SRV

Annual report 2012

SRV as an investment 1

SRV in 2012
CEO's review 2–3
Year 2012 in figures 4–5
Project development 6–9

Corporate governance
Corporate Governance Statement 2012 10–14
Risk management 15
Board of Directors 16
Corporate Executive Team 17

Financial Statements 18–64

Information for shareholders 65

SRV as an investment

SRV stands out from amongst the ranks of traditional construction companies thanks to its networked project management implementation and an operating model based on its own project development. The needs of clients are at the heart of the SRV Approach. To corporate clients, this means harnessing SRV's expertise in project development, commercialisation and construction. To housing clients, SRV provides the opportunity to make choices concerning the design of their new home. And investors benefit from SRV's resilience in a cyclical field of industry.

SRV's construction business can thrive in any business climate

SRV is a property developer and builder that offers end-to-end solutions for the built environment. The company's own development projects are based on long-term development work, understanding the business operations of its clients and anticipating future trends. In cooperation projects, SRV often takes responsibility not only for the actual construction work, but also for end-to-end project design, coordination and commercialisation. When so agreed, the client can take an active part in decision-making during the entire project.

The construction business is cyclical in nature. The ups and downs of the economy have a major impact on demand in this industry. Under SRV's project management model, the company takes on full responsibility for project design and coordination. SRV assigns the implementation of specialist work such as architectural design and construction to its partners on the basis of tenders. Thanks to this approach, SRV has significantly fewer employees than its competitors and its cost structure is more resilient against the ups and downs of the economy. Scalability is also important when the market is booming: SRV can even take on very large projects at short notice, because most of the labour is sourced from partners.

SRV is renowned for robust expertise in business premises, a forward-looking attitude and the capability to carry out much larger projects than other companies of its size. In just a few years, SRV has built up its residential construction operations into a new cornerstone for the company, and now ranks as one of the largest housing builders in the Greater Helsinki Area.

SRV is seeking to improve profitability by developing the structure of its business. The focus is being shifted from competitive contracting projects to development projects, which add value and yield higher profitability. In 2012, the company accepted only about half of the number of new fixed-price contracts than it did in the previous year.

The company is also stepping up its operations in Russia, where it is focusing on the surging market for shopping centres. SRV has plenty of experience in the commercialisation and construction of shopping centres. The company is currently working on three shopping centres that are in different phases of development. In Russia, SRV is a project developer rather than a traditional construction contractor. The operating result depends on the timing of property sales – income from multiyear projects is recognised when the project is wrapped up.

The company's spearhead projects in Finland – the Kalasatama centre and Keilaniemi towers – provide great business opportunities in the 2010s.

Order backlog strong in Finland, new opportunities in Russia

The domestic business order backlog was at an historic high at the beginning of the year, swelled in particular by new commercial premises contracts. Housing sales were also at a record level and this tempo appears to be have been maintained this year.

Our Russian projects are going well. The St. Petersburg and Moscow shopping centre market encouraged us to focus on a sector in which we have great expertise. This year, we saw new openings in the east.

Last year's result was a disappointment to us, and it did not at all correspond to our target level. Last year's package is signed, sealed and delivered, and now, inspired by our revised strategy, we are focusing on the new financial period.

A year ago, we expected our financial performance in 2012 to be significantly more positive than the result we have now reported. The weaker result was particularly evident in domestic business, where profit was reduced by lower margin forecasts in a number of contracts. The change in operating profit was also affected by significant real-estate sales that took place in the final quarter of the comparison year. Naturally, we are not satisfied with our business profitability last year. SRV's record of never returning a loss throughout its entire history still continued, however.

We have honed our strategy, in which we focus on profitability instead of revenue growth. This is reflected in a change in contract structure and in the cutting of costs. An important means of reducing costs is exploiting economies of scale more effectively and assessing trends in input prices better.

We will participate more selectively in fixed-price competitive contracts, due to their narrower margins and also the risks relating to the development of input prices. We have focused on projects where we are able to influence the value chain over the longer term and in this way also to deliver added value to our customers. The change is already apparent in an improvement of the margin level of our order backlog. Our order backlog in Finland is the highest in the company's history.

The housing market continued to be buoyant throughout the year and this is continuing. Low interest rates are encouraging house buyers. In sales of apartments, we again recorded a new record last year. The housing market has also started the current year on a positive note, as the number of housing units under construction is on par with last year's level.

House prices have remained stable, particularly in the Helsinki Metropolitan Area.

House buyers' already high costs are being further exacerbated by changes in value-added tax and capital transfer tax. Over 40 per cent of the price and production costs of housing units consist of either direct or indirect taxes. Strong regulation and political decisions are not promoting a fall in house prices.

Progress on SRV's spearhead projects will be slowed by the long process associated with appeals made about city plans. For example, the site of our Kalasatama Centre project has been gradually driven to a standstill since last summer. It is very unfortunate that the project may face delays due to the city plan amendment process.

The development of international business was on the right track last year. Revenue in particular grew rapidly, to nearly double. The primary source of this was our Pearl Plaza shopping centre project in the vicinity of St. Petersburg, but a commercial premises contract was also concluded in Estonia. Our Estonian subsidiary recorded a small profit last year. The long-standing losses in international business overall were halved due to restructuring. In the final quarter, we made a profit in our international business operations.

Obstacles are gradually being removed from the path of the Okhta Mall shopping centre project near central St. Petersburg. For a number of years,

“SRV’s record of never returning a loss throughout its entire history still continued in 2012.”

Jukka Hienonen, President and CEO

we have been developing the Septem City quarter. Early in 2013, we acquired complete control of the 8.5 hectare plot near the centre of St. Petersburg, and this will promote the start-up of the project this year.

Positive development in Russia’s shopping centre market as well as SRV’s accumulated expertise have encouraged us to focus on the development, leasing and construction of shopping centres in St. Petersburg and Moscow. As these projects have progressed, we have also managed to revitalise our stagnant balance sheet.

At the end of the year, we strengthened our capital adequacy and acquired financing for our incipient projects through a hybrid bond.

I take this opportunity to thank our customers and shareholders for their trust and our partners for their cooperation in our many projects. Thanks are also due to our employees, who have been tested in a demanding financial situation.

The changes made to our strategic priorities as well as the positive development of our Russian business mean that we set out into the coming year from a better foundation.

Jukka Hienonen
President and CEO

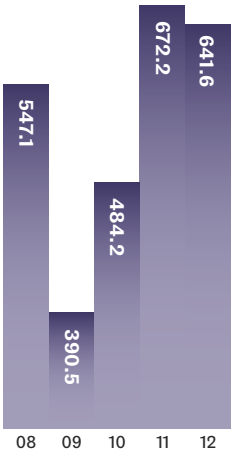
Year 2012 in figures

SRV Group

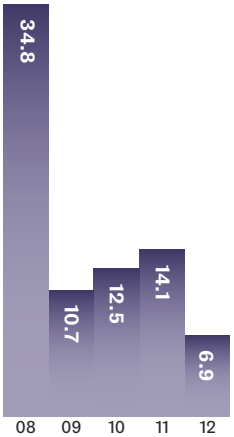
SRV's business operations comprise property development and construction in Finland, Russia and the Baltic countries. In spite of the challenging market, SRV has increased its revenue and maintained a strong order book. In order to improve profitability, the structure of the order book is being steered from low-margin contracting to development projects and negotiated contracts.

Key figures	2012	2011	2010	2009	2008
Revenue, EUR million	641.6	672.2	484.2	390.5	547.1
Operating profit, EUR million	6.9	14.1	12.5	10.7	34.8
Operating profit, % of revenue	1.1	2.1	2.6	2.7	6.4
Return on equity, %	0.5	3.3	3.2	1.8	10.3
Return on investment, %	2.2	4.5	4.1	4.9	13.4
Equity ratio, %	34.7	31.0	35.2	41.3	40.9
Order backlog, EUR million	827.8	810.8	594.5	481.6	460.8
Personnel on average	989	880	794	776	871

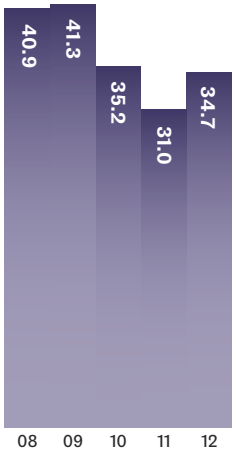
Revenue,
EUR million



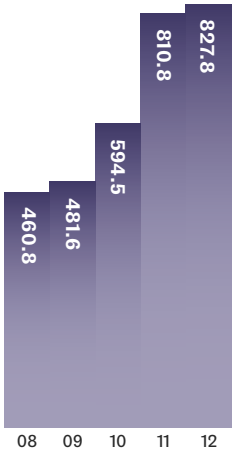
Operating profit,
EUR million



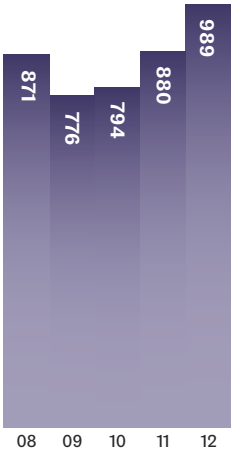
Equity ratio,
%



Order backlog,
EUR million



Personnel,
persons



Read more about the events of 2012 in the Board of Directors' report on page 19.

Revenue, EUR million

Share of Group revenue:

89%

Operating profit, EUR million

Share of Group personnel:

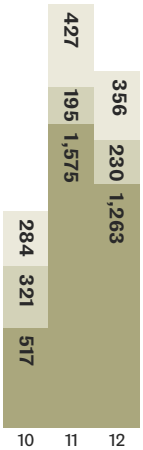
72%

Personnel, persons

Share of received orders:

94%

Housing units under construction In Finland, units



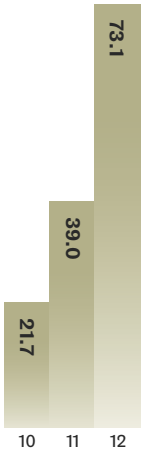
- Unsold developer contracting under construction
- Sold developer contracting under construction
- Negotiation and construction contracts

Operations in Finland

Domestic Operations are divided into business premises (construction of business, office, logistics premises and earth and rock construction) and housing construction functions. Business premises projects are carried out as either development projects or project management contracts. SRV's experts and the company's network of specialist contractors implement them efficiently using the SRV Approach.

Housing production focuses on the growth centres, where structural demand provides a strong foundation for expanding housing construction. The share of the Group's revenue accounted for by housing has increased strongly and SRV has rapidly taken its place among the largest housing construction companies.

Revenue, EUR million



Share of Group revenue:

11%

Operating profit, EUR million

Share of Group personnel:

19%

Personnel, persons

Share of received orders:

6%

International Operations

SRV's international operations are divided into Baltic and Russian operations. Russia is the company's most important strategic growth area. In Russia SRV specialises in the development of shopping centres. In geographical terms, SRV's operations focus on Moscow and St. Petersburg. In recent years, the volume of Baltic operations has been slight. They have focused on Estonia.

In the years ahead, SRV is seeking substantial growth from the Russian market, where the company's strengths are the best concepts for premises and a transparent operating model.

Project development yields profitability and growth

SRV's competitive edge is based on its innovative project development and the efficient implementation of construction projects using the transparent and networked SRV Approach. Projects with higher added value yield a greater profit margin than traditional construction contracting – and SRV's strategy is to considerably increase the share of revenue accounted for by development projects.

Value creation in SRV's business model

Yield requirements of property investors

When property investors invest in SRV's projects, they are in effect buying anticipated cash flows. Shopping centres, business premises or residential projects that SRV has built and fully leased out are attractive investments, as the annual rental yield from these projects is already known.

A key aspect of project development is to anticipate the yield requirements of investors in the market in question. When the yield percentage sought by investors is known, the company can anticipate the cash flow required to achieve this objective when designing the project. SRV thus only invests in projects that will be attractive to property investors upon completion.

Own project development

SRV's development projects are based on project development that sets out to identify future trends and gain a deep understanding of clients' needs in their business operations. SRV's project development seeks to find suitable premises for users, owners for premises and profitable investments for owners.

SRV's project development unit serves all of the business segments and is responsible for matters such as land acquisition, zoning, concept design and finding anchor tenants.

Rental income

In development projects, SRV is responsible for finding users for the project before construction begins. Finding anchor tenants is a key phase in a development project. The success of this phase impacts on the start-up schedule of the project. Construction is started up when a sufficient occupancy rate has been achieved. The successful leasing of a project that is under construction has a direct influence on its attractiveness to investors.

The Pearl Plaza and Septem City shopping centre projects in St. Petersburg are examples of SRV's robust expertise in shopping centres and finding users for properties.

Read more on pages 8 and 9.

SRV APPROACH

Management of project capital

Capital management is an essential part of project development. In addition to its own financing capacity, SRV seeks funding for specific projects from banks, investors and partners.

Investment company Russia Invest and investment fund VTBC Ashmore are two examples of cooperation models in which SRV has strengthened the funding of upcoming projects through reliable partners. Russia Invest is an investment company concept developed by SRV. Ilmarinen, Sponda, Etera and Onvest are on partners in the company. VTBC Ashmore is an investment fund developed by SRV and the VTBC bank, with investment management firm Ashmore as a partner. These cooperation solutions bolster SRV's operational reach in Russia's growing property market – through them, the company invests in business premises and high-class residential sites, particularly in St. Petersburg and Moscow. SRV takes on responsibility for project implementation as a project management contractor.

Effectiveness of implementation

The efficiency of SRV's project implementation is based on its transparent and networked project management model – the SRV Approach. The SRV Approach hinges on the innovative development and implementation of construction projects in open cooperation with the client. SRV's professionals are responsible for project and work supervision. Individual tasks, such as architectural design and construction work, are assigned to specialised subcontractors.

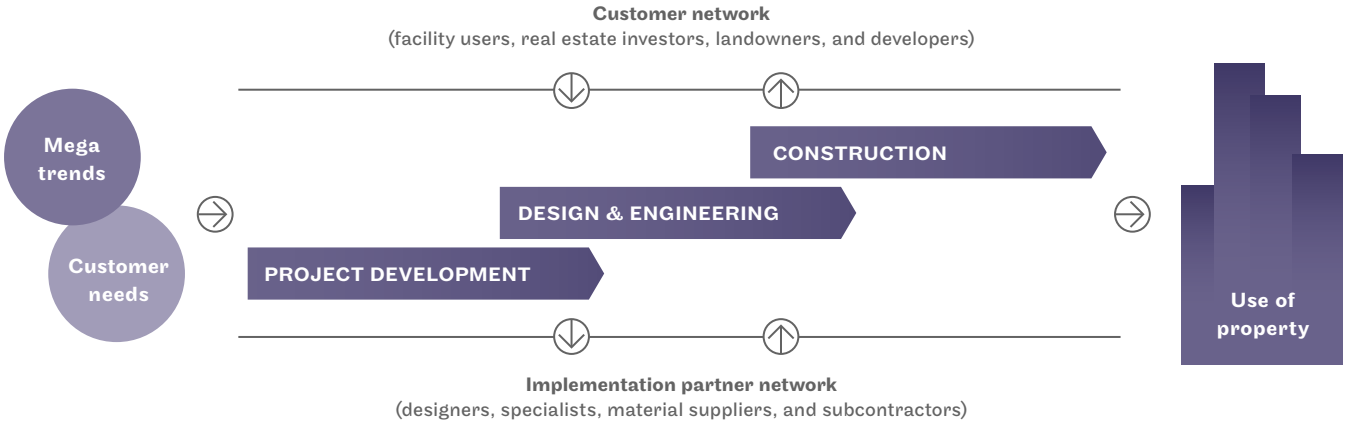
For more information, see the next page.

Efficient project implementation using the SRV Approach

SRV introduced large-scale project management contracting to Finland over 20 years ago. Since then, the company has developed it into a client-focused joint implementation model that covers the entire construction project – the SRV Approach. This model ensures overall economy, fast project implementation and optimal results that match the client's needs.

The excellence of the SRV Approach stems from its combination of project development and project management implementation. Under the SRV Approach, project development, design and construction are integrated into a single, well-oiled process whose different phases overlap and are carried out flexibly. SRV always takes on end-to-end responsibility for project implementation and handles project management. The operating model is based on partnership and open cooperation. When so agreed, the client can take an active part in decision-making during the entire project. In the construction phase, SRV efficiently calls for tenders for every individual part of the project. Reliable specialists then carry out the work under SRV's steering and supervision.

SRV Approach



Project development is always based on the needs of clients. It is started either on SRV's own initiative or when a client contacts the company. SRV's project development seeks to anticipate potential client needs and to design attractive projects. In the project development phase, the company continuously engages in active dialogue with clients. SRV serves clients in matters such as the choice of construction site, site development, management of land use, specifying space needs, project budgeting and acquiring funding.

In the design phase, SRV steers the project towards the objectives set jointly with the client, working in open cooperation with both the client and the design partners. SRV taps its knowledge of costs and production in construction and building systems with a view towards finding the optimal and most affordable solutions for the needs of clients. Once the anchor tenants have been confirmed, SRV continues to look for new clients.

In the construction phase, SRV serves as the head contractor, taking end-to-end responsibility. Construction is carried out in accordance with the specified scheduling, cost and quality requirements. SRV is the client's partner in the project and offers alternatives. Dialogue with the client continues during the entire project. SRV keeps the client constantly up to date on project matters.

The SRV Approach can be employed flexibly in different types of contracts. Clients reap the greatest benefits when they partner up with SRV at the very start of the project.

Pearl Plaza

SRV is building an international shopping centre in St. Petersburg in association with Shanghai Industrial Investment Company. Baltic Pearl, a district for 35,000 residents, is also under construction in St. Petersburg. Pearl Plaza will be the service hub of this new community.

The construction of the shopping centre is ongoing. The shops will open their doors to the public in autumn 2013. SRV is the project management contractor of the project and is also responsible for the development and commercialisation of the centre. The acquisition of tenants has exceeded expectations. More than 70 per cent of the premises in the centre had already been leased out at the end of 2012.

Septem City

SRV's largest development project will be built to St. Petersburg's central business district. In the first phase, a shopping centre measuring 140,000 square metres will be built on an 8.5-hectare plot in the Ohta area. The value of the total investment exceeds EUR 250 million. In the next phases, SRV will build office and business premises as well as facilities for restaurant and entertainment increasing the total floor area to over 400,000 square metres.

The target plan is being finalised. Financing negotiations have already been started. More than 20 per cent of the premises in the shopping centre have been preliminarily leased. The aim is to start up construction in 2013.

Perkkaa

Together with Sato and Ilmarinen, SRV is developing a new residential area on the site of Siemens' headquarters in Perkkaa, Espoo. Siemens will move to SRV's Derby Business Park in 2013.

This project is part of extensive city plan alterations, in which housing of 220,000 square metres is being planned for the area. SRV, Sato and Ilmarinen currently have building rights totalling about 105,000 square metres, divided evenly between the partners.

This project will establish a major new residential area with excellent access to traffic connections in eastern Perkkaa. It is expected that the city plan will be completed in autumn 2013. Construction could then be started up in 2014.

Kalasatama centre

Kalasatama is one of the largest construction projects in Helsinki in more than 200 years. The city held a design competition in 2011, which SRV won with its innovative proposal to build a green deck over the Itäväylä highway and the metro line.

SRV will build six residential towers, a shopping centre, office and hotel towers and facilities for public services in the Kalasatama centre. The centre will be a new district for more than 2,000 residents in eastern Helsinki proper, boasting good traffic connections.

This large-scale project will be carried out in phases from 2011 to 2021. During this period, the entire project will generate revenue of over one billion euros for SRV.

Niittykumpu

SRV is developing the Niittykumpu regional centre in Espoo in cooperation with Varma and Sato. The area is being designed with an eye towards a cohesive and urban structure, strongly integrated with the Länsimetro line. Building rights amount to 140,000 square metres, of which SRV's has a third.

The area under development extends to the intersection of the Haukilahdentie and Merituulentie roads. Commercial services and a landmark high-rise will be located there. Apartments will be built alongside Haukilahdentie and Merituulentie.

It is expected that the city plan will be confirmed in 2013. Construction could then be started up in 2014.

Keilaniemi

Keilaniemi in Espoo is known for its corporate headquarters. SRV will liven up the area with a major residential project. SRV will build four round 32-40-storey residential towers. They will be seamlessly connected to the Länsimetro station upon its completion. The Kehä I highway, which dominates the area, will be covered with a green deck, turning Keilaniemi into an integral part of the park city of Tapiola.

SRV has a planning option for the area and the construction of the first residential tower is expected to begin in 2014–2015. Thanks to its excellent location, Keilaniemi has attracted widespread interest. It is expected that the apartments will be in great demand.

Satamaranta

A major regional project is ongoing in the Länsi-Toppila district of Oulu. A former industrial area located close to both the sea and the Oulu city centre is being transformed into a vital community. SRV has building rights for about 1,000 apartments in this area. Satamaranta will be completed in phases during the next 10 years.

The site of this neighbourhood is the demolished Raisio feed factory in Länsi-Toppila and the Toppilansalmi beach. The area will form the heart of the entire Länsi-Toppila area. The recently completed Möljä bridge connects it to Hietasaari. Among others, SRV is planning to erect a 16-floor high-rise, which upon completion, will be the tallest building in Oulu.

Corporate Governance Statement 2012

SRV Group Plc's corporate governance is based on Finnish legislation, SRV Group Plc's Articles of Association and the 2010 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 follows the 2010 Finnish Corporate Governance Code for listed companies, with the exceptions noted below. The company reports that it deviates from the 2010 Finnish Corporate Governance Code for listed companies in the following respects:

1. The company does not comply with Recommendation "22 Appointment of members to the committees" of the Corporate Governance Code, according to which a committee shall have no less than three members. According to the standing orders of the committees, they shall have 2-3 members who are elected by the Board from amongst its number. According to the standing orders 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. In 2012 committees have consisted of three members until 15 November 2012, when Ilkka Salonen requested to be resigned from the Board of Directors. After this Nomination and Remuneration committee has consisted of two members.

2. The company does not follow Recommendation "26 Independence of the members of the audit committee" of the Corporate Governance Code, according to which the members of the Audit Committee shall be independent of the company. The Board of Directors considers it appropriate that sufficient expertise in construction, property investment and project development is represented on the Audit Committee. There have thus been good reasons for Timo Kokkila, who has acted as SRV Group Plc's Manager, Project Development, to have been appointed member of the Audit Committee. Timo Kokkila was appointed member of the Board of Directors and member of the Audit Committee of SRV Group Plc in 2010 and his employment relationship with SRV Group has ended in 2011.

Since the Annual General Meeting held in 14 March 2012, the Group has complied with the Recommendation "9 Number, composition and competence of the directors" of the Corporate Governance Code, which states that both genders shall be represented on the Board. M.Sc. (Econ.) Minna Alitalo was elected member of the board in the Annual General Meeting.

The 2010 Finnish Corporate Governance Code for listed companies is available at the Internet site of the Securities Market Association, www.cgfinland.fi.

This statement is published separately from the Report of the Board of Directors.

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 and CEO. The company's senior management is responsible for the internal audit. The external audit is carried out by auditors. The President and CEO 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, the documents to be presented to the General Meeting and the proposals to the General Meeting are also published on the company's Internet site. However, said notice of general meeting must be published no less than nine days before the General Meeting record date, as defined by the Limited Liability Companies Act. 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 ten 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 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 the President and CEO 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 and CEO, 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.

Up until the General Annual Meeting held in 14 March 2012, the members of the Board of Directors were Ilpo Kokkila (Chairman of the Board), Olli-Pekka Kallasvuo (Vice Chairman of the Board), Arto Hiltunen, Timo Kokkila, Matti Mustaniemi and Ilkka Salonen.

The Annual General Meeting of 14 March 2012 elected six members to the Board of Directors. The following persons were elected:

Ilpo Kokkila	Chairman of the Board, M.Sc. (Eng.), born 1947 Pontos Oy, Chairman of the Board
Minna Alitalo	M.Sc. (Econ.), born 1962
Arto Hiltunen	M.Sc. (Econ.), born 1958
Olli-Pekka Kallasvuo	Vice Chairman of the Board, LL.M, born 1953
Timo Kokkila	M.Sc. (Eng.), born 1979 Pontos Group, Investment Director
Ilkka Salonen	M.Soc.Sc., born 1955

Of the members, Minna Alitalo, Arto Hiltunen, Olli-Pekka Kallasvuo and Ilkka Salonen are independent of both the company and its major shareholders. Ilpo Kokkila and Timo Kokkila are major shareholders and are not independent of the company. Ilkka Salonen left the Group's Board by his own request on 15 November 2012.

The Board of Directors convened 14 times in 2012. On average, 94.5% of the Board members attended the meetings of the Board.

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 efficiently and purposefully discharges the tasks set for it in legislation, the Articles of Association and standing orders.

According to the standing orders, 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 and values as well as annually ratifies the strategies, budgets and business plans set to achieve them.

The Board of Directors decides on the most significant business matters concerning the Group, such as substantial investments and commitments as well as acquisitions of both companies and business operations. The Board of Directors ensures the functionality of the company's management system and approves its principles for risk management and internal control. Furthermore, the Board of Directors appoints the President and CEO and the deputy CEO and both directs and oversees the work of the CEO. The Board of Directors appoints the Corporate Executive Team and decides on the compensation and incentive schemes for line management and personnel.

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 Boardof Directors and they report to the Board. The committees do not have independent power of decision. Their task is to enhance the effectiveness of the Board of Directors by preparing matters for decision by the Board and the General Meeting.

Audit Committee

The Audit Committee monitors the company's financial reporting and prepares matters concerning the Group's financial situation and financial reporting, evaluating and risk management for the Board. Audit Committee's tasks include overseeing the Group's financial situation, monitoring the financial reporting process and the interim reports, financial statements and audit, evaluating the effectiveness of internal control, internal audit and risk management systems, preparing the financial policy, and overseeing collateral. In addition, the Audit Committee prepares the election of the auditor for presentation to the General Meeting.

The Audit Committee is comprised of 2–3 members whom the Board of Directors elects from amongst its number. Two members can be appointed to the committee if the Board considers this appropriate in view of the structure of the Board and the number of directors.

The chairman of the Audit Committee until the Annual General Meeting in 14 March 2012 was Matti Mustaniemi, and after the meeting Olli-Pekka Kallasvuo. Until the Annual General Meeting held on 14 March 2012, Olli-Pekka Kallasvuo and Timo Kokkila served as members of the Audit Committee. After the General Meeting of 14 March 2012, Minna Alitalo and Timo Kokkila served as members of the Audit Committee. Of the members, Minna Alitalo, Matti Mustaniemi and Olli-Pekka Kallasvuo are independent of the company and its major shareholders. Timo Kokkila is a major shareholder and is not independent of the company.

The Audit Committee met four times during 2012. Attendance at meetings was 100%.

Nomination and Remuneration Committee

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

The Nomination and Remuneration Committee is comprised of 2–3 members elected by the Board of Directors from amongst its number. Two members can be appointed to the committee if the Board considers this appropriate in view of the structure of the Board and the number of directors.

The chairman of the Nomination and Remuneration Committee is Ilpo Kokkila. The other members of the Nomination and Remuneration Committee are Arto Hiltunen and Ilkka Salonen (until 15 November 2012). Of the members, Arto Hiltunen and Ilkka Salonen are independent of the company and of its major shareholders. Ilpo Kokkila is a major shareholder and is not independent of the company.

The Nomination and Remuneration Committee met four times during 2012. Attendance at meetings was 91.7%.

The President and CEO

The President and CEO 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 and CEO 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 and CEO also serves as the chairman of the Corporate Executive Team. The Board of Directors appoints the CEO and his deputy and relieves them of their duties.

SRV Group Plc's President and CEO is Jukka Hienonen, M.Sc. (Econ.), (born 1961). The deputy to the President and CEO of SRV Group Plc is Timo Nieminen, M.Sc. (Eng.), (born 1958).

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 and the working committee deal with matters concerning business operations as well as operations control and development.

The members of the Corporate Executive Team are:

Jukka Hienonen	The President and CEO
Timo Nieminen	Executive Vice President, Project Development in Finland, Deputy to CEO
Hannu Linnoinen	Executive Vice President, CFO
Juha Pekka Ojala	Executive Vice President, Business Operations in Finland, COO
Veli-Matti Kullas	Vice President, Project Development in Russia
Jussi Kuutsa	Vice President, Business Operations in Russia
Antero Nuutinen	Vice President, Housing in Finland
Pirjo Ahanen	Vice President, Human Resources
Taneli Hassinen	Vice President, Communications and Brand
Katri Innanen	Vice President, General Councel
Valtteri Palin	Vice President, Financial Administration

The working committee of the Corporate Executive Team includes Jukka Hienonen, Hannu Linnoinen, Timo Nieminen, Juha Pekka Ojala, Veli-Matti Kullas, Antero Nuutinen and Taneli Hassinen. The Director in charge of Development Affairs acts as the secretary of the Corporate Executive Team and its working committee. In 2012, the Corporate Executive Team convened 12 times and the working committee 33 times.

Remuneration

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 CEO, Deputy CEO and members of the Corporate Executive Team and their other compensation. For more detailed information on remuneration, see the salary and remuneration report published on SRV Group Plc's Internet site www.srv.fi/investors/corporate_governance/remuneration.

Board of Directors' remuneration

The Annual General Meeting held on 14 March 2012 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. Travel expenses of the members of the Board of Directors are paid according to the Company's travel rules.

Total remuneration of the Board members for 2012 amounted to:

	EUR
Ilpo Kokkila, Chairman of the Board	69,000
Olli-Pekka Kallasvuo, Vice Chairman of the Board	56,500
Minna Alitalo	35,773 (14 March–31 December 2012)
Arto Hiltunen	44,500
Timo Kokkila	45,000
Matti Mustaniemi	7,863 (1 January–14 March 2012)
Ilkka Salonen	39,500 (1 January–15 November 2012)
Total	**298,136**

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 14 March 2012 elected Ernst & Young Oy, Authorised Public Accountants, as the regular auditor, with Mikko Rytilahti, Authorised Public Accountant, as the chief auditor.

In 2012, the auditor was paid auditing fees of EUR 240,000. In addition, the auditor was paid EUR 77,000 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 authorizations 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 internal control system applied to business operations is the responsibility of SRV Group Plc's Board of Directors and Audit Committee, the Corporate Executive Team and its working committee, the executive teams of the business areas and the financial administration. 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

Salaries and compensation paid by SRV to the President and CEO, his deputy and the Corporate Executive Team in 2012

EUR	Regular salary including fringe benefits	Bonuses paid	Share payments	**Total**
President and CEO Jukka Hienonen	543,578	–	–	**543,578**
Deputy CEO	172,407	10,805	–	**183,212**
Other members of the Corporate Executive Team	1,278,283	111,481	–	**1,389,764**

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 harmonised 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 CEO 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.

Shareholding 3 January 2013

Members of the Board of Directors

Ilpo Kokkila	9,034,712 shares
Ownership of companies under his control	5,358,563 shares
In addition, SRV Group Plc, which is under Ilpo Kokkila's control, owns its own shares, totalling	717,440 shares
Minna Alitalo	none
No controlled company ownership	
Arto Hiltunen	none
No controlled company ownership	
Timo Kokkila	4,522,288 shares
No controlled company ownership	
Olli-Pekka Kallasvuo	50,000 shares
No controlled company ownership	

The President and CEO and his deputy

Jukka Hienonen	69,300 shares
No holdings in companies under his control	none
Timo Nieminen	418,266 shares
No controlled company ownership	

Members of the Board of Directors and the CEO and his deputy directly own a total of 38.3% of SRV Group Plc's shares and 14.6% of Group's shares through controlled companies. In addition, SRV Group Plc owns total of 717,440 of its own shares, which accounts for 2.0% of Group's shares.

Corporate Executive Team

Pirjo Ahanen	1,700 shares
Taneli Hassinen	none
Katri Innanen	2,000 shares
Veli-Matti Kullas	103,984 shares
Jussi Kuutsa	16,433 shares
Hannu Linnoinen	615,566 shares
Antero Nuutinen	34,167 shares
Juha Pekka Ojala	111,234 shares
Valtteri Palin	16,732 shares

Risk management

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 organization 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 costeffectiveness continuously. Operations are planned and scaled in line with the prevailing market conditions.

Growth

SRV seeks long-term sustainable 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 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, mutual synergy and transfer expertise to developing business areas.

Operational risks

Resource management

The most significant risks for the company's own organization 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.

Project management

Technical and operational risks involved in projects 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.

Board of Directors

Ilpo Kokkila
b. 1947,
M.Sc. (Eng.)

Chairman of the Board SRV Group Plc and Pontos Oy.
Chairman of the Board of Directors (1987–).
Chairman of the Nomination and Remuneration Committee (2007–).

Olli-Pekka Kallasvuo
b. 1953,
LL.M.

SRV Group Plc Vice Chairman of the Board of Directors (2011–).
Member of the Audit Committee (2011–).

Arto Hiltunen
b. 1958,
M.Sc. (Econ.)

Member of the Board (2010–).
Member of the Nomination and Remuneration Committee (2010–).

Timo Kokkila
b. 1979,
M.Sc. (Eng.)

Investment Director, Pontos Group.
Member of the Board (2010–).
Member of the Audit Committee (2010–).

Minna Alitalo
b. 1962,
M.Sc. (Econ.)

Executive Vice President, Finance, Alko Oy.
Member of the Board (2012–).
Member of the Audit Committee (2012–).

Information on the shareholdings 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.

Corporate Executive Team

Jukka Hienonen
b. 1961, M.Sc. (Econ.)
President and CEO.
Joined the Group in 2010.

Timo Nieminen
b. 1958, M.Sc. (Eng.)
Executive Vice President,
Project Development in Finland,
Deputy to CEO.
Joined the Group in 1987.

Hannu Linnoinen
b. 1957, B.Sc. (Econ.), LL.M.
Executive Vice President, CFO.
Joined the Group in 2006.

Juha Pekka Ojala
b. 1963, B.Sc. (CE)
Executive Vice President,
Business Operations in Finland,
COO.
Joined the Group in 1997.

Pirjo Ahanen
b. 1958, M.Sc. (Econ.)
Vice President, Human Resources.
Joined the Group in 2006.

Taneli Hassinen
b. 1961
Vice President, Communications
and Brand.
Joined the Group in 2011.

Katri Innanen
b. 1960, LL.M.
Vice President, General Counsel.
Joined the Group in 2008.

Veli-Matti Kullas
b. 1956, M.Sc. (Eng.)
Vice President, Project Develop-
ment in Russia.
Joined the Group in 2004.

Jussi Kuutsa
b. 1964, M.Sc. (Econ.)
Vice President, Business
Operations in Russia.
Joined the Group in 2010.

Antero Nuutinen
b. 1963, B.Sc. (CE)
Vice President, Housing in Finland.
Joined the Group in 1988.

Valtteri Palin
b. 1973, M.Sc. (Econ.)
Vice President, Financial
Administration.
Joined the Group in 2005.

Information on the shareholdings of the Corporate Executive Team is presented on page 30. More detailed information on their positions and work experience is presented at www.srv.fi > Investors > Corporate Governance.

Financial Statements

Report of the Board of Directors 2012 19
Key financial indicators 28
Calculation of key figures 29
Shares and shareholders 30

Consolidated Financial Statements
1 Jan–31 Dec 2012, IFRS
Consolidated income statement 31
Consolidated balance sheet 32
Consolidated cash flow statement 33
Consolidated statement of changes in equity 34
Notes to the Consolidated Financial Statements 35

Parent Company´s Financial Statements
1 Jan–31 Dec 2012, FAS
Income statement of the parent company 57
Balance sheet of the parent company 58
Cash flow statement of the parent company 59
Statement of changes in equity of the parent company 60

Signatures to the Financial Statements
and Report of the Board of Directors 61

Auditor´s Report 62

Group and Segment Information
by Quarter (unaudited) 63

This report describes the SRV Group´s financial performance in 2012. SRV Group Plc´s full financial statements for the financial year 1 January–31 December 2012 are included in the company´s official financial statements, which are available on the company's website at www.srv.fi

Report of the Board of Directors 2012

Reporting period 1 January–31 December 2012 in brief:

- **SRV's revenue was EUR 641.6 million (672.2), change -4.6%**
- **Operating profit was EUR 6.9 million (14.1), change -51.2%**
- **Profit before taxes was EUR 2.8 million (10.8), -74.3%**
- **The order backlog at the close of the review period was EUR 827.8 million (810.8), change +2.1%**
- **Equity ratio was 34.7 per cent (31.0%)**
- **Earnings per share were EUR 0.02 (0.17)**
- **Proposed dividend per share is EUR 0.06 (0.12)**

Overall review

At the end of the financial year, SRV's order backlog had risen to EUR 827.8 million (810.8). The average profit margin of the Group's order backlog improved.

The Group's revenue amounted to EUR 641.6 million (672.2), with strong growth in revenue from international operations. The Etmia II office property in Moscow and the Derby Business Park in Espoo remained unsold at the end of the financial year.

The Group's operating profit was EUR 6.9 million (14.1). The Group's profitability has been affected by the project development nature of operations and the fact that its order backlog primarily consists of low-margin contracting. Operating profit was burdened by the weakening of the estimated margins of three contracts by a total of about EUR 7 million in Operations in Finland as well as EUR 1.1 million in non-recurring depreciation recorded in International Operations as a result of a fire that destroyed a warehouse building in January. Operating profit for the reference period was increased by the sale of shares of two underground car park companies and completion of a higher amount of developer contracting housing production. The Group's profit before taxes was EUR 2.8 million (10.8). Financial expenses saw year-on-year growth. Financial items in the reference period were lower due to financial income from affiliates.

Revenue from Operations in Finland amounted to EUR 568.3 million (632.3) and operating profit to EUR 14.8 million (27.9). The domestic order backlog was EUR 774.4 million (711.2). The operational focus has been shifted to stepping up developer contracting and negotiated contracts. Far fewer new fixed-price contracts were signed during the financial year than in the reference period. The average profit margin of the order backlog has improved.

Revenue from domestic commercial construction fell. SRV posted higher revenue from commercial construction in the reference year due to the greater volume of contracting and the sale of the Kampin Luola and Kamppi Parkki car parks. The profitability of commercial construction has been impacted by the fact that the order backlog consists primarily of low-margin contracting. In order to improve profitability, SRV seeks to shift the focus of operations to its own project development. The order backlog for commercial construction grew to EUR 438.7 million (362.2).

In domestic housing construction, revenue grew thanks to the rise in the volume of residential contracting. Total housing sales saw year-on-year growth. SRV sold a total of 745 housing units (680), of which 477 (482) were developer-contracted and 268 (198) were sold to investors under negotiated contracts. SRV's ongoing housing construction at the end of the financial year amounted to 1,849 housing units (2,197). More than 80 per cent of the housing units under construction have been sold, and about 70 per cent of production consists of rental and right-of-occupancy units. SRV has 586 developer-contracted housing units under construction. Based on advance marketing, the decision has been made to initiate the construction of 55 additional housing units. The order backlog for housing construction came to EUR 335.7 million (349.0).

Revenue from International Operations grew to EUR 73.1 million (39.0). Construction of the Pearl Plaza shopping centre, of which SRV owns 50 per cent, generated most of the revenue. Due to the project development nature of this business area, its result remained in the red. SRV aims to tap into the market potential in Russia through developer-contracted property development projects financed with the support of the Russia Invest investment company and the investment potential of the VTB and Ashmore property funds.

SRV's own project development operations are paving the way for substantially increasing operating volumes in Finland. These projects require long-term development work and are carried out over the course of several years. Many of SRV's projects are so-called landmark projects – innovative new solutions for the needs of sustainable regional construction. Such projects include, for example, the Keilaniemi Towers housing project, the development project for the vicinity of the Niittykumpu metro station in Espoo, and the Kalasatama Centre development project in Helsinki.

Group key figures

EUR million	2012	2011	change, MEUR	change, %
Revenue	641.6	672.2	-30.6	-4.6
Operating profit	6.9	14.1	-7.2	-51.2
Financial income and expenses, total	-4.1	-3.3	-0.8	
Profit before taxes	2.8	10.8	-8.0	-74.3
Order backlog	827.8	810.8	16.9	2.1
New agreements	594.5	811.6	-217.1	-26.7
Operating profit, %	1.1	2.1		
Net profit, %	0.1	0.8		
Equity ratio, %	34.7	31.0		
Net interest bearing debt	267.9	271.8		
Gearing, %	126.2	160.2		
Return on investment, %	2.2	4.5		
Return on equity, %	0.5	3.3		
Earnings per share, EUR	0.02	0.17		
Equity per share, EUR	4.62	4.68		
Weighted average number of shares outstanding, million shares	35.5	35.0		1.4

Key figures for the Segments

Revenue

EUR million	2012	2011	change, MEUR	change, %
Domestic Operations	568.3	632.3	–64.0	–10.1
International Operations	73.1	39.0	34.2	87.6
Other Operations	14.4	12.7	1.7	13.8
Eliminations	–14.3	–11.8	–2.5	
Group, total	**641.6**	**672.2**	**-30.6**	**-4.6**

Operating profit

EUR million	2012	2011	change, MEUR	change, %
Domestic Operations	14.8	27.9	–13.2	–47.2
International Operations	–3.2	–8.3	5.1	
Other Operations	–4.7	–5.5	0.9	
Eliminations	0.0	0.0	0.0	
Group, total	**6.9**	**14.1**	**-7.2**	**-51.2**

Operating profit

%	2012	2011
Domestic Operations	2.6	4.4
International Operations	–4.4	–21.3
Group, total	**1.1**	**2.1**

Order backlog

EUR million	2012	2011	change, MEUR	change, %
Domestic Operations	774.4	711.2	63.2	8.9
International Operations	53.4	99.6	–46.3	–46.4
Group, total	**827.8**	**810.8**	**16.9**	**2.1**
– sold order backlog	610	596	14	2.3
– unsold order backlog	218	215	3	1.5

Earnings trends of the Segments

Domestic operations

EUR million	2012	2011	change, MEUR	change, %
Revenue	568.3	632.3	–64.0	–10.1
Business construction	305.3	379.6	–74.3	–19.6
Housing construction	263.0	252.8	10.2	4.0
Operating profit	14.8	27.9	–13.2	–47.2
Operating profit, %	2.6	4.4		
Order backlog	774.4	711.2	63.2	8.9
Business construction	438.7	362.2	76.5	21.1
Housing construction	335.7	349.0	–13.3	–3.8

The Operations in Finland business area consists of SRV's construction projects and property development in Finland. Operations in Finland are divided into housing construction and commercial construction, which comprises retail, office, logistics, earthworks and rock construction operations.

Revenue from Operations in Finland amounted to EUR 568.3 million (632.3), and accounted for 89 per cent of the Group's revenue (94). Operating profit was EUR 14.8 million (27.9), generating an operating profit margin of 2.6 per cent (4.4). SRV posted higher revenue from commercial construction in the reference year due to the greater volume of contracting and the sale of shares of two underground car park facilities. Revenue from housing construction increased due to the growth in contract production volumes in step with the decline in revenue from developer contracting of housing because fewer residential units were completed during the financial year. The major factors behind the decline in operating profit were the weaker profit margin estimates of many contracts, the lower share of revenue accounted for by developer contracting and properties that have remained unsold. The order backlog stood at EUR 774.4 million (711.2).

Commercial construction

Revenue from commercial construction came to EUR 305.3 million (379.6). The order backlog was EUR 438.7 million (362.2). Competition for new contracts remained tight.

The renovation works that were completed during the financial year included the basic renovation of the Viikki laboratory building and the Kaisa Building, which were carried out as project management contracts for University of Helsinki Property Services. The Kaisa Building will house the University's City Centre Campus Library. In Vantaa, SRV completed the renovation of the city hall as well as the construction of a day care centre. In Espoo, SRV finished the extension of the car park of the Jorvi Hospital, which was started up in the first half of the year. Of the renovation projects ordered by Kesko, the Ruoholahti shopping centre and Imatra Citymarket were completed.

New construction projects completed included a new building for a hospital school for Jyväskylän Tilapalvelut Oy, the Paavola bridge in Lohja, Kumpus Kungsgården in Vaasa, a marine sign factory in Joensuu for Meritaito Oy and the 35,000 m^2 Willa shopping centre in Hyvinkää. In Turku, SRV completed a pharmaceutical warehouse for TYKS, the VW-Center, Turun Starkki Skanssi and business premises for Autofenno Oy.

The commercial development projects completed by SRV included the STC Tuupakka logistics centre for the Tapiola General Mutual Insurance Company, the STC Tahkotie logistics centre for Pohjola Insurance Ltd, the S-market grocery store in Juvankartano, Espoo, owned by Pohjola Insurance Ltd, and storage facilities in Nurmijärvi for the Finnish National Opera.

During the financial year, new contracts worth EUR 324.5 million were signed with external clients. Renovation works that were started up included the renovation and extension of the Merituuli shopping centre for Kesko in Espoo and the now-completed renovation of the Ruoholahti shopping centre in Helsinki. At the Itis shopping centre, where SRV already has renovation works in progress, the company also agreed on the renovation of Stockmann's premises. SRV will renovate Laboratory Building F in Viikki for the University of Helsinki, and signed an agreement with Sponda on an additional contract for the renovation of the Kaivokatu tunnel in the centre of Helsinki. SRV will renovate a parish hall in the centre of Oulu, a healthcare centre in Laukaa and the Brondankulma property in the centre of Helsinki. In addition, the Office of the President commissioned the basic renovation of the Presidential Palace at the end of the report year. The works will take about two years and will be completed by independence day in 2014.

As a new construction project, an agreement was signed for a 27-floor tower hotel with more than 300 rooms in the centre of Tampere, next to the railway station. The client is Pension Fennia insurance company and the hotel operations will be run by Sokotel Oy, a subsidiary of SOK. SRV will construct the new Huslab building on Haartmaninkatu in Helsinki for the University of Helsinki, a water reservoir for Helsinki Water in Pitkäkoski and a healthcare centre for the city of Äänekoski. In addition, towards the end of the year, the Finnish Transport Agency ordered an interior decoration contract for the airport station building, the largest station on the Ring Rail Line.

Due to an appeal filed against the city plan, SRV decided to downscale the construction of the Kalasatama Centre in Sörnäinen, Helsinki, in order to put the brakes on the amount of capital tied into the project. Project planning and commercialisation are proceeding as planned. In Perkkaa, Espoo, SRV is building a developer-contracted project for commercial premises that will be completed in 2012–2013, consisting of three office buildings with a total floor area of 20,000 m^2. The first phase was completed in August 2012. The next

two phases are slated for completion in late summer 2013. There, SRV will build headquarters for both itself and Siemens Osakeyhtiö. Total occupancy rate of the project is already 88%. SRV estimates that annual rental income from the project will amount to about EUR 4.3 million once it has been fully leased out. Project sales efforts are in progress, and the objective is to sell the project to investors during 2013.

Housing construction

Revenue from housing construction amounted to EUR 263.0 million (252.8). The order backlog was EUR 335.7 million (349.0). At the end of the financial year, SRV had a total of 1,849 units under construction (2,197). In addition, SRV is renovating 300 housing units in Helsinki. Of the housing units under construction, 81 per cent were contracted housing units or own sold production.

The contract sites completed during the financial year included Vanhalinna, a 309-unit rental housing project for the Tapiola Group in Itäkeskus, Helsinki, and 118 housing units built on Välimerenkatu, Helsinki, for Alkuasunnot. In addition, the following projects were completed in the Greater Helsinki area: 66 units built for VVO on Agronominkatu in Helsinki, 58 units built for Asokodit on Klariksentie in Espoo, 62 units built for Espoonkruunu in conjunction with the assisted-living facility in Kauklahti, and 86 units built in Saunalahti and 96 in Vanttila for Tarveasunnot. SRV completed a total of 129 units for YH-Länsi in Kangasala, Ylöjärvi, Kaarina and Turku.

During the review period, housing construction contracts worth EUR 126.4 million were signed with external clients. A total of 647 housing units will be completed in these sites. A residential block featuring 133 units, both owner-occupied and rental, will be built for Sato in the Kalasatama district of Helsinki. A contract agreement for 56 housing units in Maununkatu, Nokia, 42 units in Sorakuopankatu, Tampere, and 16 units in Turku was concluded with YH-Länsi. In addition, a 58-unit apartment building will be built for VVO in Suurpelto, Espoo.

26 housing units in Vanttila, Espoo and 35 units in Länsi-Toppila, Oulu will be constructed for Tarveasunnot. The apartment building to be constructed in Oulu is SRV's first project in the new Satamaranta residential area, where the company holds building rights for a total of approximately 70,000 square metres of floor area. Three projects, featuring a total of 144 housing units, to be built on SRV's own lots, were sold to IceCapital. The properties are located in Tikkurila and Viertola in Vantaa, and in Kannelmäki, Helsinki. In addition, a project to build 67 units on a plot previously owned by SRV in Myyrmäki, Vantaa, was sold to Sato. Under a contractual alliance with the University of Helsinki, SRV will construct a residential project with 26 new units on Vuolukiventie in Helsinki. In addition, 300 units will be renovated.

During the financial year, SRV launched the construction of 415 developer contracting housing units that will be sold to consumers within the framework of the RS system. In Helsinki, the 65-unit Emmy will be built in Etu-Töölö and the 51-unit Kesäheila in Vallila. In Espoo, SRV will build 35 apartments in the seaside district of Soukanniemi, and the 60-unit Artesaani in Matinkylä, in the immediate vicinity of the Iso Omena shopping centre and the future metro station. Projects launched in Tampere included the Neitoperhonen terraced house featuring 26 housing units and the 26-unit Herttua apartment building in Rahola. In addition, SRV will build the 39-unit Pirkkalan Pähkinäpolku apartment building in Pirkkala, the 35-unit Oulun Satamaranta in Toppila, Oulu, the 29-unit Lahden Tyyne in Lahti, the 25-unit Jyväskylän Graniitti in Seppälä, Jyväskylä, and the 24-unit Kaarinan Kantele in Kaarina. In addition to the projects started up during the financial period, SRV has taken decisions to initiate developer-contracted projects for a total of 55 housing units. 37 of them will be built in Joensuu and 18 in Helsinki.

In total, 477 (482) of the developer-contracted housing units within the scope of the RS system were sold during the review period. An additional 268 (198) units were sold to investors under negotiated contracts. At the end of the period, 586 (622) housing units for the consumer market were under construction; of these, 356 (427) had not yet been sold. There were 99 (90) completed but unsold residential units. A total of 451 (533) developer-contracted residential units were completed during the review period. The number of completed units in the Greater Helsinki area was 237, in Pirkanmaa 122, in Jyväskylä 34, in Saarijärvi 26 and in Kaarina 32. Based on the current completion schedules, SRV estimates that a total of 505 developer-contracted residential units will be completed by the end of 2013, and 124 during the first quarter.

Housing production in Finland

	2012	2011	change, MEUR
Developer contracting			
Start-ups	415	579	-164
Sold	477	482	-5
Completed	451	533	-82
Completed and unsold[1)]	99	90	9
Under construction, total[1)]	1,849	2,197	-348
Negotiation and construction contracts[1)]	1,263	1 575	-312
Developer contracting[1)]	586	622	-36
- of which sold[1)]	230	195	35
- of which unsold[1)]	356	427	-71

[1)] at the end of the period

The order backlog for housing construction came to EUR 335.7 million (349.0), with contracts and negotiated contracts accounting for EUR 129 million (160). Of the housing production order backlog, EUR 188 million (208) was sold. The completed but unsold order backlog was EUR 28 million (26). The developer-contracted unsold order backlog under construction amounted to EUR 119 million (115).

Order backlog, housing construction in Finland

EUR million	2012	2011	change, MEUR
Negotiation and construction contracts	129	160	-31
Under construction, sold developer contracting	59	49	10
Under construction, unsold developer contracting	119	115	4
Completed and unsold developer contracting	28	26	2
Total	**336**	**349**	**-13**

SRV continued to participate in the RYM PRE research programme work package, led by Senate Properties, which will continue until the end of 2013. The objective of the programme is to create a business model and an operational culture that utilise information modelling and support sustainable development for the built environment. SRV's research project deals with developing a general information model process that supports the progress of construction projects through modelling and facilitates optimal cooperation.

SRV was the developer of the Derby Business Park, which won the title of the best Finnish building information modelling project in the Tekla BIM Awards competition. Information modelling was particularly used in the structural and building unit engineering, and in site production control. Other key priority areas included energy efficiency and environmental care. Representing energy efficiency class A, the Derby Business Park is applying for LEED Gold Certification.

SRV is also a participant in two projects conducted as part of the Aalto University's Energizing Urban Ecosystems (EUE) programme,

which seeks to identify operating models and solutions for the challenges and opportunities involved in urbanisation.

SRV joined the Nordic Built Charter initiative, which is a Nordic trade and industry policy programme aiming at green growth. The programme is running from 2012 to 2014 and it is funded by the Nordic Council of Ministers and Nordic Innovation. The programme involves defining the key challenges experienced in the Nordic construction sector, arranging an innovation competition involving the renovation of five pre-selected sites, and introducing the new concepts developed during the programme.

International Operations

EUR million	2012	2011	change, MEUR	change, %
Revenue	73.1	39.0	34.2	87.6
Operating profit	-3.2	-8.3	5.1	
Operating profit, %	-4.4	-21.3		
Order backlog	53.4	99.6	-46.3	-46.4

International Operations comprise SRV's construction and property development business in Russia and Estonia.

Revenue from International Operations amounted to EUR 73.1 million (39.0) and accounted for 11 per cent of the Group's revenue (6). Construction of the OOO Pearl Plaza shopping centre generated most of the revenue. Operating loss was EUR -3.2 million (-8.3). Revenue grew thanks to the higher level of activity. Factors affecting operating profit included the project development nature of operations, the elimination of a proportion equivalent to SRV's ownership from the profit margin of the construction of the shopping centre, and the EUR 1.1 million non-recurring depreciation recorded for a warehouse destroyed in SRV's Septem City block in St. Petersburg in January, and capital gains of EUR 2 million from the sale of a development project company in Ekaterinburg and the reimbursement of EUR 0.5 million in value-added taxes in Estonia. The order backlog was EUR 53.4 million (99.6).

Russia

Investment analysis for the Russia Invest investment company, established in September 2011 by SRV, Ilmarinen, Sponda, Etera and Onvest, continued actively in Moscow and St. Petersburg. SRV is responsible for the project development of Russia Invest, and acts as the project management contractor for projects approved by the investment company. Shareholders have committed to investing a total of EUR 95.5 million, of which SRV's stake is EUR 26 million. The capital will be tied up when investments have been identified and investment decisions finalised. Development projects are otherwise financed with project-specific bank loans, which means that the total investment might reach approximately EUR 300 million. The stakeholders' objective is to withdraw from developed projects within roughly three years after their completion.

Construction of the OOO Pearl Plaza shopping centre, owned jointly by SRV and the Shanghai Industrial Investment Company, is in full swing. Total investment in the project amounts to approximately EUR 140 million. SRV's ownership in the joint venture is 50 per cent, and SRV has invested roughly EUR 20 million in the project. In addition to investment from the owners, bank financing has been secured with a EUR 95 million financing agreement with a partner from China. The topping out ceremony was held in September, in conjunction with a press conference organised with the future tenants. In line with the project management contractor agreement, SRV is responsible for planning, constructing, developing and leasing out the site. The total value of SRV's projects at the site exceeds EUR 100 million. The site received a building permit at the end of September 2011. The shopping centre will be completed in 2013. The first anchor tenant agreement regarding the lease of 7,600 square metres of hypermarket space to Prisma was signed with SOK. Interest for site rentable premises has been good, a testament to the strength of the shopping centre market in St. Petersburg and the regional appeal of Pearl Plaza. Approximately 70 per cent of the premises have already been rented and after closing current last stage negotiations approximately 90 per cent of the premises will be reserved. SRV estimates that the annual rent income from the shopping centre will rise to approximately EUR 18.4 million once it has been fully leased out.

In St. Petersburg, SRV continued the development of the massive Septem City project, which comprises 8.5 hectares of land in the Ohta region. The plans for the area include constructing a 400,000 m^2 complex, including a shopping centre, office and business premises, as well as premises for hotel, restaurant, and entertainment services. This project will be implemented in several phases. In January, a fire at the site destroyed a building that had been used as a warehouse. The fire will not impact the development of the site. The warehouse is located in the area included in the first phase, and demolition work on the warehouse was completed in the summer. Capital invested in the land area and site development amounts to EUR 70.8 million. Further investment in land acquisition by SRV is estimated at EUR 2.4 million. Based on the current plans, the first phase will involve the construction of the Okhta Mall shopping centre, measuring about 140,000 m^2, estimated leasable premises totalling approximately 75,000 m^2 and two underground parking levels. SRV is finalising the concept design for the project and is engaged in financing and investor negotiations in order to secure financing. The investment budget for the project is about EUR 250 million. Construction is slated to begin in 2013. The search for anchor tenants has begun and future tenants have shown strong interest in the project. Preliminary lease agreements have already been signed for 25 per cent of the leasable premises.

Analysis of the VTBC-Ashmore Real Estate Partners I investment sites in Moscow continued during the review period. The fund invests primarily in the construction of offices, commercial premises, hotels, and upscale housing in Moscow and St. Petersburg. SRV's share of the investment commitments in the first phase is EUR 20 million. The other investors involved in the fund are VTB Capital and Ashmore Group Plc ('Ashmore'), together with the funds they control, and the Finnish pension insurance companies Ilmarinen and Etera. VTB Capital and Ashmore are partners in the fund's General Partner company and also act as asset managers, taking care of investment identification and financing arrangement tasks. SRV acts as both an investor and project management contractor with respect to the fund. The fund's first investment was made in September 2011, when it acquired an office and logistics property in Moscow.

The current office space of the Etmia II office and parking garage project in the heart of Moscow has been leased out in its entirety. During the first half of the year, part of the parking garage was converted into office premises that, together with the additional premises completed in the summer, have been fully leased out. Rental income in 2013 is estimated to total approximately EUR 4.2 million. SRV is a co-owner in the project with a 50 per cent stake, and also acted as the project management contractor. Project sales efforts are in progress, and the objective is to sell the project to investors during 2013.

Development of the St. Petersburg Eurograd logistics area has been temporarily discontinued due to the financing difficulties of the local partner. SRV has a 49 per cent holding in the Russian company that owns a 24.9-hectare land area located north of St. Petersburg, in the immediate vicinity of the Ring Road.

The new commercial concept plan for the Mytishi shopping centre project in the Moscow region has been completed. Reservation agreements have been signed for about a third of the premises. This is expected to speed up the progress of financing negotiations as well. The majority owner of the project is the Finnish real-estate investment company Vicus, with a 75 per cent stake.

SRV owns 25 per cent of the shopping centre project and its total investments amount to EUR 7.5 million.

The renovation of the Aeroport hotel at Moscow's Sheremetyevo airport was completed during the period, as were the renovation works of the Pulkovskaya hotel in St. Petersburg and the Pribaltiskaya hotel's Aquapark.

The second apartment building of SRV's Papula residential area project in Vyborg was completed during the period. 21 apartments were sold during the period (19). At the end of the review period, 8 completed apartments remained unsold and 38 apartments were under construction, of which 11 were unsold. Three apartments have been reserved.

In the future, SRV will focus on developer-contracted shopping centre projects in St. Petersburg and Moscow. The shopping centre market still lags clearly behind the European average. As part of the focusing of its operations, SRV sold its holding in the plot company of a 50-50 owned development project in Ekaterinburg.

Estonia

On 8 March 2012, an agreement was signed for the construction of a new bakery building for an Estonian subsidiary of the VAASAN Group. Construction at the site commenced immediately, and the plant will be completed in spring 2013. In connection with the contract, SRV sold the site's lot to VAASAN Baltic AS. The value of the construction project exceeds EUR 10 million. In Estonia, 9 residential units were sold during the period (3). All in all, there were 5 (14) completed but unsold units at the end of the period. In June, SRV decided to withdraw from the Latvian real estate market and to focus its Baltic operations on Estonia. The operations of the Latvian subsidiary have been terminated. Priit Sauk (M.Sc. Eng.) was appointed CEO of the Estonian subsidiaries effective as of 1 July 2012.

Other Operations

EUR million	2012	2011	change, MEUR	change, %
Revenue	14.4	12.7	1.7	13.8
Operating profit	-4.7	-5.5	0.9	

Other Operations mainly consist of the operations of SRV Group Plc and SRV Kalusto Oy.

Revenue from Other Operations during the review period totalled EUR 14.4 million (12.7) and operating loss was EUR -4.7 million (-5.5). Revenue growth was driven by higher volume of operations. During the period, development costs expensed for SRV's projects amounted to EUR 3.1 million (4.2).

Group project development

SRV and Stora Enso, in cooperation with the City of Helsinki, organised an architectural design competition for Wood City, a project that will be constructed in the Jätkäsaari district in Helsinki. The goal of the project is to create a world-class urban quarter that is ecologically sustainable and represents cutting-edge Finnish wood construction technology. At year's end, the proposal submitted by Anttinen Oiva Architects – "Stories" – was announced as the winner. Project implementation entails city plan changes. This process is under way. The construction of Wood City is planned to be started in early 2014. A residential building and car park will be built first. It is estimated that they will be completed in late 2015. The office and hotel complex is slated for completion by the end of 2016.

The City Board approved the city plan of the Kalasatama Centre on 6 June 2012. An appeal has been lodged against the city plan and it is currently under review at the administrative court. Project development has continued, particularly on the shopping centre concept and the housing and parking solutions. Work on public-sector contracts is still ongoing at the site. However, work on private contracts cannot be continued until the city plan has been confirmed.

The Trade and Competitiveness Division of the Espoo City Board extended the planning reservation for the Niittykumpu metro station area until 30 June 2014. SRV's partners in this project are Mutual Pension Insurance Company Varma and Sato Corporation. The City Planning Committee approved the viewing of the plan proposal for the first phase of the project in December. The aim is to achieve readiness to start up construction in 2014.

Kiinteistö Oy Perkkaantalo, a joint venture co-owned by SRV, Sato Corporation and Ilmarinen, is developing a new residential area in the Perkkaa district in Espoo. The plan is to build about 100,000 square metres of floor area on the site owned by the joint venture. The parties' objective is to have the City Planning Committee discuss the viewing of the proposed city plan for the project in spring 2013. The aim is to achieve readiness to start up construction in 2014.

SRV and Orion are developing a residential area on a property owned by Orion in the Ylä-Mankkaa district in Espoo. The City Planning Committee made the plan proposal for the project available for viewing in December. The total scope of the project is about 48,000 square metres of floor area. The aim is to achieve readiness to start up construction in 2014.

Vantaa City Council has approved the alteration of the city plan required for the Pressi Business Park and Pressi Logistics projects. The alteration permits more flexible project implementation and will improve transport connections in the region. The Pressi projects are located on land owned by SRV, near the Vantaankoski railway station on the new Ring Rail Line. The total scope of the projects is about 66,000 square metres of floor area.

The developer responsibilities for business premises in the Airut eco block to be constructed in Jätkäsaari were transferred from Sitra to SRV. SRV previously shared developer responsibility with VVO for the residential buildings to be constructed on the block. The Airut block design objectives include minimising the carbon footprint and ensuring that energy consumption in the buildings meets the principles of sustainable development.

Financing and financial position

Net operational cash flow was EUR –33.2 million (-45.2). The Group's inventories were EUR 431.2 million (360.4), the share of land areas and plot-owning companies being EUR 175.0 million (193.8). The Group's invested capital amounted to EUR 513.3 million (454.0).

In June, SRV signed a long-term binding EUR 100 million revolving credit facility with a Nordic banking consortium. The loan replaces a syndicated revolving credit facility signed in 2007. The maturity date of the new credit facility is 31 December 2015. The terms of the loan correspond to the terms of SRV's other loans, and the financial covenant of the loan is the equity ratio, which is also reported to banks for developer contracting projects as a ratio based on the percentage of completion. SRV's equity ratio based on percentage of completion was 36.8 per cent (on 31 December 2012).

In December, SRV issued a EUR 45 million domestic hybrid bond (equity bond). The coupon rate of the bond is 9.5 per cent per annum. The bond has no set maturity date but the company may exercise an early redemption option after four years. The settlement date of the bond is 28 December 2012. The hybrid bond strengthens SRV's capital structure and financial position. The bond was offered to selected institutional investors as a private placement in Finland.

At the end of the review period, the Group's financing reserves were EUR 154.9 million with the Group's cash assets amounting to EUR 33.1 million, and open-ended account limits and committed undrawn

financing reserves to EUR 121.8 million. In addition to its financing reserves, the Group had EUR 18 million in binding credit facilities.

Investments in SRV's developer-contracted housing and commercial construction projects in Finland, both completed and under construction, total EUR 202.8 million. SRV estimates that the completion of these projects requires another EUR 68 million. Undrawn housing corporation loans and receivables for housing construction projects and undrawn commercial construction financing amounted to EUR 72 million. In addition, approximately EUR 33 million is tied up in the construction of infrastructure in the Kalasatama Centre. Investments in completed international projects amount to EUR 37.0 million, of which EUR 0.4 million relates to unsold residential projects in Estonia, EUR 1.4 million to unsold housing projects in Vyborg, and EUR 35.2 million to the Etmia office project.

Equity ratio was 34.7 per cent (31.0%). The change in the equity ratio was affected by the hybrid bond issue. The Group's shareholders' equity totalled EUR 212.3 million (169.7). The Group's net interest-bearing liabilities were EUR 267.9 million (271.8). Net financing expenses were EUR -4.1 million (-3.3). Return on investment was 2.2 per cent (4.5%) and return on equity 0.5 per cent (3.3%).

Investments

The Group's investments totalled EUR 3.7 million (10.2), consisting mostly of investments in funds and the acquisition of machinery and equipment.

Unbuilt land areas and land acquisition commitments

Land reserve 31 Dec 2012	Business construction	Housing construction	International Operations	Total
Unbuilt land areas and land acquisition commitments				
Building rights*, m²	265,000	301,000	886,000	1,452,000
Land development agreements				
Building rights*, m²	549,000	286,000	52,000	887,000

* 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.

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 Estonia. 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 Operations in Finland, International Operations, and Other Operations. The Operations in Finland business area consists of SRV's property development and construction operations in Finland. Operations in Finland are divided into housing construction and commercial construction, which comprises retail, office, logistics, earthworks and rock construction operations. International Operations comprise SRV's construction activities and property development business in Russia and Estonia. Other Operations mainly consist of the operations of SRV Group Plc and SRV Kalusto Oy.

Personnel

SRV had an average payroll of 989 (880) employees, of whom 728 (634) were salaried employees. The parent company had an average staff of 55 (46) salaried employees. At the close of the review period, the Group had 951 (933) employees, of whom 54 (50) were employed by the parent company. 169 (181) employees were employed by international subsidiaries. SRV's operations in Finland employed a total of 48 (43) students in work training and working on their thesis or diploma.

SRV's human resources strategy is designed to secure the availability and high motivation of personnel, and to ensure continued competence and leadership development. The objective of the "One SRV" programme is to promote the competence of the leading industry experts, to improve internal cooperation and rewarding practices, to promote internal mobility and to deploy SRV's strategy. The performance of supervisors in their supervisory tasks and in communicating the strategy was measured with means such as a fully revised personnel survey. Development discussion practices were overhauled. Particular attention was paid to the management of occupational wellbeing by providing training to more than 100 supervisors. To prepare for future recruitment needs, SRV offered more summer jobs and traineeships to students and pursued its efforts to cooperate with educational institutes – particularly universities and universities of applied sciences – providing education related to the construction industry. SRV also offered a larger number of construction industry students the opportunity to continue working for SRV part time after the summer under the SRV training programme.

Personnel by business area

	31 Dec 2012	31 Dec 2011	Share of Group personnel, 31 Dec 2012, %
Domestic Operations	685	651	72.0
International Operations	179	191	18.8
Other Operations	87	91	9.1
Group, total	**951**	**933**	**100.0**

On 4 September 2012, the Board of Directors of SRV approved a new share-based incentive scheme for the Group's key personnel. The purpose of the scheme is to align the objectives of shareholders and key personnel in order to increase the company's value and to enhance key personnel's commitment to the company. The scheme covers 28 key SRV employees. Key indicators in the scheme are the Group's operating profit, return on equity and equity ratio. In addition, other business-specific indicators specified for 2012–2013 will affect the bonus earned.

When the indicators are fulfilled, the bonus will be paid quarterly, partly in the company's shares and partly in cash. The scheme involves the conveyance of a maximum of 404,000 SRV Group shares held by the company and a cash payment for tax purposes corresponding to the value of the conveyed shares. The total recognised IFRS value of shares conveyed over the lifetime of the incentive scheme will be approximately EUR 1.8 million, with the addition of the cash payments. The Black & Scholes model, applied in the pricing of options, is used to calculate the theoretical market value of the shares, with the following assumptions: share price EUR 3.60, risk-free interest rate 0.58 per cent and volatility 37 per cent.

Personnel covered by the scheme must hold at least half of the shares received on the basis of the scheme until 31 December 2014 and at least half until 31 December 2015. If a key employee's employment ends during the above restriction period, he/she must hand over all shares to the company without compensation.

Outlook for construction

The prolonged crisis in Europe and the sluggishness of the world economy also weaken the outlook of the Finnish economy. Estimates for Finland's economic growth in 2012 are close to zero. It is estimated that the number of building construction start-ups in 2012 declined by about 12 per cent compared with 2011. The number of start-ups is predicted to decline further in 2013, but only slightly. The rise in building costs has levelled out.

Coupled with high apartment price levels, the general uncertainty has caused the demand for housing units to slacken somewhat. In 2012, housing unit start-ups amounted to about 27,000. It is expected that approximately 26,500 units will be started up in 2013. Demand for housing currently involves major uncertainty factors. In the longer term, trends such as migration to population growth centres and the smaller size of households will maintain the need for housing construction in Finland.

Commercial and office real-estate markets have remained muted. Both the decrease in demand and increase in supply put pressure on the utilisation rates of offices in the Greater Helsinki area. However, there is some demand for state-of-the-art facilities in prime locations with good traffic connections. The number of commercial and office construction start-ups is expected to decrease in 2013.

Further stable growth is expected in renovation construction. Growth of the building stock, the ageing of existing buildings, and the modernisation needs ushered in by today's technical standards will support renovation construction in the future. The outlook for infrastructure construction is weakening, particularly due to the decline in works in new building construction.

It is estimated that Estonia's GNP growth in 2012 was about 2.5 per cent; a slight improvement is foreseen for 2013.

The Russian economy grew by 4.5 per cent in the first half of 2012 thanks to the high price of oil, strong private consumption and pre-election public contributions. However, the growing global economic uncertainty, fall in oil prices and major reductions in crop yields due to drought will hold back future growth. GNP growth in both 2012 and 2013 is expected to be around 3.5 per cent.

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: they may impact on the development of SRV's order backlog and operational profitability, and lengthen the periods of time and increase the amount of SRV's capital invested in projects.
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 climate is unstable, and the international country-level financing crisis adds to the economic uncertainty. Property values are under pressure. General economic uncertainty and difficulties in securing financing have kept the number of property transactions at a low level and delayed the start-up of new large-scale projects in particular. Demand for property investments has remained weak.

Compared to the time before the recession, financing from banks is more difficult to obtain, bank regulation continues to become stricter, and loan margins are clearly higher and still climbing. Despite the extremely low interest rate level, financing costs will grow as loan margins continue to rise. If the international financing crisis escalates, it may continue to increase the cost of financing and weaken its availability. If the availability of financing for clients continues to weaken, client receivables may grow, posing challenges to SRV's liquidity.

In developer-contracted projects, recognition of income is based mainly on the completed contract method, and recognition depends on the percentage of sold premises in delivered projects. The delivery schedule of developer-contracted projects can have a material impact on the development of revenue and profit for the financial year and the quarters. 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-contracted projects increase development expenses, which are recognised as costs.

The slowdown in housing sales will increase sales and marketing costs and interest expenses in developer-contracted housing production. After a quick contraction, the Finnish housing market has recovered, but the uncertainty of the economy and the planned tax hikes weaken the outlook for apartment sales. According to the Government budget proposal for 2013, the asset transfer tax on the transfer of shares in a housing corporation will be raised to 2.0 per cent starting on 1 January 2013, and the tax will also be applicable to the corporate loan included in the shares. The margins on loans banks grant to homebuyers, and on the housing corporation loans for housing construction, have been climbing steeply in the past year. Key risks affecting housing unit demand include developments in consumer confidence, availability of financing, and significantly higher interest rate levels.

Construction is subject to significant cost risks relating to subcontracting and procurements. Long-term planning is vital to keeping these risks under control. SRV's operating model requires an adequate supply of skilled and competent personnel. A weak economic cycle increases financial risks relating to subcontractors. The construction sector has implemented a reverse value added tax policy, which, as a method, requires heightened accuracy from administration. Warranty and liability obligations related to construction can span up to ten years. The rise in building costs has levelled out.

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. Competition for new orders in the construction sector is fierce, which may affect the volume and profitability of SRV's new order backlog. Contracts concerning construction have a significant value. Agreements set specific terms and schedules for the agreed parties concerning achievement of set targets and adhering to agreed procedures. In particular, execution of additional works and alterations may involve financial risks that grow when the economic situation is poor. Contract receivables may involve additional and alteration works involving customer complaints or disputes concerning the payment obligations of the client. Based on business operation directors' estimations adequate provisions have been made and receivables don't include need for depreciations. If the project parties cannot arrive at a mutual understanding on payment obligations during the final financial review, the company may have enter into legal proceedings against the client. The outcomes of legal proceedings involve uncertainties. At the end of the period receivables on the balance sheet included EUR 19.1 million (VAT 0%) in receivables from seven contract agreements that involve customer complaints or disputes on the payment obligation for additional and alteration works. SRV has started legal proceedings against some of these parties because the issues could not be resolved by way of negotiation during the final financial reviews. SRV has initiated arbitration proceedings against the real estate company Espoontori pertaining to the renovation contract of the Espoontori shopping centre. Real estate company Espoontori is owned by Citycon Oyj. The financial value of the dispute, including VAT, is approximately EUR 4.6 million. SRV and Kiinteistö Oy Primulan Herkkupaja, owned by Varma Mutual Pension Insurance Company, concluded a contract agreement on the construction of a bakery building in Järvenpää. The tenant company Järvenpään Herkkutehdas Oy filed for bankruptcy in November 2011, and its parent company Oy Primula Ab was declared bankrupt in

May 2012. Differing views of the contracting parties over the liability to pay the costs for the additional work and alterations have been identified to EUR 3.8 million including VAT. In May 2012, SRV filed an application for a summons with the Tuusula District Court regarding the payment liability. SRV's management believes that neither these cases nor their outcomes will have a significant impact on SRV's financial standing.

Besides land acquisition risks, property projects face other challenges, such as those related to the outcome of zoning, soil conditions, financing, liquidity of the funding based on financing commitments, commercialisation of projects, partners, and the geographical location and type of project. In line with the IFRS requirements, SRV measures its land reserves at acquisition cost. If the acquisition cost, added with construction costs, is lower than the fair value of the planned project, the value of the property will be reduced. In accordance with its strategy, SRV has focused on developer contracting projects and increased its land acquisition in Finland and Russia in particular. The availability of property financing affects the progress and start-up decisions of development projects. SRV's goal is to carry out large development projects with project funding and in co-operation with real estate investors. The decline in the availability of investor and project funding may increase SRV's own share of project funding, lowering the Group's equity ratio, reducing Group liquidity, and hindering the availability of other funding.

The financial risks related to SRV's operations consist of interest rate, currency, liquidity, capital structure and contractual party risks, which are discussed in more detail in the Notes to the 2012 Financial Statements. Currency risks are divided into transaction risks and translation risks. Transaction risks are related to currency-denominated business and financing cash flows. Translation risks encompass investments made in foreign subsidiaries, the accounting effects of which are recorded in the translation differences of equity in the consolidated figures.

Liquidity risks may have an effect on the Group's earnings and cash flow if the Group is unable to ensure sufficient financing for its operations. SRV maintains adequate liquidity by means of efficient management of cash flows and solutions linked to it, such as binding lines of credit that are valid until further notice. The company has a long-term liquidity arrangement (EUR 100 million), part of which will mature in December 2015. The company's financing agreements contain customary terms and conditions. The financial covenant of the loan is the equity ratio, which is also reported to banks for developer contracting projects as a ratio based on the percentage of completion.

The capital structure risk may impact on the availability of financing for the Group if the equity ratio falls too low. The Group does not have an official credit rating from a credit rating institution. In order to maintain its capital structure, the Group can adjust its dividend payments, issue new shares or float equity bonds. In order to maintain its equity ratio, the Group may have to downscale its operations and adjust its use of capital. The equity ratio may be affected by the profitability of business operations, the postponement of the delivery and sales of developer-contracted projects, plot investments and other growth in the balance sheet. The Group monitors the capital structure through its equity ratio. The Group aims to keep the share of the balance sheet total less advances received accounted for by the Group's shareholders' equity at no less than 30 per cent. On 28 December 2012, SRV issued a EUR 45 million domestic hybrid bond (equity bond). The bond has no set maturity date but the company may exercise an early redemption option after four years. The interest on the bond will increase after the first redemption date.

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.

Account of SRV's risks, risk management and corporate governance policies will be published in the 2012 Annual Report and Notes to the Financial Statements.

Environmental issues

The Group seeks to minimise the adverse environmental impacts of its operations and to promote sustainable development in the built environment. SRV wants to be a pioneer in the development and implementation of attractive living and working environments that encourage people to adopt ecological lifestyles. SRV builds housing in locations with good access to public transport. In the Greater Helsinki area, the company makes use of the metro and railway. SRV seeks to reduce the waste volumes of its sites and to increase the recycling rate. The company keeps track of both indicators in its environmental reporting system. SRV has joined the Nordic Built project, which seeks to develop construction innovations that are sustainable for the environment, people and the economy.

SRV is also involved in numerous R&D projects dealing with sustainable urban environments and living solutions. SRV is developing the Wood City project in Jätkäsaari, Helsinki, in co-operation with Stora Enso Oyj and is participating in the Energizing Urban Ecosystem RYM SHOK research programme. SRV is seeking environmental certification for projects. One of them, the company's own headquarters in Derby Business Park, already gained LEED Gold certification in the review of the design phase.

Corporate governance and resolutions of general meetings

The Annual General Meeting (AGM) of SRV Group Plc was held on 14 March 2012. The AGM adopted the Financial Statements and granted release from liability to the members of the Board of Directors and the President and CEO. As proposed by the Board of Directors, a dividend of EUR 0.12 per share was declared. The dividend was paid on 26 March 2012. Mr Ilpo Kokkila was elected chairman of the Board of Directors and Ms Minna Alitalo, Mr Arto Hiltunen, Mr Olli-Pekka Kallasvuo, Mr Timo Kokkila, and Mr Ilkka Salonen were elected to seats on the Board. The firm of public accountants Ernst & Young Oy was elected as the company's auditor. Mikko Rytilahti, authorised public accountant, acts as the principal auditor.

The AGM authorised the Board of Directors to decide on the acquisition of the company's own shares, using the company's unrestricted equity. The Board was authorised to acquire a maximum of 3,676,846 own shares in such a manner that the number of shares acquired on the basis of this authorisation when combined with the shares already owned by the company and its subsidiaries does not at any given time exceed 3,676,846 shares, or 10 per cent of all shares of the company. Based on this authorisation, the Board may acquire a maximum of 3,676,846 shares of the company in public trading arranged by Nasdaq OMX Helsinki Oy at a market price valid at the moment of acquisition, and a maximum of 1,000,000 shares of the company in public trading arranged by Nasdaq OMX Helsinki Oy or otherwise without consideration or for a maximum price of EUR 4.45 per share, the maximum total being, however, 3,676,846 shares. The forementioned authorisations include the right to acquire own shares otherwise than in proportion to the holdings of the shareholders. Shares acquired on the basis of this authorisation may be acquired in one or several instalments. The authorisations as described above shall be in force for 18 months from the decision of the general meeting and cancel the authorisation granted by the Annual General Meeting to the Board of Directors on 15 March 2011.

In its organisational meeting on 14 March 2012, the Board of

Directors elected Olli-Pekka Kallasvuo vice chairman of the Board and chairman of the Audit Committee, Minna Alitalo and Timo Kokkila members of the Audit Committee, Arto Hiltunen and Ilkka Salonen members of the Nomination and Remuneration Committee, and Ilpo Kokkila chairman of the Nomination and Remuneration Committee. On 16 November 2012, Ilkka Salonen requested to be relieved of his membership of SRV Group Plc's Board of Directors. Salonen was appointed CEO of the Russia-based Uralsib bank in September 2012 and thus felt he would not be able to participate fully in the work of SRV's Board of Directors over and above his own duties as CEO.

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 5,797 shareholders on 31 December 2012.

The closing price of SRV's share on OMX Helsinki at the end of the financial year was EUR 3.26 (EUR 4.00 on 31 December 2011, change -18.5%). SRV's equity per share on 31 December 2012 was EUR 4.62. The highest share price in the financial year was EUR 4.89 and the lowest was EUR 3.00. During the same period, the all-share index of the Helsinki Stock Exchange (OMX Helsinki) was up 8.3 per cent, and the OMX Construction and Materials index 22.9 per cent. At the end of the financial year, the company's market capitalisation was EUR 115.7 million, excluding the Group's treasury shares. 2.9 million shares were traded during the period and the trade volume was EUR 11.3 million.

At the end of the financial year, SRV and Nordea had a derivative contract (Total Return Swap) for 552,833 SRV shares at a price of EUR 4.45 per share (totalling EUR 2.5 million). These shares are considered to be equivalent to treasury shares held by the company. As the contract matures, the shares will be sold to SRV Group Plc or an entity named by SRV. At the end of the review period, the market capitalisation of the shares was EUR 1.8 million.

At the end of the review period, SRV held 1,270,273 SRV Group Plc shares, taking the derivative contract with Nordea Bank AB into consideration (3.5 per cent of the total number of the company's shares and combined number of votes). On 12 February 2013, taking the derivative contract into consideration, the Group held 1,270,273 shares (3.5 per cent of the total number of the company's shares and votes).

Financial targets

On 12 February 2013, SRV's Board of Directors confirmed the Group's strategy for 2013–2017. The Group's strategic targets are defined as follows:

- During the strategy period, SRV will focus on improving profitability instead of growth
- International Operations will account for more than 20 per cent of Group revenue
- Operating profit margin will reach 6 per cent
- Return on equity will be at least 15 per cent
- Equity ratio will stay above 30 per cent
- The target is to pay dividends equalling 30 per cent of the annual result, taking into account the capital needs of business operations

For the set targets to be achieved, a significant increase in the number of developer-contracted projects is needed.

Events after the reporting period

In February, SRV and VVO signed a construction contract to build two apartment houses to Nihtisilta, Espoo. Construction of the 88 free market rental apartment unit project will begin at March 2013 and it will be completed in October 2014. The project is based on SRV's own project development.

In February, SRV acquired Russian partner's 12.5 per cent share of the Septem City project by a share transaction. With the transaction, SRV now owns 100 per cent of the project.

Outlook for 2013

The volume and the completion schedules of developer-contracted housing production, trends in the margin of the order backlog, the number of new construction contracts, and the materialisation of planned project sales all have an effect on the trends and allocation of revenue and profitability in 2013. Developer-contracted housing production is recognised as income upon delivery. Based on the available completion schedules, SRV estimates that a total of 505 developer-contracted residential units will be completed in 2013. SRV's full-year earnings can be significantly affected by the timing of the sale of the Etmia II office property in Moscow and the Derby Business Park in Espoo. The general uncertainty seen in the financial markets has had a negative effect on real estate markets.

The Group's result before taxes is expected to exceed the previous year's level and full-year revenue is estimated to be at least on a par with the previous year's level, even if the office property sales are not completed during this year.

Proposal for the distribution of profits

The parent company's distributable funds on 31 December 2012 are	EUR 134,287,235.45
of which net profit for the financial year is	EUR 148,731.47

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

A dividend of EUR 0.06 per share be paid to shareholders, or	EUR 2,206,108.08
The amount to be transferred to shareholders' equity	EUR 132,081,127.37

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, 12 February 2013

Board of Directors

Key financial indicators

		2012	2011	2010	2009	2008
Revenue	EUR million	641.6	672.2	484.2	390.5	547.1
Operating profit	EUR million	6.9	14.1	12.5	10.7	34.8
Operating profit, % of revenue	%	1.1	2.1	2.6	2.7	6.4
Profit before extraordinary items	EUR million	2.8	10.8	7.9	6.5	25.6
Profit before extraordinary items, % of revenue	%	0.4	1.6	1.6	1.7	4.7
Profit before taxes	EUR million	2.8	10.8	7.9	6.5	25.6
Profit before taxes, % of revenue	%	0.4	1.6	1.6	1.7	4.7
Net profit for the financial year attributable to equity holders of the parent company	EUR million	0.8	5.9	6.4	2.9	17.1
Return on equity, %	%	0.5	3.3	3.2	1.8	10.3
Return on investment, %	%	2.2	4.5	4.1	4.9	13.4
Equity ratio, %	%	34.7	31.0	35.2	41.3	40.9
Property, plant and equipment investments	EUR million	3.7	10.2	2.3	3.7	16.8
Property, plant and equipment investments, % of revenue	%	0.6	1.5	0.5	0.9	3.1
Order backlog	EUR million	827.8	810.8	594.5	481.6	460.8
New agreements	EUR million	594.5	811.6	559.9	396.1	399.1
Personnel on average		989	880	794	776	871
Invested capital	EUR million	513.3	454.0	387.1	349.0	340.8
Net interest-bearing debt	EUR million	267.9	271.8	222.8	179.9	171.5
Gearing ratio, %	%	126.2	160.2	141.7	109.8	103.4
Earnings per share	EUR	0.02	0.17	0.19	0.08	0.47
Earnings per share (diluted)	EUR	0.02	0.17	0.19	0.08	0.47
Equity per share	EUR	4.62	4.68	4.56	4.48	4.52
Dividend per share*	EUR	0.06	0.12	0.12	0.12	0.12
Dividend payout ratio, %	%	300.0	70.6	63.2	150.0	25.5
Dividend yield, %	%	1.8	3.0	1.8	2.0	3.5
Price per earnings ratio (P/E-ratio)		163.0	23.5	34.9	73.6	7.4
Share price development						
Share price at the end of the period	EUR	3.26	4.00	6.63	5.89	3.47
Average share price	EUR	3.76	5.88	6.42	4.06	5.05
Lowest share price	EUR	3.00	3.83	5.50	2.75	2.82
Highest share price	EUR	4.89	7.43	7.14	5.97	6.60
Market capitalisation at the end of the period	EUR million	115.7	142.0	224.8	210.7	125.7
Trading volume	1,000	2,937	8,759	12,114	8,309	13,543
Trading volume, %	%	8.3	25.0	35.7	23.1	37.1
Weighted average number of shares outstanding	1,000	35,499	35,023	33,923	35,999	36,526
Weighted average number of shares outstanding (diluted)	1,000	35,532	35,023	33,923	35,999	36,526
Number of shares outstanding at the end of the period	1,000	35,498	35,503	33,901	35,768	36,210

* The Board of Directors' dividend proposal for 2012

Calculation of key figures

Gearing ratio, %	=	100 x (Net interest-bearing debt / Total equity)
Return on equity, %	=	100 x (Net result for the financial year / Total equity, average)
Return on investment, %	=	100 x (Result before taxes + interest and other financial expenses / Invested capital, average)
Equity ratio, %	=	x 100 (Total equity / Total assets – advances received)
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 attributable to hybrid bond investors	=	(Hybrid bond interest / Average number of shares outstanding)
Earnings per share attributable to hybrid bond investors (diluted)	=	(Hybrid bond interest / Average diluted number of shares outstanding)
Earnings per share attributable to equity holders of the parent company	=	(Result for the period – non-controlling interest – hybrid bond interest / Average number of shares outstanding)
Earnings per share attributable to equity holders of the parent company (diluted)	=	(Result for the period – non-controlling interest – hybrid bond interest / Average diluted number of shares outstanding)
Equity per share	=	(Equity attributable to equity holders of the parent company / Number of shares outstanding at the end of the period)
Price per earnings ratio (P/E-ratio)	=	(Share price at the end of the period / Earnings per share)
Dividend payout ratio, %	=	x 100 (Dividend per share / Earnings per share)
Dividend yield, %	=	x 100 (Dividend per share / Share price at the end of the period)
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 2012 the highest price was EUR 4.89 and the lowest price EUR 3.00. The average share price for 2012 was EUR 3.76 and the closing price EUR 3.26 giving the company a market capitalisation of EUR 115.7 million as of 31 December 2012. 2.9 million shares were traded in OMX which corresponds to 8.3% of the weighted average number of SRV shares outstanding. The trading value of the shares was EUR 11.3 million.

The authorisations of the Board of Directors

SRV Group Plc's Board of Directors is not authorised to grant options or any other special rights to shares. The Board of Directors is authorised to decide on a share issue and to both acquire and dispose of treasury shares (note 24).

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 14,094,566 shares on 31 December 2012 which corresponds to 38.3% 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 2012

Shareholder	Number of shares	Holding and voting rights,%
Kokkila Ilpo	9,034,712	24.6
Kolpi Investments Oy	5,358,563	14.6
Kokkila Timo	4,522,288	12.3
Nordea Suomi sijoitusrahasto	1,040,000	2.8
Fondita Nordic Micro Cap	900,000	2.4
OP-Suomi Pienyhtiöt	769,718	2.1
SRV Yhtiöt Oyj	717,440	2.0
Valtion Eläkerahasto	700,000	1.9
Linnoinen Hannu	615,566	1.7
OP-Suomi Arvo	600,000	1.6
Keskinäinen Työeläkevakuutusyhtiö Varma	430,000	1.2
Nieminen Timo	418,266	1.1
Alfred Berg Finland Sijoitusrahasto	393,352	1.1
Keskinäinen Eläkevakuutusyhtiö Etera	391,088	1.1
Sundholm Göran	323,906	0.9
Keskinäinäinen Eläkevakuutusyhtiö Ilmarinen	308,003	0.8
Fondita Equity Spice sijoitusrahasto	267,821	0.7
Säästöpankki Kotimaa -sijoitusrahasto	250,000	0.7
Stiftelsen för Åbo Akademi	249,880	0.7
Nordea Pro Suomi sijoitusrahasto	230,000	0.6
20 largest shareholders	**27,520,603**	**74.8**
Nominee registration	1,035,415	2.8
Other	8,212,450	22.3
Total number of shares	**36,768,468**	**100.0**

Breakdown of share ownership on 31 December 2012

By number of shares owned

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	722	12.5	48,590	0.1
101–1,000	4,076	70.3	1,406,597	3.8
1,001–10,000	852	14.7	2,399,194	6.5
10,001–10,000	115	2.0	2,854,028	7.8
100,001–1,000,000	28	0.5	10,104,496	27.5
over 1,000,000	4	0.1	19,955,563	54.3
Total	**5,797**	**100.0**	**36,768,468**	**100.0**
– of which nominee registrations	7	0.1	1,035,415	2.8

By shareholder category

	% of shares
Corporations	20.8
Financial and insurance institutions	17.1
Non-profit organisations	2.2
Public institutions	5.4
Households	54.5
Non-Finnish shareholders	0.1
	100.0

Consolidated Financial Statements, IFRS

Consolidated income statement

EUR 1,000	Note	2012	2011
Revenue		**641,558**	**672,165**
Other operating income	5	4,627	4,482
Change in inventories of finished goods and work in progress		61,596	6,091
Use of materials and services		–617,691	–593,162
Employee benefit expenses	8	–63,213	–55,658
Share of profits of associated and joint venture companies	21	–693	–1,056
Depreciation and impairments	7	–4,467	–3,763
Other operating expenses	6	–14,833	–15,000
Operating profit		**6,884**	**14,098**
Financial income	10	4,039	5,396
Financial expenses	10	–8,137	–8,672
Financial income and expenses, total		–4,097	–3,275
Profit before taxes		**2,786**	**10,823**
Income taxes	11	–1,879	–5,501
Net profit for the financial year		**908**	**5,321**
Attributable to			
Equity holders of the parent company		836	5,862
Non-Controlling interests		72	–541
Earnings per share attributable to equity holders of the parent company	12	**0.02**	**0.17**
Earnings per share attributable to equity holders of the parent company (diluted)	12	**0.02**	**0.17**

Statement of comprehensive income

EUR 1,000	Note	2012	2011
Net profit for the financial year		**908**	**5 321**
Other comprehensive income:			
Foreign currency translation differences for foreign operations		44	54
Gains and losses on remeasuring available-for-sale financial assets		0	0
Income tax relating to components of other comprehensive income		0	0
Other comprehensive income for the year, net of tax		**44**	**54**
Total comprehensive income for the year		**951**	**5,375**
Total comprehensive income attributable to:			
Equity holders of the parent company		880	5,916
Non-Controlling interests		72	–541
Earnings per share calculated on the profit attributable to equity holders of the parent company	12	0.02	0.17
Earnings per share calculated on the profit attributable to equity holders of the parent company (diluted)	12	**0.02**	**0.17**

Consolidated balance sheet

EUR 1,000	Note	2012	2011
ASSETS			
Non-current assets			
Property, plant and equipment	14	13,695	15,236
Goodwill	15	1,734	1,734
Other intangible assets	15	609	477
Other financial assets	16, 17	10,917	10,835
Receivables	16, 18	1,441	2,229
Loan receivables from associated companies and joint ventures	16, 21	11,902	12,977
Deferred tax assets	19	8,123	4,957
Non-current assets, total		**48,422**	**48,444**
Current assets			
Inventories	20, 21	431,192	360,444
Trade and other receivables	16, 22	127,101	133,507
Loan receivables from associated companies and joint ventures	16, 21	31,592	31,952
Current tax receivables		3,983	1,495
Cash and cash equivalents	23	33,079	12,505
Current assets, total		**620,947**	**533,904**
ASSETS TOTAL		**675,369**	**588,348**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	24	3,063	3,063
Share premium reserve	24	0	0
Invested free equity fund	24	92,204	92,144
Translation differences		–15	–59
Other reserves		0	0
Retained earnings		68,916	71,050
Equity attributable to equity holders of the parent company, total		**164,168**	**166,197**
Non-controlling interests		**3,514**	**3,463**
Hybrid Bond	24	44,591	0
Equity, total		212,273	169,660
Non-current liabilities			
Deferred tax liabilities	19	4,144	999
Provisions	25	6,296	5,428
Interest-bearing liabilities	16, 26	118,506	90,133
Other liabilities	16, 27	41	7,798
Non-current liabilities, total		**128,987**	**104,357**
Current liabilities			
Trade and other payables	16, 27	147,628	113,608
Current tax payable		303	2,614
Provisions	25	3,673	3,924
Interest-bearing liabilities	16, 26	182,504	194,184
Current liabilities, total		**334,109**	**314,331**
Liabilities, total		**463,096**	**418,688**
EQUITY AND LIABILITIES, TOTAL		**675,369**	**588,348**

Consolidated cash flow statement

EUR 1,000	Note	2012	2011
Cash flow from operating activities			
Net profit for the financial year		**836**	**5,321**
Adjustments:			
Depreciation and impairments	7	4,442	3,762
Non-cash transactions	31	372	3,887
Financial income and expenses	10	4,097	3,275
Capital gains on sale of tangible and intangible assets		103	-1
Income taxes	11	1,879	5,501
Adjustments, total		**10,893**	**16,425**
Changes in working capital:			
Change in loan receivables		22,732	-18,908
Change in trade and other receivables		-14,189	-45,577
Change in inventories		-68,839	-30,659
Change in trade and other payables		26,311	40,057
Changes in working capital, total		**-33,985**	**-55,087**
Interest paid		-8,049	-9,048
Interest received		3,761	3,076
Dividends received		0	0
Income taxes paid		-6,676	-5,870
Net cash from operating activities		**-33,221**	**-45,183**
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash		0	-764
Property, plant and equipment		-3,192	-3,144
Intangible assets		-302	-170
Other financial assets		-164	-6,133
Sale of property, plant and equipment and intangible assets		356	30
Sale of financial assets		82	500
Net cash used in investing activities		**-3,219**	**-9,681**
Cash flow from financing activities			
Proceeds from loans		48,307	29,046
Repayments of loans		-23,062	-11,468
Hybrid bond		44,591	0
Change in housing corporation loans		32,896	1,453
Change in credit limits		-41,452	34,992
Purchase of treasury shares		-6	10,310
Dividends paid		-4,260	-4,076
Net cash from financing activities		**57,014**	**60,257**
Net change in cash and cash equivalents		**20,574**	**5,392**
Cash and cash equivalents at the beginning of financial year		12,505	7,113
Cash and cash equivalents at the end of financial year		**33,079**	**12,505**
Gross investments		-3,657	-10,211

Consolidated statement of changes in equity

EUR 1,000	Equity attributable to equity holders of the parent company								
	Share capital	Invested free equity fund	Translation differences	Fair value reserve	Retained earnings	**Total**	Non-control-ling interests	Hybrid Bond	Equity Total
Equity, total, 1 Jan 2011	**3,063**	**87,767**	**-113**	**0**	**63,764**	**154,481**	**2,740**	**0**	**157,221**
Net profit for the financial year	0	0	0	0	5,862	**5,862**	-541	0	**5,321**
Other comprehensive income items (with the tax effect)									
Foreign currency translation differences for foreign operations	0	0	54	0	0	**54**	0	0	**54**
Available-for-sale financial assets	0	0	0	0	0	**0**	0	0	**0**
Total comprehensive income	**0**	**0**	**54**	**0**	**5,862**	**5,916**	**-541**	**0**	**5,375**
Transactions with the owners									
Dividends paid	0	0	0	0	-4,076	**-4,076**	0	0	**-4,076**
Sale of treasury shares	0	0	0	0	945	**945**	0	0	**945**
Purhchase of treasury shares	0	4,376	0	0	5,947	**10,324**	0	0	**10,324**
Purhchase and cancellation of treasury shares	0	0	0	0	-14	**-14**	0	0	**-14**
Hybrid Bond	0	0	0	0	0	**0**	0	0	**0**
Other changes*	0	0	0	0	-1,378	**-1,378**	1,264	0	-114
Transactions with the owners, total	**0**	**4,376**	**0**	**0**	**1,425**	**5,801**	**1,264**	**0**	**7,065**
Equity, total, 31 Dec 2011	**3,063**	**92,143**	**-59**	**0**	**71,050**	**166,198**	**3,463**	**0**	**169,660**
Equity, total, 1 Jan 2012	**3,063**	**92,143**	**-59**	**0**	**71,050**	**166,198**	**3,463**	**0**	**169,660**
Net profit for the financial year	0	0	0	0	836	**836**	72	0	**908**
Other comprehensive income items (with the tax effect)									
Foreign currency translation differences for foreign operations	0	0	44	0	0	**44**	0	0	**44**
Available-for-sale financial assets	0	0	0	0	0	**0**	0	0	**0**
Total comprehensive income	**0**	**0**	**44**	**0**	**836**	**880**	**72**	**0**	**952**
Transactions with the owners									
Dividends paid	0	0	0	0	-4,260	**-4,260**	0	0	**-4,260**
Share based incentive plan	0	0	0	0	1,230	**1,230**	0	0	**1,230**
Sale of treasury shares	0	60	0	0	0	**60**	0	0	**60**
Purhchase of treasury shares	0	0	0	0	-6	**-6**	0	0	**-6**
Hybrid Bond	0	0	0	0	66	**66**	0	44,591	**44,657**
Other changes	**0**	**0**	**0**	**0**	**66**	**0**	**-20**	**0**	**-20**
Transactions with the owners, total	**0**	**60**	**0**	**0**	**-2,970**	**-2,910**	**-20**	**44,591**	**41,661**
Equity, total, 31 Dec 2012	**3,063**	**92,204**	**-15**	**0**	**68,916**	**164,168**	**3,515**	**44,591**	**212,273**

* Other changes includes the loss of acquisition of non-controlling interests 1,272 thousand euros.

Notes to the Consolidated Financial Statements

Description of operations

SRV Group Plc and its subsidiaries (SRV Group) comprise Finland's leading project management contractor that builds and develops commercial and business premises, residential units as well as industrial and logistics projects in Finland, Russia and the Baltic countries. In line with the Group's strategy, business operations are organised into two business areas: operations in Finland and international operations. The main companies are SRV Construction Ltd, SRV Baltia Oy and SRV Russia Oy. Operations in Finland comprise the construction of business premises and housing. The construction of business premises comprises retail, office, logistics, earthworks and rock construction operations and property development. Housing construction comprises developer contracting and residential contracting for external clients in the Greater Helsinki Area and its surrounding municipalities as well as in other Finnish growth centres. International operations comprise business activities 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 Tarvonsalmenkatu 15, 02601 Espoo.

Board of Directors has approved these consolidated financial statements for issue on 12 February 2013.

Accounting policies

Basis of preparation

The consolidated financial statements have been prepared on 31 December 2012 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 2012:

- 2011 Annual improvements to IFRS. Amendments have not been material impact to the consolidated financial statements.
- Amendment to IFRS 7 Financial instruments: Disclosures – Transfers of Financial Assets. Amendment has not been material impact to 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 2013 (effective date). The Group is reviewing the impact of future standards, amendments and interpretations.

- IFRS 7 Financial Instruments: Disclosures (effective for financial periods beginning on or after 1 January 2013). IASB has disclosed in December 2011 an amendment to IFRS 7 regarding the disclosures about the financial assets and financial liabilities which have been offset.
- IAS 32 Offsetting Financial Assets and Financial Liabilities (effective for annual periods on or after 1 January 2014). These amendments to IAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and when offsetting happens simultaneously in order to be able offset receivable and payable.
- IFRS 9, Classification and measurement of financial assets and liabilities (effective for annual periods beginning on or after 1 January 2015). Upon adoption, the standard will eventually replace IAS 39 to a large extent, and it will amend the classification of both financial assets and liabilities (EU has not endorsed).
- IFRS 10, Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013). The amended standard clarifies the concept of control in decisions on whether an organisation should be consolidated in the consolidated financial statement.
- IFRS 11, Joint Arrangements (effective for annual periods beginning on or after 1 January 2013). The amended standard focuses on the rights and obligations of the joint arrangement rather than its legal form. Additionally, the standard requires that equity method be used in the reporting of joint arrangements.
- IFRS 12, Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013). The amended standard sets new disclosure requirements for reporting the entity's holdings in other entities.
- IFRS 13, Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013). The Standard establishes a single framework for measuring fair value that is required by other Standards.
- IAS 1, Presentation of Financial Statements (effective for annual periods beginning on or after 1 July 2012). Amendments revise the way comprehensive income items are presented.
- IAS 28, Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2013). Amendment sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures due to publishing IFRS 11.
- IAS 19 Employee benefits (effective for annual periods beginning on or after 1 January 2013). Revised standard contains several changes in order to harmonize treatment of defined benefit plans and enhance comparability.
- Annual improvements (2009–2011 Cycle). Annual improvements are reflected by following standards; IFRS1, IAS1, IAS 16, IAS 32, IAS 34. (The EU has not approved standards).

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 measure-

ment 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, 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 also 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. Assessing the need for impairment of inventory items may require management to make estimates of matters such as the future costs of development and construction, the future income and expenses accruing from the item, the market return requirement at the time of realisation and the sale value of the item.

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 exercise 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 identifiable assets and liabilities are measured at fair value at the acquisition date, irrespective of the size of any non-controlling interests. 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 non-controlling 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 impairment.

Non-controlling interests has been presented separately after Net profit for the period and in Total equity.

Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests, even if doing so causes the non-controlling interests to have a negative balance.

Associated companies and Joint ventures

Joint ventures are companies in which the Group exercises a shared controlling interest with other parties based on an agreement.

Associated companies are companies in which the Group exercises a significant influence. Associated companies and joint ventures are consolidated using the equity method. The associated companies and joint ventures included in the consolidated financial statements are project companies, and due to their nature are considered to be part of current and non-current assets and inventories.

Foreign currency transactions

Functional and presentation currency

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

Group companies

The income statements of those subsidiaries whose 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 contracts

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

In the developer contracting of housing projects will be recognised upon completion at the earliest. The share of revenue and expenses corresponding to the percentage of sale at the time of completion will be recognised as revenue. The revenue recognition method to be employed in the developer contracting of business premises is determined on a project-by-project basis. Sold developer contracting projects are recognised on a percentage of completion basis if the risks and rewards of the project are transferred substantially to the buyer when the project is sold. The relative share recognised as revenue is calculated in accordance with the combined percentage of completion, which is derived from the percentage of completion of construction and percentage of sale. If the risks and rewards cannot be deemed to have been transferred to the buyer during construction, the project is recognised when it has been completed and the risks and rewards have been transferred.

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 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. Other operating income consists mainly from sale of land area and rental income from current assets.

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, and the contract agreement has been signed in developer contracting projects. The order backlog consists of the share of the projects not yet recognised as revenue (including the plot).

Borrowing costs

Borrowing costs in projects that are implemented for clients outside the Group are recognised as expenses in the period in which they are incurred. In developer contracted housing projects, part of interest on borrowing costs is activated during the construction period in according to Group's the capitalisation rate and is recognised as an expense when the project is sold. These interest expenses are entered as project expenses above operating profit. In developer contracting of business premises, interest expenses are activated on the basis of management's estimates, as the sales prices of projects are not always known in advance.

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% or amortised on a straight-line basis over their estimated economic life
- 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 that are recognised at fair value through profit or loss, and financial liabilities measured at amortised cost.

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 selectively 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 2012 and 2011 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.

Hybrid bond

An equity bond (hybrid loan) is a bond that is subordinated to the company's other debt instruments but is senior to other equity instruments. The interest on a hybrid loan is paid if the Annual General Meeting decides to pay a dividend. If a dividend is not paid, the company decides separately on whether to pay the interest. Unpaid interest accumulates. Hybrid loan holders have no control over the company and no right to vote at shareholders' meetings.

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 until the project is completed. In completed developer contracting housing projects 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 in certain cases.

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. Associated companies and joint ventures are also presented in this group.

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.

The net realisable value of land areas and plot-owning companies is based on their expected use. The net realisable value of land areas and plot-owning companies expected to be used in project operations is evaluated as part of the net realisable value of the entire project. Land areas and plot-owning companies are impaired only if it is forecast that the project as a whole will result in a loss. If it is expected that a land area or plot-owning company will be realised by sale, the net realisable value is based on the estimated market price. The net realisable value of work in progress and completed housing corporations and real-estate companies is based on their selling price at the expected time of sale.

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 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 share settled transaction are valued at fair value by using the Black & Scholes pricing model at the time of granting and paid in cash are valued at fair value in every interim and annual closing. Changes in value are recognised in the income statement over their effective period.

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.

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:

Domestic Operations

SRV is an innovative construction company that provides end-to-end solutions. The company assumes customer-focused responsibility for project development, commercialisation and construction. Operations in Finland are divided into the construction of business premises and housing. In Finland, SRV operates in the Greater Helsinki Area, Turku, Tampere, Oulu, Jyväskylä, Lappeenranta and Joensuu. The construction of business premises primarily comprises office and commercial premises, logistics facilities and rock construction. Housing construction comprises the developer contracting of housing and residential contracting for external clients.

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.

Operating segment information

The amount reported for each operating segment is to be the measure reported internally to the chief operating decision maker (CODM, Chief Operating Decision Maker according to IFRS 8). The chief operating decision maker is the Corporate Chief Executive Officer assisted in decision making by the Corporate Executive Team. Internal management information reported is in accord with reported operating segment information.

During the financial year 2012 and 2011, the Group did not have major customers according to the definition of IFRS 8.

2012

EUR 1,000	Domestic Operations	International Operations	Other	**Total**
Revenue, external	568,298	73,140	341	**641,778**
Business construction	305,262			
Housing construction	263,036			
Revenue, internal	0	0	14,069	**14,069**
Total	**568,298**	**73,140**	**14,410**	**655,847**
Operating profit	**14,762**	**-3,211**	**-4,668**	**6,884**
Segment's assets				
Non-current	9,168	25,904	40,478	**75,550**
Current				
Land areas and plot-owning companies	74,554	100,495	0	**175,050**
Work in progress	150,905	8,420	0	**159,325**
Shares in completed housing corporations and real estate companies	51,926	1,839	0	**53,765**
Other inventories	7,216	35,836	0	**43,051**
Inventories total	284,602	146,590	0	**431,192**
Other current assets	129,113	61,167	271,319	**461,599**
Total	**422,882**	**233,661**	**311,797**	**968,341**
Segment's liabilities				
Non-current	102,315	17,676	8,995	**128,987**
Current	268,127	217,571	114,255	**599,953**
Total	**370,442**	**235,247**	**123,250**	**728,939**
Invested capital				
At the end of period	297,377	200,227		**513,283**
Return on investment, %	5.6	-0.2		**2.2**
Order backlog	**774,418**	**53,365**		**827,783**
Business construction	438,704			
Housing construction	335,714			

2011

EUR 1,000	Domestic Operations	International Operations	Other	Total
Revenue, external	632,294	38,979	892	**672,165**
Business construction	379,470			
Housing construction	252,824			
Revenue, internal	0	5	11,774	**11,779**
Total	**632,294**	**38,984**	**12,666**	**683,944**
Operating profit	**27,945**	**-8,307**	**-5,540**	**14,098**
Segment's assets				
Non-current	8,305	27,143	40,295	**75,743**
Current				
Land areas and plot-owning companies	95,524	98,243	0	**193,767**
Work in progress	93,170	3,796	0	**96,966**
Shares in completed housing corporations and real estate companies	27,942	2,900	0	**30,841**
Other inventories	6,410	32,460	0	**38,870**
Inventories total	223,046	137,398	0	**360,444**
Other current assets	144,620	63,707	283,897	**492,223**
Total	**375,970**	**228,248**	**324,192**	**928,410**
Segment's liabilities				
Non-current	91,037	1,031	12,217	**104,285**
Current	233,584	227,907	165,633	**627,124**
Total	**324,621**	**228,938**	**177,850**	**731,409**
Invested capital				
At the end of period	**249,160**	**210,819**		**453,977**
Return on investment, %	**13.6**	**-2.6**		**4.5**
Order backlog	**711,213**	**99,629**		**810,842**
Business construction	362,193			
Housing construction	349,020			

Revenue

EUR 1,000	2012	2011
Segment's revenue	641,437	671,278
Revenue, others	14,410	12,666
Eliminations and other adjustments	–14,069	–11,779
Total	**641,778**	**672,165**

Operating profit

EUR 1,000	2012	2011
Segment's operating profit	11,552	19,638
Operating profit, others	–4,668	–5,540
Eliminations and other adjustments	0	0
Total	**6,884**	**14,098**

Assets

EUR 1,000	2012	2011
Segment's assets	656,544	604,218
Assets, others	311,797	324,192
Eliminations and other adjustments	–292,972	–340,062
Total	**675,369**	**588,348**

Liabilities

EUR 1,000	2012	2011
Segment's liabilities	605,689	553,559
Liabilities, others	123,250	177,850
Eliminations and other adjustments	–265,843	–312,721
Total	**463,096**	**418,688**

Order backlog

EUR million	2012	2011
Order backlogs of the segments	827.8	810.8
Total	**827.8**	**810.8**

The comparable year's 2011 data includes EUR 6.0 million correction from long-term receivables to inventories (land areas).

2 Acquisitions

SRV did not acquire new businesses in 2012.
In previous year on 31 May 2011, SRV acquired a 100% holding in Maarakennus Oy Laatutyö.

Composition of acquired net assets and goodwill

EUR 1,000	2011
Compensation	
Cash	2,084
Conditional purchase price	227
Total compensation	**2,311**
Acquisition-related costs (recognised as expenses)	**23**
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	1,843
Intangible rights	25
Inventories	226
Trade and other receivables	1,284
Cash and cash equivalents	936
Non-interest bearing debt	–2,002
Total identifiable net assets	**2,311**
Goodwill	–
Total entity value	**2,311**

The conditional purchase price depends on the company's earnings in future years. It is estimated that about 50 per cent of the contingent transaction price will materialise.

3 Disposals

SRV Group did not have significant disposals of businesses in 2012 and previous years.

4 Construction contracts

2012

EUR 1,000	
Revenue recognised from construction contracts based on the percentage of completion	514,891
Revenue recognised from other construction projects upon delivery	109,906
Contract costs and profits at the end of financial year (less recognised losses) related to the work in progress	325,573

EUR 1,000	Total 2012	Cost incurred plus regog-nised profits	The sum of recognised losses and progress billings
The gross amount due from customers for contract work	28,121		
Domestic Operations	26,998	162,385	135,387
International Operations	1,122	58,542	57,420
The gross amount due to customers for contract work[1]	60,973		
Domestic Operations	46,592	148,902	195,495
International Operations	14,380	85,348	99,729

2011

EUR 1,000	
Revenue recognised from construction contracts based on the percentage of completion	473,482
Revenue recognised from other construction projects upon delivery	179,431
Contract costs and profits at the end of financial year (less recognised losses) related to the work in progress	284,537

EUR 1,000	Total 2011	Cost incurred plus regog-nised profits	The sum of recognised losses and progress billings
The gross amount due from customers for contract work	6,842		
Domestic Operations	5,931	103,159	97,228
International Operations	911	22,907	21,996
The gross amount due to customers for contract work[1]	39,389		
Domestic Operations	32,812	155,272	188,084
International Operations	6,577	30,562	37,139

[1] Gross liabilities to customers are disclosed in Note 27, Other Liabilities, on the line Advance payments related to construction contracts

5 Other operating income

EUR 1,000	2012	2011
Capital gains on sales of property, plant and equipment and intangible assets	237	16
Rental income	2,495	3,876
Other income	1,895	591
Total	**4,627**	**4,482**

6 Other operating expenses

EUR 1,000	2012	2011
Capital losses on sales of property, plant and equipment and intangible assets	166	2
Rental expenses	2,292	2,364
Voluntary indirect personnel expenses	1,685	1,570
Car and travel expenses	989	1,017
Entertainment and marketing	1,238	997
Communications and IT	1,791	1,474
Other external services	979	830
Other fixed expenses	5,694	6,747
Total	**14,833**	**15,000**

Auditing fees

EUR 1,000	2012	2011
Audit	240	245
Auditors' statements	37	2
Tax services	17	15
Other services	23	57
Total	**317**	**319**

7 Depreciation and impairments

EUR 1,000	2012	2011
Depreciation		
Intangible assets		
Other intangible assets	91	62
Property, plant and equipment		
Buildings and structures	1,669	1,409
Machinery and equipment	2,687	2,279
Other tangible assets	20	12
Total	**4,467**	**3,763**

8 Employee-benefit expenses

EUR 1,000	2012	2011
Wages and salaries[1]	49,986	43,900
Pension expenses – defined contribution plans	8,862	7,454
Share-based incentive scheme	1,507	1,458
Other indirect personnel expenses	2,859	2,846
Total	**63,213**	**55,658**

[1] Information on management's compensation as well as employee benefits is disclosed in Section 32 Related party transactions. SRV Group has only defined contribution plans in connection with the pensions.

Average number of personnel

	2012	2011
Domestic Operations	709	626
International Operations	184	168
Other	96	86
Total	**989**	**880**

Share-based incentive schemes

	Grant year					
	2006[1]	2008–2010[2]	2009[3]	2011[4]	2012[5]	**Total**
Reward principle	Employment	Profit	Employment	Employment	Set targets	
Exercise price	3.85	–	4.80	6.81	–	
Dividend adjusted exercise price 31 Dec 12	–	–	4.80	6.57	–	
Subscrition period	2010–2013	2011	2010–2016	2011–2016	2012–2013	
Total amount	100,000	215,050	2,000,000	2,000,000	404,000	
Share incentives 1 Jan 2011	75,000	215,050	2,000,000	–	–	**2,290,050**
Additions	0	215,050	0	1,850,000	389,000	**2,454,050**
Share incentives used	25,000	53,956	400,000	0	0	**478,956**
Share incentives returned or expired	50,000	161,094	0	132,000	0	**343,094**
Share incentives 31 Dec 2011	0	0	1,600,000	1,718,000	389,000	**3,707,000**
Share incentives 1 Jan 2012	–	–	1,600,000	1,718,000	389,000	**3,707,000**
Additions	–	–	0	58,000	0	**58,000**
Share incentives used	–	–	0	0	0	**0**
Share incentives returned or expired	–	–	0	119,000	0	**119,000**
Share incentives 31 Dec 2012	–	–	1,600,000	1,657,000	389,000	**3,646,000**
Shares granted based on incentives, 2011	6,330	53,956	65,733	–	–	**126,019**
Shares granted based on incentives, 2012	–	0.00	0	0	–	**0**

[1] A former member of the Corporate Executive Team of SRV Group Plc had a share-based incentive scheme under which the member was entitled to a share bonus while in the employ of the Group. The four-instalment incentive scheme was in effect from 2010–2013. The share bonuses for 2010 and 2011 were granted. The amount to be paid as a share bonus was based on the price development of SRV Group Plc's share. SRV Group Plc had earlier decided that half of the bonus would be paid as shares and half in cash. The amount to be paid was 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 was paid. This share-based incentive scheme was valued using the Black & Scholes pricing model with a volatility of 33%. Bonuses paid as shares were valued in accordance with their value at the time when the decision on the payment method was made and those

paid in cash were valued at fair value. Changes in value were recognised in the income statement over their effective period. When said member resigned from the Group in autumn 2011, the costs of the termination of the incentive scheme were entered in the 2011 financial statements.

[2] 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. During 2010 it was decided that the potential reward will be paid partly as shares in the company and partly in cash. Previously the incentive scheme was paid fully as shares. The correction has been noted also in equity and partly in 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 2010 earning period, the target group of the scheme included about 70 people and the reward is based mainly on consolidated and partly on business area earnings before taxes. The rewards paid for earning period 2010 amounted to about 57,000 shares. This reward was recognised as an expense during years 2010–2012. 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.

[3] 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 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 has decided that half of the bonus shall be paid as shares and half in cash. The bonus paid in cash has been revalueated in December 2010 and transferred from equity to deffered liabilites. 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. The bonus paid as shares in 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. Exercise price is not adjusted by dividends.

[4] On 16 February 2011, SRV's Board of Directors decided on a new long-term share-based incentive scheme. The scheme will be in effect from 2011 to 2016 and the rewards are tied to the appreciation of the company's share. The scheme continues SRV's share-based incentive scheme for 2008–2010. The comparison price is the volume-weighted average price in January 2011, EUR 6.81/share. Annually, the dividends paid will be deducted from the comparison price. A maximum total of 2 million reward rights will be granted to key employees. Rewards, if any, will be paid half in shares and half in cash. Any shares granted are subject to transfer restrictions and a commitment period. This share-based incentive scheme was valued using the Black & Scholes pricing model with a volatility of 33%.

[5] On 4 September 2012, the Board of Directors decided on a new share-based incentive scheme for the Group's key personnel. The scheme covers 28 key SRV personnel. The scheme will be in effect from 2012 to 2013 and rewards are tied to Group's result and specific business indicators. The potential reward will be paid partly as shares in the company and partly in cash. The proportion to be paid in cash will cover taxes and tax-related costs arising from the reward. A maximum of 404,000 SRV Group shares will be granted to key employees. The total recognized IFRS value of shares conveyed over the lifetime of incentive scheme will be approximately EUR 1.8 million with the addition of the cash payments. The theoretical market value is calculated by the Black & Scholes model used for pricing options with the following criteria: share price EUR 3.60, risk-free interest rate 0.58% and volatility 37 per cent. 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.

The liabilities related to share-based payment transactions amounted to EUR 268 thousand (2012) and EUR 319 thousand (2011) in the consolidated financial statements.

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	2012	2011
Financial income		
Income on available-for-sale assets	103	32
Interest income from loans and receivables	3,621	5,224
Other financial income	315	140
Total	**4,039**	**5,396**
Financial expenses		
Expenses for financial liabilities at amortised cost	–7,539	–7,481
Losses and write-offs on assets available for sale	0	0
Other financial expenses	–406	–294
Financial asset/liabilities at fair value	223	–138
Total	**-7,722**	**-7,914**
Foreign exchange gains/losses		
Foreign exchange gains[1]	2,487	314
Foreign exchange losses	–2,902	–1,072
Total	**-415**	**-758**
Financial income and expenses, total	**-4,097**	**-3,275**

[1] Foreign exchange gains are disclosed in the income statement under financial expenses.

11 Income taxes

Income taxes in the income statement

EUR 1,000	2012	2011
Current taxes	1,948	4,697
Taxes for previous financial years	–52	393
Other taxes	5	0
Deferred taxes	–22	411
Total	**1,879**	**5,501**
Effective income tax rate	67.4%	50.8%

The income taxes in the consolidated income statement differ from the statutory income tax rate in Finland (24,5% in 2012 and 26% 2011) as follows:

Income tax reconciliation

EUR 1,000	2012	2011
Profit before taxes	2,786	10,823
Income taxes at statutory tax rate in Finland (24,5% 2012 and 26% 2011)	683	2,814
Differing tax rates of foreign subsidiaries	82	264
Effect of changes in income tax rates on deferred taxes[1]	0	160
Tax exempt income	–257	–58
Non-deductible expenses	464	695
Tax losses	805	772
Taxes for previous financial years	51	393
Reassessment of deferred tax assets	0	525
Associated companies and joint ventures consolidated using the equity method	170	–274
Adjustments	–119	210
Income taxes	**1,879**	**5,501**

[1] The figure for 2011 is affected by the change in the Finnish corporate tax rate from 26% to 24.5% in 2012.

12 Earnings per share

EUR 1,000	2012	2011
Profit/loss for the year attributable to equity holders of the parent	836	5,862
Profit/loss for the year attributable to Hybrid Bond investors	36	0

Number of shares	2012	2011
Weighted average number of shares outstanding, (1,000)	35,499	35,023
Weighted average number of shares outstanding (diluted), (1,000)	35,532	35,023
Earnings per share attributable to equity holders of the parent company, eur per share	**0.02**	**0.17**
Earnings per share attributable to equity holders of the parent company (diluted), eur per share	**0.02**	**0.17**
Earnings per share attributable to hybrid bond investors, eur per share	**0.00**	**0.00**
Earnings per share attributable to hybrid bond investors, diluted, eur per share	**0.00**	**0.00**

13 Dividend per share

The dividends paid in 2012 was EUR 0.12 per share, totalling EUR 4.3 million. The dividends paid in 2011 was EUR 0.12 per share, totalling EUR 4.1 million. The dividends paid in 2010 were EUR 0.12 per share, totalling EUR 4.1 million. A dividend of EUR 0.06 per share will be proposed at the Annual General Meeting on 20 March 2013 corresponding to total dividends of EUR 2.1 million. This proposed dividend is not recorded as liability in the financial statements.

14 Property, plant and equipment

2012

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Historical cost, 1 Jan	273	12,824	21,074	403	**34,571**
Increases	0	233	2,967	4	**3,204**
Decreases	–1	–13	–355	0	**-369**
Historical cost, 31 Dec	**272**	**13,044**	**23,686**	**407**	**37,407**
Accumulated depreciation and impairments, 1 Jan	0	–5,946	–13,381	–12	**-19,339**
Depreciation	0	–1,669	–2,687	–20	**-4,376**
Accumulated depreciations of decreases	0	0	0	0	**0**
Accumulated depreciation and impairments, 31 Dec	**0**	**-7,615**	**-16,068**	**-32**	**-23,715**
Carrying amount, 1 Jan	273	6,878	7,693	391	**15,236**
Carrying amount, 31 Dec	**272**	**5,429**	**7,618**	**375**	**13,695**

2011

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Historical cost, 1 Jan	273	12,824	16,484	36	**29,616**
Increases	0	0	2,781	367	**3,147**
Decreases	0	0	1,810	0	**1,809**
Historical cost, 31 Dec	**273**	**12,824**	**21,074**	**403**	**34,571**
Accumulated depreciation and impairments, 1 Jan	0	–4,537	–11,101	0	**-15,639**
Depreciation	0	–1,409	–2,279	–12	**-3,700**
Accumulated depreciations of decreases	0	0	0	0	**0**
Accumulated depreciation and impairments, 31 Dec	**0**	**-5,946**	**-13,381**	**-12**	**-19,339**
Carrying amount, 1 Jan	273	8,287	5,382	36	**13,978**
Carrying amount, 31 Dec	**273**	**6,878**	**7,693**	**391**	**15,236**

Finance lease agreements

SRV Group had no significant value of finance lease agreements in 2012 and 2011.

15 Goodwill and other intangible assets

2012

EUR 1,000	Intangible rights	Goodwill	Other capitalised expenditure	Total
Historical cost, 1 Jan	250	1,734	2,238	**4,222**
Increases	6	0	213	**219**
Decreases	0	0	0	**0**
Reclassifications	6	0	0	**6**
Historical cost, 31 Dec	**262**	**1,734**	**2,452**	**4,448**
Accumulated amortisation, 1 Jan	0	0	–2,011	**-2,011**
Amortisation	0	0	–91	**-91**
Accumulated depreciations of decreases	0	0	0	**0**
Accumulated amortisation, 31 Dec	**0**	**0**	**-2,102**	**-2,102**
Carrying amount, 1 Jan	250	1,734	227	**2,211**
Carrying amount, 31 Dec	**260**	**1,734**	**136**	**2,345**

2011

EUR 1,000	Intangible rights	Goodwill	Other capitalised expenditure	Total
Historical cost, 1 Jan	250	1,734	2,069	**4,053**
Increases	0	0	170	**170**
Decreases	0	0	0	**0**
Reclassifications	0	0	0	**0**
Historical cost, 31 Dec	**250**	**1,734**	**2,238**	**4,222**
Accumulated amortisation, 1 Jan	0	0	–1,949	**-1,949**
Amortisation	0	0	–62	**-62**
Accumulated depreciations of decreases	0	0	0	**0**
Accumulated amortisation, 31 Dec	**0**	**0**	**-2,011**	**-2,011**
Carrying amount, 1 Jan	250	1,734	120	**2,104**
Carrying amount, 31 Dec	**250**	**1,734**	**228**	**2,211**

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

Goodwill

EUR 1,000	2012	2011
Domestic operations		
SRV Rakennus 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 base year figures and on business units growing cash flows for the next 5 years strategy period.

On 12 February 2013, the SRV Board of Directors confirmed a new Group strategy for the years 2013–2017 with the following strategic targets:

- SRV's focus is to improve profitability instead of growth.
- The share of International Operations revenue of total Group revenue will exceed 20 percent.
- The operating margin will go up to six percent.
- The return on equity will be 15 percent at the minimum.
- The equity ratio will be kept at above 30 percent.
- Taking into consideration the capital needs of the businesses, SRV targets a dividend of 30 percent of the annual profit.

In the impairment test of goodwill performed in January 2013, 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 performed sensitivity analysis does not cause impairments for cash-generating units when using moderate changes in default factors.

16 Financial assets and liabilities by measurement categories

2012

EUR 1,000	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Note
Non-current financial asset						
Long-term interest bearing receivables	0	1,441	0	0	1,441	18
Loan receivables from associated companies and joint ventures	0	11,902	0	0	11,902	21
Other financial assets	0	0	10,917	0	10,917	17
Current financial assets						
Accounts receivables	0	73,691	0	0	73,691	22, 28
Construction contracts receivables	0	28,121	0	0	28,121	22
Other interest bearing receivables	0	1,404	0	0	1,404	22
Derivative instruments	0	0	0	0	0	30
Loan receivables from associated companies and joint ventures	0	31,592	0	0	31,592	21
Cash and cash equivalents	0	33,079	0	0	33,079	23
Total	**0**	**181,230**	**10,917**	**0**	**192,148**	
Non-current financial liabilities						
Interest bearing liabilities	0	0	0	118,506	118,506	26
Other non-current liabilities	0	0	0	41	41	27
Current financial liabilities						
Interest bearing liabilities	0	0	0	182,504	182,504	26
Derivative instruments	1,186	0	0	0	1,186	30
Accounts payables	0	0	0	0	28,406	27
Total	**1,186**	**0**	**0**	**301,051**	**330,643**	

2011

EUR 1,000	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Note
Non-current financial asset						
Long-term interest bearing receivables	0	2,229	0	0	2,229	18
Loan receivables from associated companies and joint ventures	0	12,977	0	0	12,977	21
Other financial assets	0	0	10,835	0	10,835	17
Current financial assets						
Accounts receivables	0	58,399	0	0	58,399	22,28
Construction contracts receivables	0	6,842	0	0	6,842	22
Other interest bearing receivables	0	21,913	0	0	21,913	22
Derivative instruments	0	0	0	0	0	30
Loan receivables from associated companies and joint ventures	0	31,952	0	0	31,952	21
Cash and cash equivalents	0	12,505	0	0	12,505	23
Total	**0**	**146,818**	**10,835**	**0**	**157,652**	
Non-current financial liabilities						
Interest bearing liabilities	0	0	0	90,133	90,133	26
Other non-current liabilities	0	0	0	7,798	7,798	27
Current financial liabilities						
Interest bearing liabilities	0	0	0	194,184	194,184	26
Derivative instruments	1,408	0	0	0	1,408	30
Accounts payables	0	0	0	0	28,447	27
Total	**1,408**	**0**	**0**	**292,115**	**321,970**	

Carrying amounts do not differ substantially from Fair value excluded derivative instruments, which are measured as fair values. Carrying amounts of financial assets represent the maximum amount of credit risk at the balance sheet date.

The comparable year's 2011 data includes EUR 6.0 million correction from long-term receivables to inventories (land areas).

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. The fair values of unquoted shares cannot be determined reliably. Unquoted shares are measured at cost less possible impairments.

EUR 1,000	2012	2011
Carrying amount, 1 Jan	**10,835**	**5,177**
Increases	164	6,169
Decreases	-82	-511
Carrying amount, 31 Dec	**10,917**	**10,835**
Non-current	10,917	10,835
Current	0	0
Quoted shares	0	0
Unquoted shares	10,917	10,835

18 Receivables

EUR 1,000	Carrying amount 2012	2011
Non-current receivables		
Loan receivables	1,441	2,229
Total	**1,441**	**2,229**

Carrying amounts do not substantially differ from fair value. The comparable year's 2011 data includes EUR 6.0 million correction from long-term receivables to inventories (land areas).

19 Deferred tax assets and liabilities

2012

EUR 1,000	1 Jan	Recognised in the income statement	Recognised in equity	31 Dec
Deferred tax assets				
Tax losses	1,665	2,207	0	**3,872**
Employee-benefits	392	306	0	**698**
Unrealised losses of financial instruments	688	290	0	**978**
Accrual differences in developer contracting	890	771	0	**1,661**
Other temporary differences	1,322	-407	0	**915**
Total	**4,957**	**3,167**	**0**	**8,123**
Deferred tax liabilities				
Other temporary differences	999	3,145	0	**4,144**
Total	**999**	**3,145**	**0**	**4,144**
Net deferred taxes	**3,958**	**22**	**0**	**3,979**

2011

EUR 1,000	1 Jan	Recognised in the income statement	Recognised in equity	31 Dec
Deferred tax assets				
Tax losses	987	678	0	**1,665**
Employee-benefits	154	238	0	**392**
Unrealised losses of financial instruments	673	15	0	**688**
Accrual differences in developer contracting	0	890	0	**890**
Other temporary differences	3,251	-1,929	0	**1,322**
Total	**5,065**	**-108**	**0**	**4,957**
Deferred tax liabilities				
Other temporary differences	696	303	0	**999**
Total	**696**	**303**	**0**	**999**
Net deferred taxes	**4,369**	**-411**	**0**	**3,958**

A deferred tax asset for unused tax losses of subsidiaries, EUR 476 thousand (2012) and EUR 536 thousand (2011), has not been recognised in the consolidated financial statements because realisation of the tax benefit in this respect is not considered probable.

The deferred tax liability has been recognised in the consolidated financial statements in connection with for the undistributed profits of subsidiaries whose income tax is determined on the basis of profit distribution. The deferred tax liability has not been recognised when Group is able to control the timing of profit distribution and the distribution is not probable at the balance sheet date.

20 Inventories

EUR 1,000	2012	2011
Raw materials and consumables	1,435	2,593
Work in progress	159,325	96,966
Land areas and plot-owning companies	175,050	193,767
Shares in completed housing corporations and real estate companies	53,765	30,841
Advance payments	5,243	4,971
Other inventories*	**36,373**	**31,305**
Inventories, total	**431,192**	**360,444**

* Other inventories include the holdings in joint ventures and associated companies, note 21

During the financial year capitalized interests the amount of which was EUR 1,739 thousand (2011: EUR 1,190 thousand) was included in the value of work in progress.

The capitalisation rate used was 1.1% on average.

The carrying amount of completed inventories used as security for loans in 2012 amounted to EUR 44,135 thousand (2011: EUR 22,410 thousand) and the carrying amount of inventories under construction in 2012 was EUR 152,183 thousand (2011: EUR 106,192 thousand).

The comparable year's 2011 data includes EUR 6.0 million correction from long-term receivables to inventories (land areas).

During the financial year 2012 and 2011 there was no impairment losses on inventories.

21 Investments and loan receivables in associated companies and joint ventures

EUR 1,000	2012	2011
Investments 1 Jan	30,391	11,967
Share of profits	-693	-1,056
Holdings, increases/decreases	6,126	19,481
Investments 31 Dec*	35,824	30,391

* The holdings in joint ventures and associated companies will be disclosed in Note 20, Inventories in line Other inventories.

Loan receivables 1 Jan	44,929	44,094
Loan receivables, increases/decreases	-1,435	835
Loan receivables 31 Dec	43,495	44,929

Summarised financial information of associated and joint venture companies

EUR 1,000	2012	2011
Assets	218,062	162,252
Liabilities	179,287	86,729
Revenues	4,468	3,826
Profit (+) or loss (-) for the period	-1,327	-1,129

The Income Statement consolidates earnings per share in proportion to the SRV holding.

22 Accounts and other receivables

EUR 1,000	Carrying amount 2012	Carrying amount 2011
Accounts receivables	73,691	58,399
Loan receivables	1,404	21,913
Gross amount due from customers related to construction contracts	28,121	6,842
Accrued income and prepaid expenses	18,223	28,708
Other receivables	5,662	17,645
Total	**127,101**	**133,507**
Interest bearing receivables	1,404	21,913
Non-interest bearing receivables	125,697	111,594
Total	**127,101**	**133,507**

Carrying amount does not substantially differ from fair value.

In 2012 the Group's accounts receivables were on average EUR 66 million.

The accounts receivables are non-interest bearing and they are normally about 30 days by age.

23 Cash and cash equivalents

EUR 1,000	2012	2011
Cash and cash equivalents	33,079	12,505
Total	**33,079**	**12,505**

24 Equity

Share capital, share premium reserve and invested free equity fund

EUR 1,000	Number of shares	Share capital	Invested free equity fund
1 Jan 2011	33,901,069	3,063	87,768
Purchase and cancellation of treasury shares	-23,777		
Sale of treasury shares	1,626,019		4,376
31 Dec 2011	**35,503,311**	**3,063**	**92,144**
1 Jan 2012	35,503,311	3,063	92,144
Purchase and cancellation of treasury shares	-5,116	0	-202
Sale of treasury shares	0	0	262
31 Dec 2012	**35,498,195**	**3,063**	**92,204**

Shares, share capital and share premium reserve

On the 31 December 2012, the total number of SRV Group Plc's shares outstanding was 35,498,195 and the share capital amounted to EUR 3,062,520. The share has no nominal value.

The Annual General Meeting of SRV Group Plc authorised on 14 March 2012 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 in proportion other than 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. During 2012 SRV Group Plc did not sell or transfer any own shares. At the end of December there were 1,270,273 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. Invested free equity fund includes also the share subscription of own shares conveyance.

Translation difference

Translation difference comprises of the translation of financial statetements of the foreign subsidiaries to the functional currency of the parent company in case the functional currency is not euro.

Fair value reserve

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

Hybrid bond

Shareholders' equity (after equity belonging to shareholders) includes a EUR 44.6 million hybrid bond issued in 2012. The bond coupon is 9.5 per cent per year. The bond has no maturity date, but the company has the right to redeem it four years after the date of issue. The hybrid bond is unsecured and in a weaker preference position than promissory notes. A holder of hybrid bond notes has no shareholder rights.

Dividends

After the balance sheet date, the Board of Directors proposed a dividend of EUR 0.06 per share.

25 Provisions

2012

EUR 1,000	Provisions for construction contracts	Other provisions	Total
1 Jan	**9,352**	**0**	**9,352**
Increase in provisions	3,968	0	**3,968**
Provisions used	-3,284	0	**-3,284**
Reversals of unused provisions	-68	0	**-68**
31 Dec	**9,969**	**0**	**9,969**
Non-current	6,296	0	**6,296**
Current	3,673	0	**3,673**
Total	**9,969**	**0**	**9,969**

2011

EUR 1,000	Provisions for construction contracts	Other provisions	Total
1 Jan	**7,746**	**0**	**7,746**
Increase in provisions	5,439	0	**5,439**
Provisions used	-3,776	0	**-3,776**
Reversals of unused provisions	-57	0	**-57**
31 Dec	**9,352**	**0**	**9,352**
Non-current	5,428	0	**5,428**
Current	3,924	0	**3,924**
Total	**9,352**	**0**	**9,352**

Provisions for construction contracts include the contractual warranty provisions for the projects, 10-year warranty on residential construction and warranty for potential disputes.

The 10-year warranty provision is based on index-adjusted historical data.

26 Interest-bearing liabilities

EUR 1,000	**Carrying amount 2012**	Carrying amount 2011
Non-current		
Loans from financial institutions	39,918	44,449
Housing corporation loans	78,588	45,683
Total	**118,506**	**90,133**
Current		
Loans from financial institutions	108,886	104,357
Commercial papers	73,600	89,800
Housing corporation loans	18	27
Total	**182,504**	**194,184**

Carrying amount does not substantially differ from fair value.

27 Other liabilities

EUR 1,000	**Carrying amount 2012**	Carrying amount 2011
Non-current		
Other liabilities	41	7,798
Total	**41**	**7,798**
Current		
Accounts payables	28,406	28,447
Advance payments related to construction contracts	60,973	39,389
Other advance payments	3,221	1,279
Other current liabilities	31,502	18,168
Accrued expenses and prepaid income	23,526	26,325
Total	**147,628**	**113,608**
Accrued expenses and prepaid income		
Wages and salaries and related expenses	8,106	8,269
Interest and other financial liabilities	1,813	1,725
Periodisations of project expenses	11,831	14,215
Other	1,776	2,117
Total	**23,526**	**26,325**

Carrying amount does not substantially differ from fair value.

28 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 2012 the nominal value of interest rate swaps amounted to 30.0 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 than 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 2012 and 2011.

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.

	2012				2011	
EUR 1,000	Carrying amount	Average interest rate	Average maturity, months	Sensitivity, EUR[1]	Carrying amount	Sensitivity, EUR
Debt	227,061	1.62%	1.4	1,507	194,517	1,002
Receivables[1]	28,544	4.54%	2.0	–232	28,544	–214

[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 non-functional currencies. Translation risk relates to investments in foreign subsidiaries and project companies and the effect is shown in translation differences in Group consolidated equity. The Group is exposed to RUB 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 year 2012 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.

	2012		2011	
EUR 1,000	RUB	LVL	RUB	LVL
Net position[1]	–4,611	1,871	–2,497	3,426
Impact on earnings				
– euro 10% strenghtening	110	0	227	–124
– euro 10% weakening	–134	0	–277	152
Impact on equity[2]				
– euro 10% strenghtening	0	–170	0	–187
– euro 10% weakening	0	208	0	229

[1] Net position countervalue in euros at balance sheet date (EUR 1,000). 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, cash flow and developer contracting projects 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 (EUR 23.3 million). Financing for developer contracting projects is secured by sales process, project loans and use of general liquidity reserves. The Group has a long-term committed Revolving Credit Facility (EUR 100 million) and in addition to that an uncommitted Commercial Paper Programme (EUR 100 million) 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 in December 2015.

At the end of December 2012 the amount of commited undrawn credit lines and cash in hand and in bank accounts amounted to EUR 146.4 million. Committed undrawn housing and other project financing facilities amounted to EUR 8.5 million and commited credit offers amounted to EUR 17.6 million. The total amount of accounts receivable and undrawn project loans in SRV's housing and business developer contracting projects was EUR 72 million. SRV estimates that total cost to finish these projects is EUR 68 million. There are standard covenant clauses in financial contracts, the financial covenant being the equity ratio.

Financial liabilities

	2012		Maturity					2011	
EUR 1,000	Carrying amount	Contractual liability[1]	2013	2014	2015	2016	Later	Carrying amount	Contractual liability[1]
Loans from financial institutions[2]	148,196	155,858	102,742	7,851	32,035	9,591	3,640	148,807	154,007
Housing loans[3]	78,606	90,935	902	1,098	1,767	3,649	83,519	45,710	62,864
Commercial Papers	73,600	73,600	73,600	0	0	0	0	89,800	89,800
Other liabilities	41	41	4	0	37	0	0	7,798	7,798
Derivative liabilities	1,185	1,185	0	1,185	0	0	0	1,408	1,408
Accounts payables	28,406	28,406	28,406	0	0	0	0	28,447	28,447
Investment commitment[4]	14,987	14,987	14,987	0	0	0	0	15,156	15,156
Total	**345,021**	**365,012**	**220,640**	**10,134**	**33,839**	**13,239**	**87,159**	**337,125**	**359,480**

[1] Includes all contractual payments, e.g. interest and commitment fees.
[2] Commmitted current account overdrafts are assumed to expire 2013.
[3] Loan and interest payment liability is noted for the full contractual amount until the completion of the property and thereafter in proportion of the sales rate.
[4] Off-balance sheet liability.

Available liquidity reserves

EUR 1,000	2012	2011
Committed credit facility	90,000	70,000
Committed current account overdraft limits	23,278	26,026
Cash and cash equivalents	33,079	12,505
Total	**146,357**	**108,531**

In addition to the above the Group has EUR 5.9 million 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 at the of the year 2012 was one rental agreement made relating to completed apartments. The same Group credit policy principles are applied to tenant selection. Tenants are usually required to deposit a guarantee payment equivalent to two or three months rent. The loan receivables relate to financing the construction period for ongoing or development projects where the Group has also equity interest.

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. Competition for new orders in the construction sector is fierce, which may affect the volume and profitability of SRV's new order backlog. Contracts concerning construction have a significant value. Agreements set specific terms and schedules for the agreed parties concerning achievement of set targets and adhering to agreed procedures. In particular, execution of additional works and alterations may involve financial risks that grow when the economic situation is poor. Contract receivables may involve additional and alteration works involving customer complaints or disputes concerning the payment obligations of the client. Based on business operation directors' estimations adequate provisions have been made and receivables don't include need for depreciations. If the project parties cannot arrive at a mutual understanding on payment obligations during the final financial review, the company may have enter into legal proceedings against the client. The outcomes of legal proceedings involve uncertainties. At the end of the period receivables on the balance sheet included

EUR 19.1 million (VAT 0%) in receivables from seven contract agreements that involve customer complaints or disputes on the payment obligation for additional and alteration works. SRV has started legal proceedings against some of these parties because the issues could not be resolved by way of negotiation during the final financial reviews. SRV has initiated arbitration proceedings against the real estate company Espoontori pertaining to the renovation contract of the Espoontori shopping centre. Real estate company Espoontori is owned by Citycon Oyj. The financial value of the dispute, including VAT, is approximately EUR 4.6 million. SRV and Kiinteistö Oy Primulan Herkkupaja, owned by Varma Mutual Pension Insurance Company, concluded a contract agreement on the construction of a bakery building in Järvenpää. The tenant company Järvenpään Herkkutehdas Oy filed for bankruptcy in November 2011, and its parent company Oy Primula Ab was declared bankrupt in May 2012. Differing views of the contracting parties over the liability to pay the costs for the additional work and alterations have been identified to EUR 3.8 million including VAT. In May 2012, SRV filed an application for a summons with the Tuusula District Court regarding the payment liability. SRV's management believes that neither these cases nor their outcomes will have a significant impact on SRV's financial standing.

Ageing of accounts receivables

EUR 1,000	**2012**	2011
Current	27,458	20,966
1–30 days past due	12,740	8,833
31–60 days past due	3,848	14,442
61–90 days past due	877	5,783
91–180 days past due	246	394
181–360 day past due	4,216	4,707
Over 361 days past due	24,307	3,274
Total	**73,691**	**58,399**

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

Fair value hierarchy of financial assets and liabilities

Financial assets at fair value through profit or loss

There were no financial assets at fair value through profit or loss at 31 Dec 2012 or 31 Dec 2011.

Derivative financial instruments at fair value through profit or loss

EUR million	Level 1	Level 2	Level 3	**Total**
31 Dec 2012				
Derivative financial assets	0	0	0	**0**
Derivative financial liabilities	0	1.2	0	**1.2**
31 Dec 2011				
Derivative financial assets	0	0	0	**0**
Derivative financial liabilities	0	1.4	0	**1.4**

Available-for-sale financial assets

EUR million	Level 1	Level 2	Level 3	**Total**
31 Dec 2012				
Unlisted shares	0	1.1	9.8	**10.9**
31 Dec 2011				
Unlisted shares	0	1.3	9.6	**10.9**

Level 1 instruments are traded in active markets and their fair values are directly based on the market price. The fair values of level 2 instruments are derived from market data. The fair values of level 3 instruments are not based on observable market data (unobservable input).

Unlisted shares and investments consist mainly of investments in leasury time facilites, which are used by SRV's employees (level 2) and of investments in and related to real estate funds (level 3).

The table below presents movements in level 3 instruments for 2012

EUR million	Unquoted shares and holdings
Opening balance at 1 Jan 2012	9.6
Purchases	0.2
Sales	0.0
Gains and losses recognised in profit or loss	0
Total	**9.8**

The table below presents movements in level 3 instruments for 2011

EUR million	Unquoted shares and holdings
Opening balance at 1 Jan 2012	4.0
Purchases	5.6
Sales	0.0
Gains and losses recognised in profit or loss	0
Total	**9.6**

Price risk

At the end of December 2012 and at the end of December 2011 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, issue new shares or equity loans. 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, non-controlling interests and Hybrid Bond.

EUR 1,000	**2012**	2011
Total equity	212,273	169,660
Total assets	675,369	588,348
- Advance payments	-64,232	-40,705
	611,137	**547,644**
Equity ratio, %	**34.7%**	**31.0%**

29 Operating leases, commitments and contingent liabilities

Group as lessee

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

EUR 1,000	2012	2011
In less than a year	1,548	1,566
In more than one but less than five years	1,632	1,304
In more than five years	0	0
Total	**3,180**	**2,871**

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

The Group's maximum duration in the operating lease agreements is 54 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	2012	2011
Collateral given for own liabilities		
Real-estate mortgages given	338,010	234,294
Other commitments		
Investment commitments given	14,987	15,156
Land area commitments	120,489	129,591

30 Fair and nominal values of derivative instruments

EUR 1,000	2012		2011	
	Fair values		Fair values	
	Positive	Negative	Positive	Negative
Hedge accounting not applied				
Foreign exchange forward contracts	0	0	0	0
Interest rate swap	0	1,186	0	1,408
Total	**0**	**1,186**	**0**	**1,408**

EUR 1,000	2012	2011
Nominal values of derivative instruments		
Foreign exchange forward contracts	0	0
Interest rate swap	30,000	50,000
Total	**30,000**	**50,000**

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.

31 Adjustments to cash flows from operation

EUR 1,000	2012	2011
Non-cash transactions		
Non-Controlling interests	0	0
Change in provisions	617	1,606
Others	-245	2,281
Total	**372**	**3,887**

32 Subsidiaries

Name	Domicile	Group's holding, %	Group's voting right, %
Shares in subsidiaries			
SRV Rakennus Oy	Espoo	100.00	100.00
SRV Baltia Oy	Espoo	100.00	100.00
SRV Investments S.à r.l	Luxemburg	100.00	100.00
Rakennusliike Purmonen Oy	Joensuu	65.00	65.00
SRV Kalusto Oy	Vihti	100.00	100.00
Maanrakennus Oy Laatutyö	Kerava	100.00	100.00
Porvoon Puurakennus Oy	Porvoo	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	Moscov	100.00	100.00
SRV Terbelat Sia	Riga	100.00	100.00
SRV Ehituse AS	Tallinn	100.00	100.00
SRV Kinnisvara AS	Tallinn	100.00	100.00
SRV Realty B.V	Amsterdam	100.00	100.00
Jupiter Realty B.V	Amsterdam	87.50	87.50
Jupiter Realty 1 B.V	Amsterdam	87.50	87.50

The list does not include project companies.

33 Related party transactions

2012

EUR 1,000	Selling of goods and services	Purchase of goods and services	Receivables	Liabilities
Management and Board of Directors	0	0	0	0
Joint ventures	50,501	159	34,973	14,099
Associate company	319	0	15,151	0
Other related parties	0	0	0	0
Total	**50,820**	**159**	**50,124**	**14,099**

2011

EUR 1,000	Selling of goods and services	Purchase of goods and services	Receivables	Liabilities
Management and Board of Directors	0	0	0	0
Joint ventures	20,031	164	35,271	4,687
Associate company	114	0	11,873	0
Other related parties	0	0	0	0
Total	**20,145**	**164**	**47,144**	**4,687**

The related parties of Group include parent company, subsidiaries and associated companies as well as joint ventures. The related parties also include Board of Directors and Corporate Executive Team. Other related parties include transactions carried out with other companies under the control of the Group's management or with 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 note 32 Subsidiaries. Subsidiaries are included in the consolidated financial statements and therefore the transactions between Group companies are not included in note 33 Related party transactions.

Itemisation of management salaries and employment-based benefits

EUR 1,000	**2012**	2011
Management salaries and other short-term employment-based benefits	2,116	1,939
Share-based payments	0	1,174
Post-employment benefits, statutory pensions	480	431
Post-employment benefits, voluntary additional pensions	215	207
Other long-term benefits	0	0
Benefits paid upon termination	0	38
Total	**2,812**	**3,790**

The statutory occupational pension insurance of the company's employees is handled through Ilmarinen. Pension payments are made on the basis of the statutory pension percentage, 22.7 (21.8%).

Compensation to president and CEO and Board of Directors

EUR 1,000	**2012**	2011
Hienonen Jukka, President and CEO	544	1 222
Nieminen Timo, Deputy CEO	183	173
Members of the Board		
Kokkila Ilpo, Chairman	69	68
Kallasvuo Olli-Pekka, Vice Chairman	57	42
Alitalo Minna, from March 14, 2012	36	0
Hiltunen Arto	45	44
Kokkila Timo	45	44
Kurkilahti Lasse, Vice Chairman, until March 15, 2011	0	14
Mustaniemi Matti, until March 14, 2012	8	44
Salonen Ilkka, until November 15, 2012	40	44
Members of the Board, total	**298**	**298**

The CEO's period of notice is 6 months. If SRV Group Plc dismisses the CEO a termination compensation amounting to 12 months' salary will be paid. If the CEO terminates the agreement before serving for more than two years, a termination compensation amounting to six months' salary will be paid over and above his salary for the period of notice. If the CEO terminates the agreement after serving for more than two years, a termination compensation amounting to 12 months' salary is paid.

The president and CEO is entitled to retire at 60 years of age.

34 Events after the balance sheet date

In February, SRV and VVO signed a construction contract to build two apartment houses to Nihtisilta, Espoo. Construction of the 88 free market rental apartment unit project will begin at March 2013 and it will be completed in October 2014. The project is based on SRV's own project development.

In February, SRV acquired Russian partner's 12.5 per cent share of the Septem City project by a share transaction. With the transaction, SRV now owns 100 per cent of the project.

Parent Company's Financial Statements, FAS

Income statement of the parent company

EUR 1,000	2012	2011
Revenue	**8,342**	**6 934**
Other operating income	87	400
Personnel costs		
Salaries and other remuneration	–5,334	–4,613
Indirect personnel costs		
Pension costs	–817	–701
Other indirect personnel costs	–223	–213
Depreciation and impairments		
Depreciation	–230	–144
Other operating expenses	–8,163	–8,084
Operating loss	**-6,338**	**-6,421**
Financial income and expenses	–590	2,020
Loss before extraordinary items	**-6,929**	**-4,401**
Extraordinary items +/–	6,428	4,583
Profit before appropriations and taxes	**-501**	**182**
Income taxes	650	–180
Net profit for the financial year	**149**	**3**

Balance sheet of the parent company

EUR 1,000	31 Dec 2012	31 Dec 2011
ASSETS		
Non-current assets		
Intangible assets	460	275
Property, plant and equipment	813	506
Investments		
Shares in group companies	28,532	28,712
Receivables from group companies	0	0
Other financial assets	4,309	4,145
Non-current assets, total	**34,114**	**33,638**
Current assets		
Inventories	0	0
Other receivables	249,926	285,281
Cash and cash equivalents	23,004	303
Current assets, total	**272,930**	**285,584**
ASSETS TOTAL	**307,044**	**319,222**
EQUITY AND LIABILITIES		
Equity		
Share capital	3,063	3,063
Invested free equity fund	92,204	92,144
Retained earnings	41,934	46,198
Net profit for the financial year	149	3
Equity, total	**137,350**	**141,407**
Provisions	**1,611**	**971**
Liabilities		
Non-current liabilities	53,770	11,981
Current liabilities	114,313	164,864
Liabilities, total	**168,083**	**176,845**
EQUITY AND LIABILITIES, TOTAL	**307,044**	**319,222**

Cash flow statement of the parent company

EUR 1,000	2012	2011
Net profit for the financial year	**149**	**3**
Adjustments:		
Depreciation	230	144
Non-cash transactions	1,865	408
Financial income and expenses	590	-2,020
Capital gains on sales of tangible and intangible assets	0	0
Income taxes	-650	180
Adjustments, total	**2,036**	**-1,288**
Changes in working capital:		
Change in trade and other receivables	36,306	-66,161
Change in inventories	0	5
Change in trade and other payables	-10,749	26,103
Working capital, total	**25,558**	**-40,053**
Interest paid	-5,130	-3,361
Interest received	4,497	5,241
Dividends received	65	65
Income taxes paid	-1,538	-2,051
Net cash from operating activities	**25,636**	**-41,445**
Cash flow from investing activities		
Acquisition of subsidiaries	0	-7,341
Property, plant and equipment investments	-616	-113
Investments in intangible assets	-201	-5
Investments in other financial assets	16	0
Sale of property, plant and equipment and intangible assets	95	0
Sale of investments	0	152
Net cash used in investing activities	**-706**	**-7,308**
Cash flow from financing activities		
Proceeds from loans	45,000	12,320
Repayments of loans	-2,759	-7,622
Change in loan receivables	0	0
Change in credit limits	-40,211	34,770
Purchase of treasury shares	0	10,546
Dividends paid	-4,260	-4,076
Net cash from financing activities	**-2,230**	**45,939**
Net change in cash and cash equivalents	**22,701**	**-2,813**
Cash and cash equivalents at the beginning of financial year	303	3,116
Cash and cash equivalents at the end of financial year	**23,004**	**303**

Statement of changes in equity of the parent company

EUR 1,000	2012	2011
Share capital, 1 Jan	3,063	3,063
Share capital, 31 Dec	**3,063**	**3,063**
Invested free equity fund, 1 Jan	92,144	**87,768**
Increase in invested free equity fund	60	4,376
Invested free equity fund, 31 Dec	**92,204**	**92,144**
Retained earnings, 1 Jan	46,198	41,293
Profit for the previous financial year	3	2,810
Dividends paid	–4,260	–4,076
Purchase of treasury shares	–6	6,170
Retained earnings, 31 Dec	**41,934**	**46,198**
Net profit for the financial year	149	3
Equity, 31 Dec	**137,350**	**141,407**
Statement of distributable funds at 31 Dec		
Invested free equity fund	92,204	92,144
Retained earnings	46,200	44,104
Dividends paid	–4,260	–4,076
Purchase of treasury shares	–6	6,170
Net profit for the financial year	149	3
Distributable funds, 31 Dec	**134,287**	**138,344**

Signatures to the Financial Statements and Report of the Board of Directors, Auditor´s Note

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

Espoo, 12 February 2013

Ilpo Kokkila
Chairman

Olli-Pekka Kallasvuo
Vice Chairman

Arto Hiltunen

Timo Kokkila

Minna Alitalo

Jukka Hienonen
President and CEO

Auditor´s note

Our auditor's report has been issued today.

Espoo, 12 February 2013

Ernst & Young Oy
Authorized Public Accounting Firm

Mikko Rytilahti
KHT

Auditor's Report

To the Annual General Meeting of SRV Group plc

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of SRV Group plc for the year ended 31 December, 2012. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, 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.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view 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 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 express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about 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 of the parent company and the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

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, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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.

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 and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position 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, February 12, 2013

Ernst & Young Oy
Authorized Public Accounting Firm

Mikko Rytilahti
Authorized Public Accountant

Group and Segment Information by Quarter (Unaudited)

Revenue

EUR million	IFRS 10–12/2012	IFRS 7–9/2012	IFRS 4–6/2012	IFRS 1–3/2012	IFRS 10–12/2011	IFRS 7–9/2011	IFRS 4–6/2011	IFRS 1–3/2011
Domestic Operations	157.2	139.7	150.8	120.7	248.9	128.3	131.2	123.9
Business construction	83.5	78.9	80.9	61.9	135.9	82.0	86.4	75.3
Housing construction	73.7	60.7	69.9	58.7	113.0	46.3	44.8	48.8
International Operations	18.1	16.1	18.9	20.1	17.5	7.8	5.3	8.4
Other Operations	3.4	3.6	3.7	3.7	3.2	3.1	3.1	3.3
Eliminations	–3.3	–3.6	–3.7	–3.7	–3.0	–2.9	–2.9	–3.0
Group, total	**175.4**	**155.8**	**169.7**	**140.7**	**266.7**	**136.3**	**136.6**	**132.6**

Operating profit

EUR million	IFRS 10–12/2012	IFRS 7–9/2012	IFRS 4–6/2012	IFRS 1–3/2012	IFRS 10–12/2011	IFRS 7–9/2011	IFRS 4–6/2011	IFRS 1–3/2011
Domestic Operations	1.6	1.9	5.8	5.4	17.9	2.4	3.3	4.4
International Operations	2.4	–1.1	–1.9	–2.6	–2.6	–1.4	–1.9	–2.4
Other Operations	–1.7	–1.1	–0.9	–1.1	–2.1	–0.8	–1.7	–1.0
Eliminations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Group, total	**2.4**	**-0.4**	**3.1**	**1.8**	**13.2**	**0.2**	**-0.3**	**1.0**

Operating profit

%	IFRS 10–12/2012	IFRS 7–9/2012	IFRS 4–6/2012	IFRS 1–3/2012	IFRS 10–12/2011	IFRS 7–9/2011	IFRS 4–6/2011	IFRS 1–3/2011
Domestic Operations	1.0	1.3	3.9	4.5	7.2	1.9	2.5	3.5
International Operations	13.3	–7.0	–9.9	–13.0	–14.9	–18.1	–36.2	–28.4
Group, total	**1.4**	**-0.2**	**1.8**	**1.2**	**4.9**	**0.2**	**-0.2**	**0.8**

Order backlog

EUR million	IFRS 31 Dec 2012	IFRS 30 Sep 2012	IFRS 30 June 2012	IFRS 31 Mar 2012	IFRS 31 Dec 2011	IFRS 30 Sep 2011	IFRS 30 June 2011	IFRS 31 Mar 2011
Domestic Operations	774.4	676.2	661.7	658.3	711.2	745.8	564.8	589.8
Business construction	438.7	312.1	325.4	329.4	362.2	371.5	233.3	277.7
Housing construction	335.7	364.2	336.4	328.8	349.0	374.2	331.5	312.0
International Operations	53.4	70.9	84.5	102.4	99.6	116.5	108.7	112.4
Group, total	**827.8**	**747.1**	**746.3**	**760.7**	**810.8**	**862.3**	**673.5**	**702.2**
– sold order backlog	610	517	551	570	596	710	530	569
– unsold order backlog	218	230	195	191	215	153	143	133

Group key figures

EUR million	IFRS 10–12/2012	IFRS 7–9/2012	IFRS 4–6/2012	IFRS 1–3/2012	IFRS 10–12/2011	IFRS 7–9/2011	IFRS 4–6/2011	IFRS 1–3/2011
Revenue	175.4	155.8	169.7	140.7	266.7	136.3	136.6	132.6
Operating profit	2.4	–0.4	3.1	1.8	13.2	0.2	–0.3	1.0
Financial income and expenses, total	–0.2	–1.8	–0.6	–1.5	–0.8	–1.7	–1.4	0.7
Profit before taxes	2.2	–2.1	2.5	0.3	12.4	–1.5	–1.7	1.7
Order backlog	827.8	747.1	746.3	760.7	810.8	862.3	673.5	702.2
New agreements	248.0	138.5	142.5	65.5	196.1	304.6	90.6	220.2
Earnings per share, EUR	0.03	–0.04	0.04	–0.01	0.24	–0.06	–0.06	0.05
Equity per share, EUR	4.62	4.58	4.61	4.56	4.68	4.44	4.51	4.49
Share price, EUR	3.26	3.44	3.30	4.23	4.00	4.48	6.00	6.75
Equity ratio, %	34.7	28.5	29.7	31.9	31.0	30.9	31.7	33.2
Net interest bearing debt	267.9	311.3	288.0	259.5	271.8	269.5	263.5	246.4
Gearing ratio, %	126.2	187.7	172.3	156.9	160.2	167.3	162.2	159.1

Invested capital

EUR million	IFRS 31 Dec 2012	IFRS 30 Sep 2012	IFRS 30 June 2012	IFRS 31 Mar 2012	IFRS 31 Dec 2011	IFRS 30 Sep 2011	IFRS 30 June 2011	IFRS 31 Mar 2011
Domestic operations	297.4	286.2	270.2	228.8	249.2	233.3	248.7	215.6
International operations	200.2	200.7	198.5	198.6	210.8	194.0	193.3	182.7
Other operations and eliminations	15.7	3.4	3.3	7.8	–6.0	14.9	4.4	12.3
Group, total	**513.3**	**490.3**	**472.0**	**435.1**	**454.0**	**442.2**	**446.5**	**410.6**

Housing

Finland, pcs	10–12/2012	7–9/2012	4–6/2012	1–3/2012	10–12/2011	7–9/2011	4–6/2011	1–3/2011
Start-ups	95	125	171	24	191	61	205	122
Sold	140	85	154	98	100	92	143	147
Completed	114	116	122	99	351	74	41	67
Completed and unsold[1]	99	100	85	102	90	43	53	86
Under construction[1]	1,849	2,126	2,060	2,188	2,197	2,504	2,243	1,956
– negotiation and consruction contracts[1]	1,263	1,521	1,464	1,641	1,575	1,693	1,419	1,296
– developer contracting[1]	586	605	596	547	622	811	824	660
– of which sold[1]	230	205	221	206	195	428	420	350
– of which unsold[1]	356	400	375	341	427	383	404	310

[1] At the end of the period.

Order Backlog, housing

Finland, pcs	31 Dec 2012	30 Sep 2012	30 June 2012	31 Mar 2012	31 Dec 2011	30 Sep 2011	30 June 2011	31 Mar 2011
Negotiation and consruction contracts	129	153	155	153	160	164	124	131
Under construction, sold	59	52	56	57	49	98	94	78
Under construction, unsold	119	133	103	92	115	95	92	71
Completed and unsold	28	26	21	27	26	18	21	32
Housing total	**336**	**364**	**336**	**329**	**349**	**374**	**332**	**312**

Information for shareholders

Basic information on the share

SRV Group Plc's shares are quoted on NASDAQ OMX Helsinki. 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 I0009015309.

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 2013

The Annual General Meeting will be held on 20 March 2013
Interim Report January–March 2013 7 May 2013 at 8.30 a.m.
Interim Report January–June 2013 1 August 2013 at 8.30 a.m.
Interim Report January–September 2013 31 October 2013 at 8.30 a.m.

Quiet periods

SRV Group Plc does not make statements on the company's financial trends and does not meet with capital market representatives during the two weeks prior to the publication of its annual earnings statement or interim reports.

Investor relations contact information

Executive Vice President, CFO
Hannu Linnoinen
Tel. +358 201 455 990
E-mail: hannu.linnoinen@srv.fi

Vice President, Communications and Brand
Taneli Hassinen
Tel. +358 201 455 208
E-mail: taneli.hassinen@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. Box 555
FI-02601 Espoo, Finland
Tel. +358 201 45 5200
Internet: www.srv.fi/en/order_publications

SRV Group Plc
Derby Business Park
Tarvonsalmenkatu 15
P.O. BOX 555, FIN-02601 Espoo
Finland
Telephone +358 201 455 200
VAT No.: FI 1707186-8

firstname.surname@srv.fi
www.srv.fi