EUR million	480.6	455.3	528.7	453.7	251.8
New agreements	EUR million	396.1	399.1	568.3	568.7	236.6
Personnel on average		776	871	761	668	671
Invested capital	EUR million	349.9	339.4	222.9	141.7	182.5
Net interest-bearing debt	EUR million	180.7	169.4	43.2	64.6	108.9
Net gearing ratio, %	%	110.1	101.7	27.3	103.9	218.7
Earnings per share, share issue adjusted *)	EUR	0.06	0.43	0.22	0.56	0.48
Equity per share, share issue adjusted *)	EUR	4.48	4.54	4.22	2.22	1.76
Dividend per share, share issue adjusted **)	EUR	0.12	0.12	0.12	0.12	0.08
Dividend payout ratio, %	%	187.5	27.9	54.6	21.4	16.7
Dividend yield, %	%	2.0	3.5	2.4	-	-
Price per earnings ratio		92.0	8.1	22.8	-	-
Share price development						
Share price at the end of the period	EUR	5.89	3.47	5.02	-	-
Average share price	EUR	4.06	5.05	8.40	-	-
Lowest share price	EUR	2.75	2.82	4.72	-	-
Highest share price	EUR	5.97	6.60	10.79	-	-
Market capitalisation at the end of the period	EUR million	210.7	125.7	184.6	-	-
Trading volume	EUR 1,000	8,309	13,543	22,514	-	-
Trading volume, %	%	23.1	37.1	68.8	-	-
Weighted average number of shares outstanding	1,000	35,999	36,526	32,703	26,064	26,064
Number of shares outstanding at the end of the period	EUR 1,000	35,768	36,210	36,768	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 Oy 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 Oy. After the merger the number of shares was 36,768,468.

**) The Board of Directors' dividend proposal for 2009

CALCULATION OF KEY FIGURES

Net gearing ratio, %	=	Net interest-bearing debt / Total equity	x 100
Return on equity, %	=	Profit before taxes - income taxes / Total equity, average	x 100
Return on investment, %	=	Profit before taxes + interest and other financial expenses / Invested capital, average	x 100
Equity ratio, %	=	Total equity / Total assets - advances received	x 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	=	Net profit for the financial year attributable to equity holders of the parent company / Weighted average number of shares outstanding	
Equity per share, share issue adjusted	=	Equity attributable to equity holders of the parent company / Number of shares outstanding at the end of the period, share issue adjusted	
Price per earnings ratio	=	Share price at the end of the period / Earnings per share, share issue adjusted	
Dividend payout ratio, %	=	Dividend per share, share issue adjusted / Earnings per share, share issue adjusted	x 100
Dividend yield, %	=	Dividend per share, share issue adjusted / Share price at the end of the period, share issue adjusted	x 100
Average share price	=	Number of shares traded in euros during the period / 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 weihted 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 2009 the highest price was EUR 5.97 and the lowest price EUR 2.75. The average share price for 2009 was EUR 4.06 and the closing price EUR 5.89 giving the company a market capitalisation of EUR 210.7 million as of 31 December 2009. 8.3 million shares were traded in OMX which corresponds to 23.1 % of the weighted average number of SRV shares outstanding. The trading value of the shares was EUR 31.4 million.

The authorisations of the Board of Directors

The Board of Directors of SRV Group Plc has neither 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 14,673,354 shares on 31 December 2009 which corresponds to 39.9 % 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 2009

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
SRV Yhtiöt Oyj	784,438	2.1
Valtion Eläkerahasto	700,000	1.9
Alfred Berg Finland Sijoitusrahasto	662 997	1.8
Linnoinen Hannu	615,566	1.7
Fondita Nordic Micro Cap	512,000	1.4
Veritas Eläkevakuutusosakeyhtiö	437,000	1.2
Nieminen Timo	418,266	1.1
Sundholm Göran	323,906	0.9
Stiftelsen För Åbo Akademi	300,000	0.8
Alfred Berg Small Cap Finland	281,662	0.8
Keskinäinen Vakuutusyhtiö Eläke-Fennia	245,000	0.7
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	225,000	0.6
SRV Kalusto Oy	215,562	0.6
Maa- Ja Vesitekniikan Tuki Ry.	205,000	0.6
Alfred Berg Optimal Sijoitusrahasto	203,980	0.6
Säästöpankki Kotimaa-Sijoitusrahasto	150,000	0.4
20 largest shareholders	**28,349,989**	**77.1**
Nominee registration	673,291	1.8
Other	7,745,188	21.1
Total number of shares	**36,768,468**	**100.0**

Breakdown of share ownership on 31 December 2009
By number of shares owned

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	498	8.6	33,896	0.1
101–500	3,533	61.3	778,458	2.1
501–1 000	745	12.9	610,793	1.7
1,001–5,000	727	12.6	1,748,311	4.8
5,001–10,000	98	1.7	681,181	1.9
10,001–50,000	121	2.1	2,364,386	6.4
50,001–100,000	14	0.2	1,097,680	3.0
100,001–500,000	16	0.3	3,594,345	9.8
over 500,000	10	0.2	25,859,418	70.3
Total	**5,762**	**100.0**	**36,768,468**	**100.0**
of which nominee registrations	7	0.1	673,291	1.8

By shareholder category

	% of shares
Corporations	20.2
Financial and insurance institutions	7.5
Non-profit organisations	2.3
Public institutions	9.2
Households	60.4
Non-Finnish shareholders	0.4
	100.0

CONSOLIDATED INCOME STATEMENT

EUR 1,000	Note	2009	2008	2007
Revenue		**384,994**	**536,964**	**561,425**
Other operating income	5	2,594	1,371	1,111
Change in inventories of finished goods and work in progress		-6,471	53,507	18,317
Use of materials and services		-312,606	-495,307	-509,734
Employee benefit expenses	8	-44,503	-46,323	-41,567
Depreciation and impairments	7	-3,678	-3,168	-1,917
Other operating expenses	6	-10,394	-14,126	-12,575
Operating profit		**9,937**	**32,917**	**15,059**
Financial income	10	6,037	4,158	2,624
Financial expenses	10	-10,198	-13,362	-6,146
Financial income and expenses, total		-4,160	-9,204	-3,522
Profit before taxes		**5,776**	**23,712**	**11,537**
Income taxes	11	-3,435	-8,456	-3,894
Net profit for the financial year		**2,341**	**15,256**	**7,643**
Attributable to				
Equity holders of the parent company		2,304	15,702	7,185
Minority interest		38	-446	458
Earnings per share calculated on the profit attributable to equity holders of the parent company (undiluted and diluted)	12	0.06	0.43	0.22

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31.12.2009

EUR 1,000	Note	2009	2008	2007
Net profit for the financial year		**2,341**	**15,256**	**7,643**
Other comprehensive income:				
Gains and losses arising from translating the financial statements of a foreign operation		-13	-108	12
Gains and losses on remeasuring available-for-sale financial assets		0	-75	-108
Income tax relating to components of other comprehensive income		3	48	25
Other comprehensive income for the year, net of tax		**-10**	**-135**	**-71**
Total Comprehensive Income For The Year		**2,332**	**15,121**	**7,572**
Attributable to				
Equity holders of the parent company		2,294	15,566	7,114
Minority interest		38	-446	458
Earnings per share calculated on the profit attributable to equity holders of the parent company (undiluted and diluted)	12	0.06	0.43	0.22

CONSOLIDATED BALANCE SHEET

EUR 1,000	Note	2009	2008
ASSETS			
Non-current assets			
Property, plant and equipment	14	16,265	18,986
Goodwill	15	1,734	1,734
Other intangible assets	15	453	537
Other financial assets	16, 17	4,801	4,266
Receivables	16, 18	16,197	6,601
Deferred tax assets	19	2,219	1,698
Non-current assets, total		**41,669**	**33,821**
Current assets			
Inventories	20	291,443	294,847
Trade and other receivables	16, 21	77,623	86,706
Current tax receivables		1,905	5,082
Cash and cash equivalents	22	5,217	3,372
Current assets, total		**376,189**	**390,007**
ASSETS TOTAL		**417,858**	**423,829**
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		-99	-86
Other reserves		-75	-75
Retained earnings		70,083	74,104
Equity attributable to equity holders of the parent company, total		**160,310**	**164,345**
Minority interest		**3,758**	**2,264**
Equity, total		**164,068**	**166,609**
Non-current liabilities			
Deferred tax liabilities	19	532	272
Provisions	24	4,771	5,571
Interest-bearing liabilities	16, 25	96,871	69,358
Other liabilities	16, 26	764	390
Non-current liabilities, total		**102,938**	**75,591**
Current liabilities			
Trade and other payables	16, 26	56,156	66,778
Current tax payable		2,626	7,990
Provisions	24	3,837	3,809
Interest-bearing liabilities	16, 25	88,233	103,052
Current liabilities, total		**150,851**	**181,628**
Liabilities, total		**253,790**	**257,220**
EQUITY AND LIABILITIES, TOTAL		**417,858**	**423,829**

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	Note	2009	2008	2007
Cash flow from operating activities				
Net profit for the financial year		**2,341**	**15,256**	**7,643**
Adjustments:				
Depreciation and impairments		3,678	3,168	1,917
Non-cash transactions	30	2,680	-512	1,450
Financial income and expenses		4,160	9,204	3,522
Capital gains on sale of tangible and intangible assets		-11	-10	-148
Income taxes		3,435	8,456	3,894
Adjustments, total		**13,942**	**20,308**	**10,635**
Changes in working capital:				
Change in loan receivables		-13,459	-12,556	-2,701
Change in trade and other receivables		17,843	14,929	-22,951
Change in inventories		5,370	-98,763	-62,844
Change in trade and other payables		-9,559	-31,868	16,404
Changes in working capital, total		**195**	**-128,257**	**-72,092**
Interest paid		-12,667	-12,973	-6,353
Interest received		5,667	6,681	2,813
Income taxes paid		-5,882	-4,194	-6,295
Net cash from operating activities		**3,596**	**-103,180**	**-63,650**
Acquisition of subsidiaries, net of cash				
Acquisition of subsidiaries, net of cash		-2,290	-1,328	0
Property, plant and equipment		-814	-13,689	-4,215
Intangible assets		-70	-258	-116
Other financial assets		-536	-1,493	-1,023
Sale of property, plant and equipment and intangible assets		29	85	740
Sale of financial assets		1	0	264
Net cash used in investing activities		**-3,680**	**-16,683**	**-4,349**
Cash flow from financing activities				
Proceeds from share issue		0	0	113,430
Proceeds from loans		19,625	68,869	19,148
Repayments of loans		-22,227	-10,125	-13,536
Change in loan receivables		0	0	176
Change in housing corporation loans		-6,761	30,624	-21,829
Change in credit limits		17,454	18,781	928
Purchase of treasury shares		-1,772	-1,918	-20,660
Dividends paid		-4,389	-4,404	-3,128
Net cash from financing activities		**1,930**	**101,828**	**74,530**
Net change in cash and cash equivalents		**1,846**	**-18,035**	**6,530**
Cash and cash equivalents at the beginning of financial year		3,372	21,407	14,877
Cash and cash equivalents at the end of financial year		**5,217**	**3,372**	**21,407**
Gross investments		-3,711	-16,768	-5,354

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 earningst	**Total**	Minority interest	Equity Total
Equity, total (IFRS), 1 Jan 2008	**3,063**	**0**	**87,338**	**22**	**0**	**64,680**	**155,103**	**3,236**	**158,339**
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**	**-108**	**-75**	**15,746**	**15,563**		
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**
Equity, total (IFRS), 1 Jan 2009	**3,063**	**0**	**87,338**	**-86**	**-75**	**74,104**	**164,345**	**2,264**	**166,609**
Translation differences	-	-	-	-13	-	-	**-13**		
Net gains on available-for-sale financial assets	-	-	-	-	0	-	**0**		
Other changes	-	-	-	-	-	-210	**-210**		
Net income recognised directly in equity	**0**	**0**	**0**	**-13**	**0**	**-210**	**-223**		
Net profit for the financial year	-	-	-	-	-	2,304	**2,304**		
Total income and expenses for the financial year	**0**	**0**	**0**	**-13**	**0**	**2,094**	**2,081**		
Dividends paid	-	-	-	-	-	-4,344	**-4,344**		
Purchase and cancellation of treasury shares	-	-	-	-	-	-1,772	**-1,772**		
Equity, total (IFRS), 31 Dec 2009	**3,063**	**0**	**87,338**	**-99**	**-75**	**70,083**	**160,310**	**3,758**	**164,068**

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 Operations. The main operational companies are SRV Toimitilat Ltd, SRV Asunnot Ltd and SRV International Ltd. The Business Premises business area comprises SRV Toimitilat Oy's retail, office, logistics and rock construction operations and property development. 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. Besides housing, the regional business operations include commercial, business premises and logistics construction projects. International Operations comprises the business activities of the SRV International subgroup in Russia and the Baltic countries.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 2010.

ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on 31 December 2009 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 2009:

- IAS 23 Borrowing Costs. Borrowing costs directly attributable to construction projects starting in 2009 or later shall be capitalized as part of that project. Capitalized borrowing costs shall be recognized in the income statement with an effect on operating profit when revenue from the construction project is recognized.

This amendment has an impact both on the Group's financial position and to some extent on the presentation of consolidated financial statements.

- IAS 1 Presentation of Financial Statements. Starting from 2009 Group shall disclose an income statement and a statement of comprehensive income. Statement of comprehensive income statement includes changes in shareholders' equity that relate to transactions with non-owners.
- IFRS 7; Financial instruments; Disclosures. Starting from 2009 instruments measures at fair value shall be disclosed using three-level hierarchy.
- 2008 Annual improvements to IFRS.

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

The application of the following standards, amendments and interpretations is mandatory as from the accounting period beginning on or after 1 January 2010:

- IFRS 3 Business Combinations (in force for the financial year commencing 1 July 2009 or after). The Group will apply this standard as from 1 January 2010. The revised standard has an impact on the amount of goodwill recognized in connection with acquisition of business operations. The resulting goodwill is calculated as a parent company's share of the net assets of acquired business and also minority's share may be included in it. Costs in connection with the transaction are expensed.
- IAS 27 Consolidated and Separate Financial Statements (in force for the financial year commencing 1 January 2009). The Group will apply this standard as from 1 January 2010. According to the revised standard, the changes in the ownership interest of a subsidiary that does not result in loss of control are recognized in equity. Losses incurred by the subsidiary will be allocated to the non-controlling interest even if the losses exceed the non-controlling equity investment in the subsidiary.
- IFRIC 15 Agreements for the Construction of Real Estate (in force for the financial year commencing 1 January 2009 / EU endorsed this interpretation during 2009). The Group will apply this standard as from 1 January 2010. The interpretation specifies when the revenue in connection with construction contracts may be recognized using the percentage of completion method and when completed contract method should be used instead. The application of this interpretation will have an impact primarily on revenue recognition of the housing developer contracting. Currently Group applies percentage of completion method on housing developer contracting. According to the interpretation the completed contract method should be applied instead. This change in revenue recognition will have an impact on revenues, operating profit, net profit for the period, inventories, advances received, interest-bearing liabilities, shareholders' equity and balance sheet total.

These standards, amendments and interpretations have impact both on Group's financial position and to some extent on the presentation of consolidated financial statements.

- Annual improvements 2009 (in force for the financial year commencing 1 January 2009). 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 to some extent effect on the presentation of the consolidated financial statements.

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 relevat 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 functional 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 contractst

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 in projects which are implemented for clients outside the group, are recognised as an expense in the period in which they are incurred. In developer contracting projects interests are activated during the construction period and are recognised when the project is sold. These interest costs are entered as project expenses above operating profit.

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 2009 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.

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. 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, indirect costs of purchase and construction as well as borrowing costs.

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 or share 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.

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 operations

International Operations 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 Operations comprise 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 2009, the Group did not have major customers according to the definition of IFRS 8.

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.

2009

EUR 1,000	Business Premises	Housing	International Operations	Other	**Total**
Revenue, external	207,899	154,136	22,903	56	**384,994**
Revenue, internal	94	0	11	8,648	**8,753**
Total	**207,993**	**154,137**	**22,914**	**8,704**	**393,748**
Operating profit	**17,984**	**4,861**	**-7,887**	**-4,740**	**10,218**
Segment's assets					
Non-current	863	1,432	25,148	10,918	**38,361**
Current					
Land areas and plot-owning companies	27,816	41,415	83,553	0	**152,784**
Work in progres	0	20,388	13,565	0	**33,952**
Shares in completed housing corporations and real estate companies	25,491	55,470	5,461	0	**86,422**
Other inventories	5,056	3,710	10,281	0	**19,047**
Inventories total	58,363	120,983	112,860	0	**292,206**
Other current assets	29,461	29,063	44,508	203,622	**306,654**
Total	**88,687**	**151,477**	**182,516**	**214,540**	**637,221**
Segment's liabilities					
Non-current	10,989	68,195	18,385	5,190	**102,759**
Current	44,510	64,680	163,356	74,037	**346,582**
Total	**55,499**	**132,875**	**181,741**	**79,226**	**449,341**
Invested capital					
At the end of period	**42,044**	**123,103**	**177,062**		**349,937**
Return on investment, %	**35.2**	**3.8**	**-1.5**		**4.7**
Order backlog	**255,329**	**200,715**	**24,583**		**480,627**

2008

EUR 1,000	Business Premises	Housing	International Operations	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**

Revenue

EUR 1,000	**2009**	2008	2007
Segment's revenue	385,044	537,068	561,696
Revenue, others	8,704	11,473	11,178
Eliminations and other adjustments	-8,753	-11,578	-11,450
Total	**384,994**	**536,964**	**561,425**

Operating profit

EUR 1,000	**2009**	2008	2007
Segment's operating profit	14,957	37,765	18,485
Operating profit, others	-4,740	-4,926	-3,070
Eliminations and other adjustments	-281	78	-356
Total	**9,937**	**32,917**	**15,059**

Assets

EUR 1,000	**2009**	2008
Segment's assets	422,681	433,913
Assets, others	214,540	185,108
Eliminations and other adjustments	-221,582	-196,891
Deferred tax assets	2,219	1,698
Total	**417,858**	**423,829**

Liabilities

EUR 1,000	**2009**	2008
Segment's liabilities	370,115	370,403
Liabilities, others	79,226	65,682
Eliminations and other adjustments	-196,083	-179,136
Deferred tax liabilities	532	272
Total	**253,790**	**257,220**

Order backlog

EUR million	**2009**	2008
Order backlogs of the segments	480.6	455
Total	**480.6**	**455.3**

2 ACQUISITIONS

- **Acquisitions during 2009**
  SRV Group did not acquire new businesses in 2009.
- **Acquisitions during 2008**
  SRV Group did not acquire new businesses in 2008.
- **Acquisitions during 2007**
  SRV Group did not acquire new businesses in 2007.

3 DISPOSALS

- **Disposals during 2009**
  SRV Group did not have significant disposals of businesses in 2009.
- **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.

4 CONSTRUCTION CONTRACTS

EUR 1,000	2009	2008	2007
Revenue from construction contracts recognised as income during the financial year	383,750	529,719	554,117
Contract costs and profits at the end of financial year (less recognised losses) [1]	286,216	373,377	307,471
Gross amount due from customers related to construction contracts [2]	17,517	21,874	32,161
Gross amount due to customers related to construction contracts [3]	19,555	18,707	45,516

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	2009	2008	2007
Capital gains on sales of property, plant and equipment and intangible assets	11	10	148
Rental income	2,011	1,069	544
Other income	572	292	420
Total	**2,594**	**1,371**	**1,111**

6 OTHER OPERATING EXPENSES

EUR 1,000	2009	2008	2007
Rental expenses	2,508	2,850	2,463
Voluntary indirect personnel expenses	778	1,162	1,149
Car and travel expenses	1,035	1,455	1,115
Entertainment and marketing	792	1,270	1,378
Communications and IT	1,191	1,419	1,317
Other external services	1,010	1,373	1,264
Other fixed expenses	3,080	4,598	3,888
Total	**10,394**	**14,126**	**12,575**

Auditing fees

EUR 1,000	2009	2008	2007
Audit	236	280	252
Auditors' statements	3	10	9
Tax services	10	63	29
Other services	5	69	397
Total	**254**	**422**	**688**

7 DEPRECIATION AND IMPAIRMENTS

EUR 1,000	2009	2008	2007
Depreciation			
Intangible assets			
Other intangible assets	168	369	375
Property, plant and equipment			
Buildings and structures	1,581	746	118
Machinery and equipment	1,929	2,053	1,422
Other tangible assets	0	0	1
Total	**3,678**	**3,168**	**1,917**

8 EMPLOYEE-BENEFIT EXPENSES

EUR 1,000	2009	2008	2007
Wages and salaries [1]	35,789	37,736	33,055
Pension expenses - defined contribution plans	5,863	6,011	5,613
Share-based incentive scheme	408	-54	115
Employee offering cost [2]	0	0	398
Other indirect personnel expenses	2,442	2,630	2,386
Total	**44,503**	**46,323**	**41,567**

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

	2009	2008	2007
Business Premises	285	308	281
Housing	234	292	290
International Operations	171	175	102
Other	86	96	88
Total	**776**	**871**	**761**

Share-based incentive scheme

Grant year	2009 4)	2006 3)
Subscription ratio	1:1	1:1
Exercise price	4.80	3.85
Dividend adjusted exercise price	4.80	3.49
Amount granted	2,000,000	100,000
Subscription period	2010–2016	2010–2013

3) One member of the Corporate Executive Team of SRV Group Plc has a share-based incentive scheme under which the member is entitled to a share bonus while in the employ of the Group. The amount to be paid as a share bonus is based on the price development of SRV Group Plc's share. SRV Group Plc may upon its discretion pay the share bonus in cash or as shares. SRV Group Plc has decided that half of the bonus shall be paid as shares. The amount to be paid is determined as the difference between the 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 using the Black & Scholes pricing model. Bonuses paid as shares are valued in accordance with their value at the time when the decision on the payment method is made and those paid in cash are valued at fair value. Changes in value are recognised in the income statement over their effective period. The volatility used in the pricing model is 44%.

On 11 February 2008, the Board of Directors of SRV approved a new share-based incentive scheme for the Group's key personnel. The scheme includes three earning periods – the calendar years 2008, 2009 and 2010. The potential reward will be paid 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 scheme to the company without compensation. In the 2009 earning period, the target group of the scheme included 77 people and the reward is based mainly on consolidated and partly on business area earnings before taxes. The rewards paid for earning period 2009 amounted to about 80,000 shares. The rewards paid as shares under this share-based incentive scheme are valued in accordance with their value at the time of granting and the rewards paid in cash are valued at fair value. Changes in value are recognised in the income statement over their effective period.

4) On 15 December 2009, the Board of Directors of SRV decided on a long-term share-based incentive scheme that includes two key employees of the Group, one of whom is the future CEO of the Group. The amount to be paid as a share bonus is based on the price development of SRV Group Plc's share SRV Group Plc is entitled to pay the reward either in cash or as shares. According to the terms of the scheme, half of the post-tax value of the rewards must be tied to SRV Group Plc shares and the shares are subject to a two-year transfer restriction. This share-based incentive scheme is valued at its value at the time of granting. Changes in value are recognised in the income statement over their effective period.

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	2009	2008	2007
Financial income			
Income on available-for-sale assets	129	0	42
Interest income from loans and receivables	2,727	2,545	1,717
Other financial income	3,543	1,661	12
Total	**6,399**	**4,207**	**1,770**
Financial expenses			
Expenses for financial liabilities at amortised cost	-7,819	-10,250	-5,323
Losses on available-for-sale assets	-121	-14	-5
Other financial expenses	-3,018	-2,161	-843
Total	**-10,958**	**-12,425**	**-6,171**
Exchange rate and fair value gains and losses			
Loans and other receivables	43	-364	35
Liabilities at amortised cost	-1	-15	5
Other	356	0	-13
Financial assets/liabilities at fair value	0	-608	852
Total	**398**	**-987**	**879**
Financial income and expenses, total	**-4,160**	**-9,204**	**-3,522**
Other aggregate exchange differences charged/credited to the income statement			
Revenue	0	223	232
Materials and services	-35	74	0
Other operating expenses	0	0	-6
Total	**-35**	**297**	**226**

11 INCOME TAXES

Income taxes in the income statement

EUR 1.000	2009	2008	2007
Current taxes	2,868	8,981	5,475
Taxes for previous financial years	854	-30	269
Other taxes	-26	1	0
Deferred taxes	-261	-495	-1,849
Total	**3,435**	**8,457**	**3,894**
Effective income tax rate	59.5 %	35.7 %	33.8 %

The income taxes in the consolidated income statement differ from the statutory income tax rate in Finland (26% in 2009, 2008 and 2007) as follows:

Income tax reconciliation

EUR 1,000	**2009**	2008	2007
Profit before taxes	5,776	23,712	11,537
Income taxes at statutory tax rate in Finland (26%)	1,502	6,165	3,000
Differing tax rates of foreign subsidiaries	389	154	58
Effect of changes in income tax rates on deferred taxes	-46	-59	0
Tax exempt income	-120	-54	-1
Non-deductible expenses	589	2,267	185
Tax losses and temporary differences not recognised	630	289	311
Taxes for previous financial years	854	-30	269
Group eliminations	-363	-274	73
Income taxes	**3,435**	**8,457**	**3,894**

12 EARNINGS PER SHARE

	2009	2008	2007
Net profit for the financial year attributable to equity holders of the parent company, EUR 1,000	2,304	15,702	7,185
During the financial year, 1,000 shares	35,999	36,526	32,703
Earnings per share, EUR/share	**0.06**	**0.43**	**0.22**

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

13 DIVIDEND PER SHARE

The dividends paid in 2009 were EUR 0.12 per share, totalling EUR 4.4 million. The dividends paid in 2008 were EUR 0.12 per share, totalling EUR 4.4 million. The dividends paid in 2007 werw EUR 0.12 per share, totalling EUR 3.1 million. A dividend of EUR 0.12 per share will be proposed at the Annual General Meeting on 16 March 2010 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

2009

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	**Total**
Historical cost, 1 Jan	273	13,243	13,313	35	1,001	**27,864**
Increases	0	14	800	0	0	**813**
Decreases	0	0	-110	0	0	**-110**
Reclassifications	0	-39	1,026	-28	-1,000	**-41**
Historical cost, 31 Dec	**273**	**13,218**	**15,029**	**7**	**1**	**28,527**
Accumulated depreciation and impairments, 1 Jan	0	-1,432	-7,446	0	0	**-8,879**
Depreciation	0	-1,581	-1,929	0	0	**-3,510**
Accumulated depreciations of decreases	0	39	88	0	0	**127**
Accumulated depreciation and impairments, 31 Dec	**0**	**-2,975**	**-9,287**	**0**	**0**	**-12,262**
Carrying amount, 1 Jan	273	11,810	5,867	35	1,001	**18,986**
Carrying amount, 31 Dec	**273**	**10,243**	**5,742**	**7**	**1**	**16,265**

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	**13,692**
Decreases	0	0	-44	0	-32	**-76**
Reclassifications	0	0	-35	28	0	**-6**
Foreign exchange differences	0	82	78	0	0	**160**
Historical cost, 31 Dec	**273**	**13,243**	**13,313**	**35**	**1,001**	**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**	**11,810**	**5,867**	**35**	**1,001**	**18,986**

Finance lease agreements

SRV Group had no finance lease agreements in 2009 and 2008.

15 GOODWILL AND OTHER INTANGIBLE ASSETS

2009

EUR 1,000	Intangible rights	Goodwill	Other capitalised-expenditure	Total
Historical cost, 1 Jan	250	1,734	1,941	**3,925**
Increases	0	0	70	**70**
Decreases	0	0	-13	**-13**
Reclassifications	0	0	13	**13**
Historical cost, 31 Dec	**250**	**1,734**	**2,012**	**3,996**
Accumulated amortisation, 1 Jan	0	0	-1,654	**-1,654**
Amortisation	0	0	-168	**-168**
Accumulated depreciations of decreases	0	0	13	**13**
Accumulated amortisation, 31 Dec	**0**	**0**	**-1,809**	**-1,809**
Carrying amount, 1 Jan	250	1,734	287	**2,271**
Carrying amount, 31 Dec	**250**	**1,734**	**203**	**2,187**

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**
Reclassifications	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% owenrship in Erkki Huhdanpää Oy and 7.5% in SRV Keski-Suomi Ltd.

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

EUR 1,000	**2009**	2008
Housing		
SRV Asunnot Oy	1,734	1,734
Total	**1,734**	**1,734**

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 %.

In the impairment test of goodwill performed in January 2010, 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 four (4) 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

2009

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	16,197	0	0	**16,197**	16,238	18
Other financial assets	0	0	4,801	0	**4,801**	4,801	17
Current financial assets							
Trade receivables	0	23,250	0	0	**23,250**	23,250	21,27
Construction contracts	0	17,517	0	0	**17,517**	17,517	21
Other receivables	0	22,591	0	0	**22,591**	22,591	21
Derivative instruments	-650	0	0	0	**-650**	-650	29
Cash and cash equivalents	0	5,217	0	0	**5,217**	5,217	22
Total	**-650**	**84,772**	**4,801**	**0**	**88,922**	**88,964**	
Non-current financial liabilities							
Interest bearing liabilities	0	0	0	96,871	**96,871**	96,924	25
Other non-current liabilities	0	0	0	764	**764**	764	26
Current financial liabilities							
Interest bearing liabilities	0	0	0	88,233	**88,233**	88,307	25
Trade payables	0	0	0	14,485	**14,485**	14,485	26
Total	**650**	**0**	**0**	**200,354**	**201,004**	**200,480**	

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**	

- 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	2009	2008
Carrying amount, 1 Jan	**4,266**	**2,929**
Increases	536	1,450
Decreases	-1	0
Amount of available-for-sale financial assets removed from equity and recognised in the income statement	0	0
Net gains on available-for-sale financial assets	0	-114
Carrying amount, 31 Dec	**4,801**	**4,266**
Non-current	4,801	4,266
Current	0	0
Quoted shares	0	0
Unquoted shares	4,801	4,266

18 RECEIVABLES

	Fair value		Carrying amount	
EUR 1,000	2009	2008	2009	2008
Non-current receivables				
Loan receivables	16,238	6,753	16,197	6,601
Total	**16,238**	**6,753**	**16,197**	**6,601**

19 DEFERRED TAX ASSETS AND LIABILITIES

2009

EUR 1,000	1 Jan	Recognised in the income statement	Recognised in equity	31 Dec
Deferred tax assets				
Tax losses	1,298	232	0	**1,529**
Consolidation and group eliminations	400	289	0	**690**
Total	**1,698**	**521**	**0**	**2,219**
Deferred tax liabilities				
Consolidation and group eliminations	217	306	0	**522**
Other	55	-46	0	**9**
Total	**272**	**260**	**0**	**532**
Net deferred taxes	**1,426**	**261**	**0**	**1,687**

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**

- A deferred tax asset for unused tax losses of subsidiaries, EUR 517,414 (2009) and EUR 378,848 (2008), 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.
- Recorded deferred tax receivables and deferred tax liabilities are based on the changes in accounting principles which relates to the adoption of International Financial Reporting Standards (IFRS).

20 INVENTORIES

EUR 1,000	2009	2008
Raw materials and consumables	4	1
Work in progress	34,381	100,827
Land areas and plot-owning companies[1)]	153,034	142,123
Shares in completed housing corporations and real estate companies[2)]	86,451	34,008
Advance payments	3,554	3,684
Other inventories	14,019	14,203
Inventories, total	**291,443**	**294,847**

- During the financial year 2009 there were impairment losses on inventories, [1)] EUR 305,000 and [2)] EUR 327,000
- During the financial year 2008 there were impairment losses on inventories, [1)] EUR 276,000 and [2)] EUR 1,072,000.

21 TRADE AND OTHER RECEIVABLES

	Fair value		Carrying amount	
EUR 1,000	**2009**	2008	**2009**	2008
Trade receivables	23,250	40,438	23,250	40,438
Loan receivables	22,591	15,078	22,591	15,000
Gross amount due from customers related to construction contracts	17,517	21,874	17,517	21,874
Accrued income and prepaid expenses	5,406	1,231	5,406	1,231
Other receivables	8,860	8,164	8,860	8,164
Total	**77,623**	**86,785**	**77,623**	**86,706**
Interest bearing receivables	22,591	15,078	22,591	15,000
Non-interest bearing receivables	55,032	71,707	55,032	71,707
Total	**77,623**	**86,785**	**77,623**	**86,706**

In 2009 the Group's trade receivables were on average EUR 31,633,500. The trade receivables are non-interest bearing and they are normally about 30 days by age. During the financial year 2009 there were no impairment losses on trade receivables.

22 CASH AND CASH EQUIVALENTS

EUR 1,000	**2009**	2008
Cash in hand and at bank	5,217	3,372
Total	**5,217**	**3,372**

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 2008	36,768,468	3,062,520	0	87,338,104	**90,400,624**
Purchase and cancellation of treasury shares	-558,000				
31 Dec 2008	**36,210,468**	**3,062,520**	**0**	**87,338,104**	**90,400,624**
1 Jan 2009	36,210,468	3,062,520	0	87,338,104	**90,400,624**
Purchase and cancellation of treasury shares	-442,000				**0**
31 Dec 2009	**35,768,468**	**3,062,520**	**0**	**87,338,104**	**90,400,624**

Shares, share capital and share premium reserve

On the 31 December 2009, the total number of SRV Group Plc's shares outstanding was 35,768,468 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 24 March 2009 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 2009 SRV Group Plc acquired 376,679 own shares and SRV Kalusto Oy acquired 65,321 own shares. At the end of December there were one million own shares in Group´s possession.

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

2009

EUR 1,000	Provisions for construction contracts	Other provisions	Total
1 Jan	**9,380**	**0**	**9,380**
Increase in provisions	3,504	307	**3,812**
Provisions used	-3,740	0	**-3,740**
Reversals of unused provisions	-537	0	**-537**
31 Dec	**8,607**	**307**	**8,914**
Non-current	4,771	0	**4,771**
Current	3,837	307	**4,144**
Total	**8,607**	**307**	**8,915**

2008

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

- 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	**2009**	2008	**2009**	2008
Non-current				
Loans from financial institutions	50,653	16,291	50,600	16,340
Housing corporation loans	46,271	53,696	46,271	53,018
Total	**96,924**	**69,987**	**96,871**	**69,358**

	Fair value		Carrying amount	
EUR 1,000	**2009**	2008	**2009**	2008
Current				
Loans from financial institutions	69,350	95,983	69,316	95,994
Commercial papers	18,800	6,930	18,760	6,887
Housing corporation loans	157	171	157	171
Total	**88,307**	**103,084**	**88,233**	**103,052**

26 OTHER LIABILITIES

	Fair value		Carrying amount	
EUR 1,000	**2009**	2008	**2009**	2008
Non-current				
Subordinated loan	0	0	0	0
Other advance payments	0	0	0	0
Other liabilities	764	390	764	390
Total	**764**	**390**	**764**	**390**
Current				
Trade payables	14,485	19,761	14,485	19,761
Advance payments related to construction contracts	19,555	18,707	19,555	18,707
Other advance payments	969	1,827	969	1,827
Other current liabilities	6,488	7,161	6,488	7,161
Accrued expenses and prepaid income	14,659	19,322	14,659	19,322
Total	**56,156**	**66,778**	**56,156**	**66,778**
Accrued expenses and prepaid income				
Wages and salaries and related expenses	6,456	6,827	6,456	6,827
Interest and other financial liabilities	832	2,419	832	2,419
Periodisations of project expenses	2,168	5,263	2,168	5,263
Other	5,203	4,814	5,203	4,814
Total	**14,659**	**19,322**	**14,659**	**19,322**

27 FINANCIAL RISK MANAGEMENT

Interest-rate risks

Changes in interest rates on interest-bearing debts and receivables create interest-rate 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 2009 the nominal value of interest rate swaps amounted to 63,4 million euros. Interest rate swaps are used to hedge against changes in the market interest rates, and changes in the fair value of interest rate swaps are entered in financing income or expenses in the financial period in which they were incurred. Derivatives are non-current liabilities when their maturity is more that 12 months and current liabilities when the remaining maturity is less than 12 months. The fair value of derivative instruments equals the value the Group would receive or pay, if the derivative contract would be terminated. The fair value of interest rate forward agreements are based on the counterparts' quoted prices. These quoted prices for agreements are based on general market conditions and common pricing models. 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

EUR 1,000	2009 Carrying amount	2009 Average interest rate	2009 Average maturity, months	2009 Sensitivity EUR 1)	2008 Carrying amount	2008 Sensitivity, EUR
Debt	112,072	1.71 %	1.8	1,031	101,814	935
Receivables1)	12,038	6.23 %	2.0	-30	9,859	-25

1) 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.

Currency 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.

	2009			2008		
EUR 1,000	RUB	EEK	LVL	RUB	EEK	LVL
Net position 1)	2,819	-12,657	3,437	366	-16,499	3,849
Impact on earnings						
euro 10% strenghtening	-238	-1,632	113	-110	-1,960	145
euro 10% weakening	291	1,994	-138	134	2,395	-177
Impact on equity 2)						
euro 10% strenghtening	-18	-461	-199	76	-205	-445
euro 10% weakening	22	563	244	-93	251	544

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 (31,3 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 will expire during years 2012-2013 (2012: exp. 55 million euros, 2013: exp. 45 million euros). At the end of December 2009 the amount of committed credit lines and cash in hand and in bank accounts amounted to 103 million euros and committed undrawn housing and other project finanacing facilities amounted to 41 million euros. Committed credit offers amounted to 21 million euros. There are standard covenant clauses in financial contracts, the financial covenant being the equity ratio.

Financial liabilities

	2009		Maturity					2008	
EUR 1,000	Carrying amount	Contractual liability 1)	2010	2011	2012	2013	later	Carrying amount	Contractual liability
Loans from financial institutions 2)	119,917	126,580	38,792	44,665	26,835	2,341	13,947	112,334	118,790
Housing loans 3)	46,428	52,772	557	604	961	1,949	48,701	53,189	84,829
Commercial Papers	18,760	18,800	18,800	0	0	0	0	6,887	7,000
Subordinated loans	0	0	0	0	0	0	0	0	0
Derivative liabilities	0	0	0	0	0	0	0	0	0
Trade payables	14,485	14,485	14,485	0	0	0	0	19,761	19,761
Investment commitment 4)	0	22,902	22,902	0	0	0	0	0	2,708
Total	**199,590**	**235,539**	**95,537**	**45,269**	**27,795**	**4,290**	**62,648**	**192,171**	**233,088**

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 2013
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 2009 thereafter.
4) Off-balance sheet liability

Available liquidity reserves

EUR 1,000	31 Dec 09	31 Dec 08
Committed credit facility	80,000	90,000
Committed current account overdraft limits	18,145	13,604
Cash in hand and at bank accounts	5,217	3,372
Total	**103,362**	**106,976**

- In addition to the above the Group has 41 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 2009 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.

At the balance sheet date there were some 0,4 million euros of accounts receivables with renegotiated terms. At the balance sheet date there were some 0,7 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 2009 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 2009. There were no relevant credit losses during 2009.

Ageing of accounts receivables

EUR 1,000	**2009**	2008
Current	17,995	27,123
1-30 days past due	2,896	4,919
31-60 days past due	139	349
Over 60 days past due	2,219	8,047
Total	**23,250**	**40,438**

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

Price risk

At the end of December 2008 and at the end of December 2009 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 %.Total equity consists of equity attributable to equity holders of the parent company and minority interest.

EUR 1,000	**2009**	2008
Total equity	164,068	166,609
Total assets	417,858	423,829
- Advance payments	-20,534	-20,534
	397,324	**403,295**
Equity ratio, %	**41.3%**	**41.3%**

28 OPERATING LEASES, COMMITMENTS AND CONTINGENT LIABILITIES

Group as lessee

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

EUR 1,000	**2009**	2008
In less than a year	1,947	2,391
In more than one but less than five years	1,879	1,829
In more than five years	4	0
Total	**3,829**	**4,220**

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 60 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	**2009**	2008
Collateral given for own liabilities		
Real-estate mortgages given	106,039	114,693
Pledges given	0	0
Other commitments		
Guarantees given for liabilities on uncompleted projects	0	421
Investment commitments given	22,090	2,708
Plots purchase commitments	21,607	29,908

29 FAIR AND NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

EUR 1,000	2009		2008	
	Fair values		Fair values	
	Positive	Negative	Positive	Negative
Hedge accounting not applied				
Foreign exchange forward contracts	0	0	0	0
Interest rate swap	0	650	9	0
	0	**650**	**9**	**0**

EUR 1,000	2009	2008
Nominal values of derivative instruments		
Foreign exchange forward contracts	0	0
Interest rate swap	63,400	18,808
	63,400	**18,808**

- 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	2009	2008	2007
Non-cash transactions			
Minority interest	1,456	-125	-528
Price difference between institutional/ retail offering and employee offering	0	0	398
Change in provisions	-773	-578	1,509
Others	1,997	192	73
Total	**2,680**	**-511**	**1,452**

31 SUBSIDIARIES AND JOINT VENTURES

Name	Domicile	Group's holding, %	Group's voting right, %
Shares in subsidiaries			
SRV Toimitilat Oy	Espoo	100.00	100.00
SRV Asunnot Oy	Espoo	100.00	100.00
SRV International Oy	Espoo	100.00	100.00
SRV Baltia Oy	Espoo	100.00	100.00
SRV Investments S.à r.l	Luxembourg	100.00	100.00
Rakennusliike Purmonen Oy	Joensuu	65.00	65.00
SRV Kalusto Oy	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 Oy	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 Develita UAB	Vilnius	100.00	100.00
SRV Realty B.V	Amsterdam	100.00	100.00
Jupiter Realty B.V	Amsterdam	87.50	87.50

- The Group has a 50% control in a Russian joint venture OOO MMSG. In the financial year 1 January–31 December 2009 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 0.7 million, assets EUR 15.0 million and liabilities EUR 0.0 million..

32 RELATED PARTY TRANSACTIONS

2009 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	35	1,393	0	0	0
Joint ventures	1,419	0	0	17,147	0
Associate company	2,740	0	0	8,541	0
Other related parties	4,159	0	0	25,689	0
Total	**8,352**	**1,393**	**0**	**51,377**	**0**

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	1,711	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**	**1,711**	**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**

- 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	**2009**	2008
Hannu Linnoinen, President and CEO and CFO [1]	104	0
Heliövaara Eero, President and CEO [1]	169	342
Nieminen Timo, Deputy CEO	160	177
Members of the Board		
Kokkila Ilpo, Chairman	70	71
Kurkilahti Lasse, Vice Chairman	59	58
Hienonen Jukka	46	47
Mustaniemi Matti	45	45
Sarkamies Markku [2]	14	44
Hannu Leinonen [2]	21	0
Members of the Board, total	**255**	**264**

1) Eero Heliövaara resigned from his post of SRV 12.8.2009 and Hannu Linnoinen started as President and CEO 13.8.2009.
2) The term of Markku Sarkamies as a member of the Board of Directors ended on 24 March 2009 and the term of Hannu Leinonen ended on 30 September 2009.

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. The president's retirement age and pension are set in accordance with the legislation in force.

33 EVENTS AFTER THE BALANCE SHEET DATE

Value of new contracts in the Business Premises business area grew by EUR 55.7 million in January. The Housing business area sold 38 residential units in January (6 units in January 2008).

SIn January, SRV signed a contract for the construction of spa hotel Holiday Club Saimaa in Lappeenranta, in the historical area of Rauha. In addition to the spa hotel, the contract will include an aqua park with a wellness area, a restaurant world and a multifunction ice arena. SRV acts as a contractor and investor in the project. The spa hotel will be completed in the summer of 2011.

In January, SRV signed an agreement to buy a total of 28,000 square metres of building rights from VVO Rakennuttaja Oy. The land areas transferred in the agreement consist of leaseholds, purchase options and direct landed property. These areas are located in the Metropolitan Helsinki area: in Arabianranta and Kannelmäki in Helsinki and in Matinkylä in Espoo. The areas have been zoned for the construction of apartment buildings.

On 5 January 2010, SRV implemented the agreement signed with Eero Heliövaara on 11 August 2009 and Nordea Bank AB (publ) acquired the shares for a per-share price of EUR 4.45. SRV signed a similar EUR 8.5 million derivative agreement with Nordea maturing in July for 1,909,483 company shares, according to which the shares will be sold to SRV or an entity named by SRV.

INCOME STATEMENT OF THE PARENT COMPANY

EUR 1,000	**2009**	2008	2007
Revenue	**5,226**	**7,232**	**6,704**
Other operating income	185	23	6
Purchase during the financial year	0	0	15,222
Change in inventories, increase (-) / decrease (+)	0	0	-15,222
Personnel costs			
Salaries and other remuneration	-3,962	-4,449	-3,944
Indirect personnel costs			
Pension costs	-656	-695	-726
Other indirect personnel costs	-280	-366	-254
Depreciation and impairments			
Depreciation	-215	-398	-418
Other operating expenses	-4,916	-6,606	-6,028
Operating loss	**-4,617**	**-5,259**	**-4,660**
Financial income and expenses	20,815	4,795	-1,857
Loss before extraordinary items	**16,198**	**-464**	**-6,517**
Extraordinary items +/-	8,237	4,432	21,695
Profit before appropriations and taxes	**24,435**	**3,969**	**15,177**
Income taxes	-1,401	-961	-1,089
Net profit for the financial year	**23,034**	**3,007**	**14,089**

BALANCE SHEET OF THE PARENT COMPANY

EUR 1,000	2009	2008
ASSETS		
Non-current assets		
Intangible assets	381	456
Property, plant and equipment	499	552
Investments		
Shares in group companies	20,552	17,550
Receivables from group companies	300	900
Other financial assets	4,222	4,167
Non-current assets, total	**25,954**	**23,626**
Current assets		
Inventories	5	16,937
Other receivables	205,272	157,784
Current assets, total	**205,277**	**174,720**
ASSETS, TOTAL	**231,231**	**198,346**
EQUITY AND LIABILITIES		
Equity		
Share capital	3,063	3,063
Invested free equity fund	87,338	87,338
Retained earnings	31,067	34,138
Net profit for the financial year	23,034	3,007
Equity, total	**144,501**	**127,545**
Obligatory provisions	**239**	**0**
Liabilities		
Non-current liabilities	4,458	5,866
Current liabilities	82,033	64,935
Liabilities, total	**86,491**	**70,801**
EQUITY AND LIABILITIES, TOTAL	**231,231**	**198,346**

CASH FLOW STATEMENT OF THE PARENT COMPANY

EUR 1,000	**2009**	2008	2007
Net profit for the financial year	**23,034**	**3,007**	**14,089**
Adjustments:			
Depreciation	215	398	418
Non-cash transactions	239	101	0
Financial income and expenses	-20,815	-4,896	1,857
Capital gains on sales of tangible and intangible assets	0	0	20
Income taxes	1,401	961	1,089
Adjustments, total	**-18,960**	**-3,437**	**3,385**
Changes in working capital:			
Change in trade and other receivables	-46,091	-18,754	-81,453
Change in inventories	16,932	-1,200	-15,727
Change in trade and other payables	-906	1,080	-5,037
Working capital, total	**-30,065**	**-18,874**	**-102,216**
Interest paid	-2,159	-2,743	-1,328
Interest received	3,683	7,460	3,317
Dividends received	19,209	390	85
Income taxes paid	2,610	-1,063	-3,741
Net cash from operating activities	**-2,649**	**-15,259**	**-86,410**
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash	-2,290	-1,328	0
Property, plant and equipment	-51	-71	-157
Intangible assets	-36	-242	-86
Other financial assets	-549	-1,493	-5,349
Sale of property, plant and equipment and intangible assets	2	1	216
Sale of investments	601	0	252
Net cash used in investing activities	**-2,323**	**-3,133**	**-5,124**
Cash flow from financing activities			
Proceeds from share issue	0	0	116,602
Offering fees	0	0	-4,286
Proceeds from loans	0	7,000	433
Repayments of loans	-1,408	-167	0
Change in loan receivables	-4,708	-1,381	6,532
Change in credit limits	17,167	19,088	859
Purchase of treasury shares	-1,715	-1,787	-29,263
Dividends paid	-4,363	-4,412	-3,128
Net cash from financing activities	**4,972**	**18,340**	**87,749**
Net change in cash and cash equivalents	**0**	**-52**	**-3,785**
Cash and cash equivalents at the beginning of financial year	0	52	3,837
Cash and cash equivalents at the end of financial year	**0**	**0**	**52**

STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY

EUR 1,000	**2009**	2008	2007
Share capital, 1 Jan	3,062	3,063	1,303
Transfer from share premium reserve to share capital			1,759
Share capital, 31 Dec	**3,062**	**3,063**	**3,063**
Share premium reserve, 1 Jan	0	0	1,759
Transfer from share premium reserve to share capital	0	0	-1,759
Share premium reserve, 31 Dec	**0**	**0**	**0**
Invested free equity fund, 1 Jan	87,338	87,338	0
Share issue and employee offering	0	0	116,602
Cancellation of treasury shares	0	0	-29,263
Invested free equity fund, 31 Dec	**87,338**	**87,338**	**87,338**
Retained earnings, 1 Jan	34,138	26,249	17,480
Profit for the previous financial year	3,007	14,089	11,897
Dividends paid	-4,364	-4,412	-3,128
Purchase of treasury shares	-1,715	-1,787	0
Retained earnings, 31 Dec	**31,066**	**34,138**	**26,249**
Net profit for the financial year	**23,034**	**3,007**	**14,089**
Equity, 31 Dec	**144,501**	**127,547**	**130,738**
Statement of distributable funds at 31 Dec			
Invested free equity fund, 1 Jan	87,338	87,338	87,338
Retained earnings	37,145	40,337	26,249
Dividends paid	-4,364	-4,412	-3,128
Purchase of treasury shares	-1,715	-1,787	0
Net profit for the financial year	23,034	3,007	14,089
Distributable funds, 31 Dec	**141,439**	**124,484**	**124,548**

SIGNATURES TO THE FINANCIAL STATEMENTS AND REPORT OF THE BOARD OF DIRECTORS

Espoo, 10 February 2010

Ilpo Kokkila
Chairman

Lasse Kurkilahti
Vice Chairman

Jukka Hienonen

Matti Mustaniemi

Hannu Linnoinen
President and CEO

AUDITOR´S NOTE

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

Espoo, 10 February 2010

Mikko Rytilahti
Authorized Public Accountant

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, 2009. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, 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 of the parent company 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, 2010

Ernst & Young Oy
Authorized Public Accountant Firm

Mikko Rytilahti
Authorized Public Accountant

GROUP AND SEGMENT INFORMATION BY QUARTER (UNAUDITED)

Revenue

EUR million	IFRS 10–12/2009	IFRS 7–9/2009	IFRS 4–6/2009	IFRS 1–3/2009	IFRS 10–12/2008	IFRS 7–9/2008	IFRS 4–6/2008	IFRS 1–3/2008
Business premises	66.9	40.2	46.1	54.8	77.9	74.3	92.2	104.8
Housing	49.9	37.9	40.5	25.8	33.3	31.4	37.1	26.0
International	3.4	6.2	7.6	5.8	10.2	21.0	13.1	15.7
Other operations	2.3	2.1	2.1	2.2	3.0	2.7	2.8	2.9
Eliminations	-2.3	-2.1	-2.1	-2.2	-3.1	-2.7	-2.9	-2.9
Group, total	**120.1**	**84.3**	**94.2**	**86.4**	**121.4**	**126.7**	**142.4**	**146.4**

Operating profit

EUR million	IFRS 10–12/2009	IFRS 7–9/2009	IFRS 4–6/2009	IFRS 1–3/2009	IFRS 10–12/2008	IFRS 7–9/2008	IFRS 4–6/2008	IFRS 1–3/2008
Business premises	4.3	3.1	4.6	5.9	6.0	3.7	9.9	8.2
Housing	2.0	1.0	1.9	0.0	-1.2	0.5	0.9	0.4
International	-2.0	-1.5	-1.9	-2.5	-2.7	10.8	-0.1	1.2
Other operations	-1.4	-0.7	-1.0	-1.6	-1.4	-1.0	-1.6	-0.9
Eliminations	-0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Group, total	**2.8**	**1.8**	**3.5**	**1.9**	**0.7**	**14.1**	**9.2**	**8.9**

Operating profit

%	IFRS 10–12/2009	IFRS 7–9/2009	IFRS 4–6/2009	IFRS 1–3/2009	IFRS 10–12/2008	IFRS 7–9/2008	IFRS 4–6/2008	IFRS 1–3/2008
Business premises	6.5	7.7	10.0	10.8	7.8	4.9	10.8	7.8
Housing	4.0	2.7	4.6	0.0	-3.6	1.7	2.5	1.6
International	-58.4	-24.1	-25.6	-43.3	-26.5	51.5	-0.9	7.9
Group, total	**2.3**	**2.1**	**3.7**	**2.2**	**0.6**	**11.1**	**6.4**	**6.1**

Profit before taxes

EUR million	IFRS 10–12/2009	IFRS 7–9/2009	IFRS 4–6/2009	IFRS 1–3/2009	IFRS 10–12/2008	IFRS 7–9/2008	IFRS 4–6/2008	IFRS 1–3/2008
Business premises	4.2	2.9	4.4	5.6	5.5	2.9	9.2	8.3
Housing	1.6	0.4	1.1	-1.1	-2.4	-0.7	-0.2	-0.5
International	-2.1	-1.6	-2.4	-3.0	-5.3	8.7	-1.5	0.2
Other operations	-1.3	18.9	-0.5	-1.0	-0.5	0.2	-0.5	0.3
Eliminations	-0.2	-20.0	0.0	-0.1	0.2	0.0	-0.2	0.1
Group, total	**2.3**	**0.6**	**2.5**	**0.4**	**-2.6**	**11.2**	**6.8**	**8.3**

Order backlog

EUR million	IFRS 31 Dec 2009	IFRS 30 Sep 2009	IFRS 30 Jun 2009	IFRS 31 Mar 2009	IFRS 31 Dec 2008	IFRS 30 Sep 2008	IFRS 30 Jun 2008	IFRS 31 Mar 2008
Business premises	255	252	224	253	266	229	291	235
Housing	201	186	203	170	154	186	187	182
International	25	26	31	32	36	40	43	34
Group, total	**481**	**465**	**458**	**454**	**455**	**455**	**521**	**451**
- sold order backlog	316	324	303	286	292	0	0	0
- unsold order backlog	165	141	155	168	164	0	0	0

Group key figures

EUR million	**IFRS 10–12/2009**	IFRS 7–9/2009	IFRS 4–6/2009	IFRS 1–3/2009	IFRS 10–12/2008	IFRS 7–9/2008	IFRS 4–6/2008	IFRS 1–3/2008
Revenue	120.1	84.3	94.2	86.4	121.4	126.7	142.4	146.4
Operating profit	2.8	1.8	3.5	1.9	0.7	14.1	9.2	8.9
Financial income and expenses, total	-0.5	-1.2	-1.0	-1.5	-3.3	-2.9	-2.4	-0.6
Profit before taxes	2.3	0.6	2.5	0.4	-2.6	11.2	6.8	8.3
Order backlog	480.6	464.8	458.4	453.9	455.3	455.2	521.1	451.3
New agreements	121.1	86.2	98.2	91.3	115.4	36.7	185.0	62.0
Earnings per share, EUR	0.02	0.01	0.03	0.00	-0.06	0.21	0.12	0.16
Equity per share, EUR	4.48	4.46	4.45	4.42	4.54	4.61	4.40	4.38
Share price, EUR	5.89	5.64	4.18	3.00	3.47	4.19	5.28	5.55
Equity ratio, %	41.3	41.0	40.4	40.9	41.3	45.9	44.9	52.1
Net interest bearing debt	180.7	189.2	185.8	170.6	169.4	127.9	122.4	76.1
Net gearing, %	110.1	115.9	115.6	105.3	101.7	75.2	74.8	46.3

Invested capital

EUR million	**IFRS 31 Dec 2009**	IFRS 30 Sep 2009	IFRS 30 Jun 2009	IFRS 31 Mar 2009	IFRS 31 Dec 2008	IFRS 30 Sep 2008	IFRS 30 Jun 2008	IFRS 31 Mar 2008
Business premises	42.0	61.0	77.0	69.2	63.9	63.5	51.2	43.7
Housing	123.1	123.4	135.9	134.9	138.9	115.9	105.3	97.0
International	177.1	165.8	152.6	151.0	138.6	143.9	145.1	115.1
Other operations and eliminations	7.7	6.2	-12.2	-14.0	-2.0	-16.6	-5.4	4.0
Group, total	**349.9**	**356.5**	**353.2**	**341.1**	**339.4**	**306.6**	**296.2**	**259.8**

Housing

Finland, pcs	**10–12/2009**	7–9/2009	4–6/2009	1–3/2009	10–12/2008	7–9/2008	4–6/2008	1–3/2008
Start-ups	247	0	0	4	0	49	53	8
Sold	86	43	51	27	13	32	63	33
Completed	64	37	93	58	0	31	104	125
completed and unsold [1)]	171	161	185	156	133	140	128	105
Under construction [1)]	263	80	118	211	265	251	247	298
-of which unsold [1)]	231	79	100	180	226	232	227	260

1) at the end of the period

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SRV Group Plc
Niittytaival 13
P.O. Box 500, FI-02201 Espoo, Finland
Telephone +358 201 455 200
Business ID 1707186-8
firstname.lastname@srv.fi

www.srv.fi