Annual report

2014

SRV

Building for life

SRV in 2014

Financial Statements

This report describes the SRV Group's financial performance in 2014. SRV Group Plc's full financial statements for the financial year 1 January–31 December 2014 are included in the company's official financial statements, which are available on the company's website at *www.srv.fi*.

On the cover:

In Niittykumpu, Espoo, SRV is implementing a metro centre complex, consisting of an area commercial centre and two residential towers. The residential towers, to be built to the southwest of Merituulentie and Haukilahdenkatu, will be 12- and 24-storey buildings, and the latter, named Niittyhuippu, will on completion be the tallest building in Espoo.

The taller tower is scheduled for completion in spring 2017 and the 12-storey tower in 2018. Niittykumpu's existing shopping centre will remain until the new commercial centre is up and running in autumn 2016.

Read more about SRV's spearhead projects on pages 8–9.

SRV as an investment

SRV in brief:

- A Finnish listed company, founded in 1987.
- Revenue around EUR 700 million.
- The Group has around 1,000 employees.
- Operates in growth centres in Finland, in St. Petersburg and Moscow in Russia, and in Estonia.

www.srv.fi

> "SRV's business focus is on Finland's developing urban centres."

SRV is seeking long-term profitable growth in business premises and housing construction in Finland's developing urban centres and is implementing profitable shopping centre projects in Russia, in Moscow and St. Petersburg. A determined focus on profitable forms of project as well as a customer-oriented and economically sustainable business model ensure that SRV is in a good position in 2015.

SRV introduced to Finland a project management model that has become one of the most adopted approaches to implementing construction projects in the country. SRV has remained faithful to this customer-oriented business model, which enables it to create for each project the most appropriate organisation to implement projects efficiently, professionally and, above all, according to the customer's needs. The business model means that SRV has significantly fewer employees than its competitors and that the company's cost structure is more resilient against the ups and downs of the economy.

SRV has expanded its operations, so that today it implements business premises projects suitable for the needs of different companies and organisations, apartment block projects for everyday living, attractive shopping centres and comprehensive area development projects – not forgetting earth and rock construction as well as special projects such as hospitals and public works.

At the same time as SRV has positioned itself in the Finnish construction sector among the highest quality constructors, it has managed to develop its profitability with the right operating model and has diversified its revenue by participating in profitable projects also as an investor. In this way, SRV has succeeded in diversifying risk and increasing the value-added of its activities, from which those who invest in SRV also benefit.

The construction market may fluctuate strongly in changing economic conditions. At such times, SRV's structural and financial flexibility allows it to adjust to the situation in question. SRV's ability to take controlled risks has made it a desired partner in many development projects that call for developer-contracted accountability. SRV has such projects in Finland's growth centres, particularly in the Helsinki Metropolitan Area, and in Russia.

SRV has been established in Russia for a long time. Focusing on clearly-defined shopping centre operations in a large market gives SRV a diverse earnings opportunity as a project developer, commercialiser, investor and builder. 2014 was a turbulent year in Russia and now forecasting Russia's economic development is really difficult. Those matters that are in SRV's own hands have progressed well: SRV has part ownership in St. Petersburg of the Pearl Plaza shopping centre, which is generating a good cash flow, and construction of a second St. Petersburg shopping centre, Okhta Mall, is fully under way and financed. Moreover, construction of the Promenade shopping centre, located in the Greater Moscow region, is starting in collaboration with a solid majority partner.

SRV's business focus, however, is clearly on Finland, where SRV's order backlog is at a record high and profitability has improved. SRV is seeking long-term profitable growth in business premises and housing construction in Finland's developing urban centres, close to good transport links, particularly rail traffic routes. Megatrends, such as urbanisation, increased migration to growth centres, population ageing and increasing wealth, act as drivers for SRV's projects in Finland. Long-standing, goal-directed work in city centres and with land areas and properties located next to good transport links will generate large-scale area development projects in 2015. The diverse REDI project will begin its skyward ascent at Kalasatama, Helsinki, and Espoo's tallest residential tower will start to rise next the metro commercial centre in Niittykumpu.

SRV's clear strategy, flexible changes in operational priorities, and controlled business risk as well as its innovativeness, good customer service and high-quality construction, also enable the company to best fulfil investors' expectations for value formation. Although the general economic outlook for construction gives no cause for delight, SRV's strong order backlog, purposeful focus on higher added value own-development projects as well as its customer-oriented, scalable business model ensure that, as a company, SRV in 2015 is also heading in the right direction, against the mainstream.

“The profitability of Operations in Finland improved both last year and the year before.”

Years of change and unification

The year just ended, 2014, will be remembered in Finland as economically difficult, the third consecutive year of negative growth. In Russia, our second significant area of operation, there has been even greater turbulence, and forecasting trends is difficult. In our operating environment, there has been a stream of bad financial news about companies' difficulties and their negative impact on investment and employment.

Against this background, SRV's financial performance last year can be considered reasonably successful. The profitability of Operations in Finland improved both last year and the year before. This was the result of a host of measures that increased operating profit margin. In Russia, there was no lack of challenges in the operating environment. The Ukraine crisis, and the sanctions imposed as a consequence of it, adversely impacted the implementation of an already negotiated financing solution. Despite the difficult conditions, euro-denominated bank financing was arranged with a Russian bank for the Okhta Mall shopping centre, which is under construction. At the same time, footfall at the Pearl Plaza shopping centre, which has already opened, grew beyond expectations, despite the weakening of the rouble exchange rate.

Although we are in many respects satisfied with last year, we would certainly have wished for faster progress with the Kalasatama REDI project. Throughout the year, however, we advanced the project's investor and financing arrangements to a point where the project can start off this year on a solid foundation. Unfortunately, an unexpected planning appeal delayed the project for a couple of years and the financial markets in that time became more difficult.

I have followed SRV's operations since the company's listing in 2007 – firstly on the company's Board of Directors for three years, and then for just over four years as its CEO. In the last four years, SRV's operational organisation in Finland has been transformed from a number of separate companies into a unified SRV Construction Ltd. Through this change, we have managed to configure partly overlapping functions into an efficient entity.

In recent years, we launched our major Russian projects. Of these, the acquisition of the Septem City quarter into full SRV ownership and the start-up of the Okhta Mall shopping centre project on the site have been the key milestones. As part of the rationalisation of our operations in Russia, we made the decision to focus on shopping centre construction. Land areas that had long loaded SRV's balance sheet have either been taken forward or removed from the balance sheet in other ways. SRV's operations in the Baltic countries were revitalised by closing a unit in Latvia and by disposing of a land reserve in Estonia.

My service as President & CEO finished at the end of 2014, at which time Juha Pekka Ojala, Executive Vice President responsible for SRV's Business Operations in Finland, became President & CEO of the entire Group. Vice President, Project Development, Juha Toimela became his successor. I am delighted that experienced players were found in-house for these key positions. In their work, they have contributed to the changes made in SRV in recent years, and their new roles will enable them to continue, in collaboration with the rest of the organisation, the good progress already made in development work.

For my part, I would like to thank SRV's customers, builder partners and other stakeholders as well as the shareholders and employees for the excellent cooperation I have enjoyed with them over the years.

Jukka Hienonen
President and CEO
until 31 December 2014

"To us in SRV, the new year brings new opportunities, because we start off from a rather strong foundation."

2015 – a year of major projects

The economic and business environment will certainly present enough challenges in the year just started, as everyone knows. They may cast a gloomy shadow over the coming months. To us in SRV, however, the new year brings new opportunities, because we start off from a rather strong foundation under the circumstances. Our profitability is on a sound base, our order backlog is at a historical high and even in current circumstances we are able to advance with our projects in Russia, keeping risks under control.

We will have to work hard on a daily basis to deliver this year's and future years' results in order to secure revenue, safeguard profitability and continue to improve. Under Jukka Hienonen's leadership, however, our organisation in Finland, Russia and Estonia has become highly effective, and the projects on our balance sheet are largely under way. During the last two years, we have also managed to improve the profitability of our business in Finland. We will not, therefore, have to embark on large-scale pruning work; we can focus on what we do best, namely developing, planning, building and commercialising. In some projects, we are also involved as an investor.

As a company, we a moving in the right direction, against the mainstream. Long-standing, goal-directed work in city centres and with project locations and properties next to good transport links will result this year in the implementation of the first large-scale area development projects and metro centres. Among the most important of these are REDI in Kalasatama Helsinki, consisting of a shopping centre and eight tower buildings, as well as the Niittykumpu metro centre and the Perkkaa area development project in Espoo.

Of course, the market will ultimately dictate the pace at which the various stages of these projects are implemented. It is clear, however, that the needs of more than half a million people for a new home, generated by the country's internal migration, will create work for builders like ourselves – and also public works in addition to housing construction. Most of these projects will also include the construction of business premises in different forms as well as residential production. These projects will also create lots of work for SRV's growing earth and rock construction business.

In recent years, we have developed SRV's organisation in the spirit of "One SRV". The companies acquired by SRV over the years have been merged into the group in such a way that they work as a seamless whole in different projects in the customer's best interest. This year, we will continue to focus on improving customer service as well as the skills and job satisfaction of our employees.

Many of our projects have been a long time in preparation and some should certainly have begun much earlier. Long timespans have always been a feature of projects in our industry and this surely tests the patience of investors. This year, however, we have reached the point where we will see a number of important projects move ahead.

During its 27-year history, our company's annual financial statements have not once reported a loss. As SRV's new President & CEO, I want to lead our company so that we can be the most desired partner for our customers and shareholders as well as for our employees, construction partners and other stakeholders. We want to improve the quality of life through sustainable built-environment solutions, in other words in accordance with our brand promise, Building for Life.

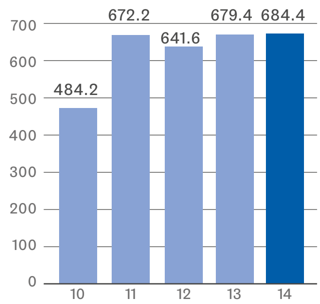
Juha Pekka Ojala
President & CEO
from 1 January 2015

2014 in figures

SRV

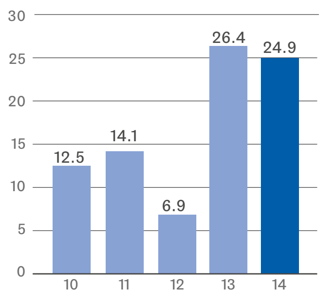
SRV's business operations comprise property development and construction in Finland, Russia and Estonia. Despite a difficult market situation, SRV improved its result in every quarter of 2014, and its order backlog is at a high level. To improve profitability, the structure of the order backlog has been steered from low-margin contracting to own-development production.

Revenue
EUR million



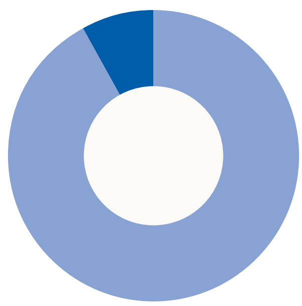
Change from 2013: 0.7%

Operating profit
EUR million



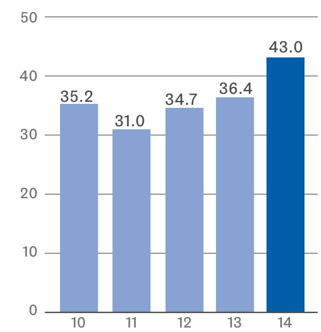
Change from 2013: –5.5%

Revenue by Operations in 2014
%



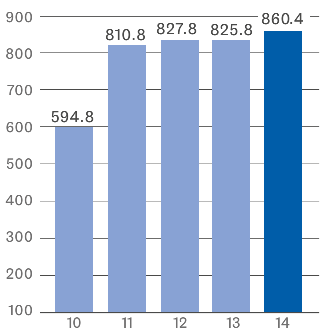
Operations in Finland 92%
International Operations 8%

Equity ratio
%



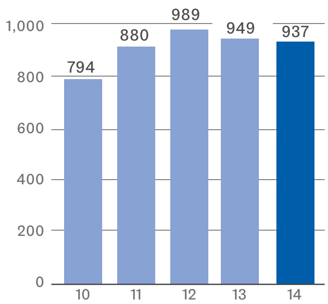
Change from 2013: 6.6 pp

Order backlog
EUR million



Change from 2013: 4.2%

Personnel
persons



Change from 2013: -1.3%

Key figures	**2014**	2013	2012	2011	2010
Revenue, EUR million	**684.4**	679.4	641.6	672.2	484.2
Operating profit, EUR million	**24.9**	26.4	6.9	14.1	12.5
Operating profit, % of revenue	**3.6**	3.9	1.1	2.1	2.6
Return on equity, %	**6.9**	8.4	0.5	3.3	3.2
Return on investment, %	**5.4**	5.4	2.2	4.5	4.1
Equity ratio, %	**43.0**	36.4	34.7	31.0	35.2
Order backlog, EUR million	**860.4**	825.8	827.8	810.8	594.8
Personnel on average	**937**	949	989	880	794

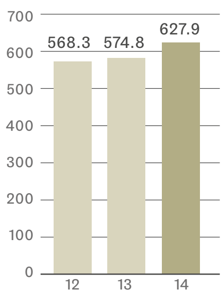
Operations in Finland

Share of Group revenue 92% Share of Group personnel 68% Share of received orders 84%

Operations in Finland are divided into housing construction and business premises construction. Housing production is focused on growth centres, where structural growth in demand creates a strong foundation for the expansion of residential construction. SRV is known for its area development projects in growing urban centres.

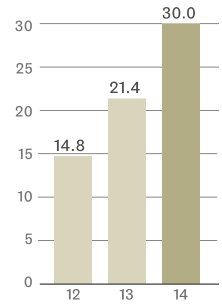
Business premises projects are mainly carried out either as own-development or project management projects, which SRV's own experts and the company's construction partner network implement efficiently, applying the SRV Approach. Business premises construction encompasses hospitals, offices and commercial premises, hotels and special facilities, logistics centres, underground tunnels and caverns, and infrastructure projects.

Revenue
EUR million



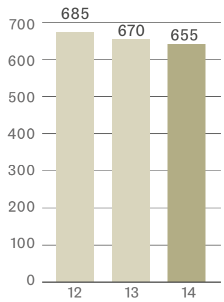
Change from 2013: 9.2%

Operating profit
EUR million



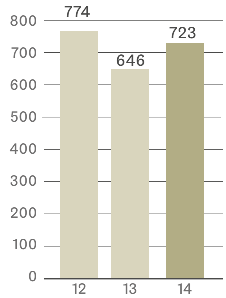
Change from 2013: 40.1%

Personnel
persons



Change from 2013: -2.2%

Order backlog
EUR million



Change from 2013: 12.0%

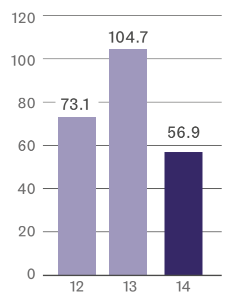
International Operations

Share of Group revenue 8% Share of Group personnel 22% Share of received orders 16%

International Operations are divided into Russian and Estonian operations, of which Russia constitutes the greater part. In Russia, SRV focuses on profitable operations in the shopping centre market in St. Petersburg and Moscow.

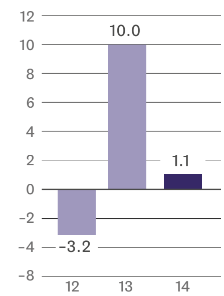
SRV's strengths in Russia are the retail trade competence, the best shopping centre concepts and a transparent approach.

Revenue
EUR million



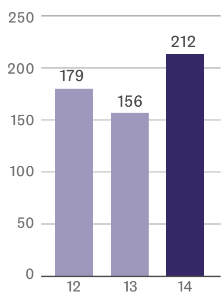
Change from 2013: -45.6%

Operating profit
EUR million



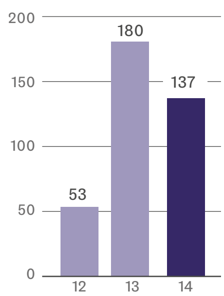
Change from 2013: -89.3%

Personnel
persons



Change from 2013: 35.9%

Order backlog,
EUR million



Change from 2013: -23.8%

Own 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 significantly better return than competitive contracting, so SRV's strategy is to increase the share of revenue accounted for by its own development projects.

Core competence in real estate development

Efficient construction

The efficiency of SRV's project implementation is founded on a project management model based on customers' needs – the SRV Approach, in which an SRV project is implemented in transparent cooperation with the customer. A successful and high-quality end result is ensured through systematic project management, a management system that supports implementation, and an unbroken flow of information extending throughout the project. Project management is the responsibility of SRV's professionals, utilising in project implementation an extensive and expert partner network.

Read more on the following page.

Management of the end investor market

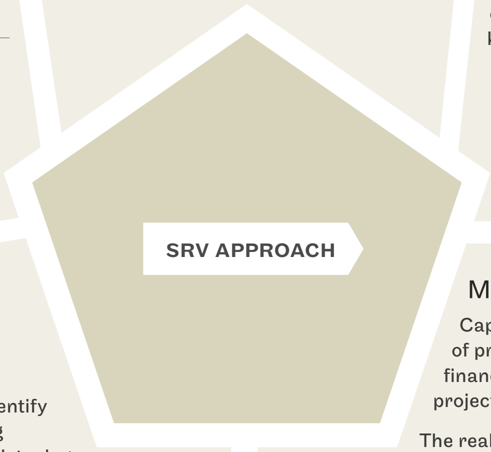
In SRV's projects, real estate investors are, in effect, buying anticipated cash flows. A built and fully leased shopping centre, office building or housing project is an attractive acquisition for investors, as the annual rental yield from such projects is already known.

A key aspect of project development is the correct assessment of investors' yield requirements 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 therefore only invests in projects that on completion will be attractive to real estate investors.

Optimisation of rental income

In its own-development projects, SRV is responsible for finding users for a project before construction begins. Finding anchor tenants is the cornerstone of project development; its success impacts the project's start-up date. Construction begins when a sufficient occupancy rate has been achieved. The successful leasing of a project under construction also has a direct impact on the project's attractiveness to investors.

The Pearl Plaza and Okhta Mall shopping centre projects in St. Petersburg are examples of SRV's strong expertise in developing shopping centre concepts, finding tenants and operating shopping centres. These projects highlight SRV's knowledge of the retail sector's needs.



Own project development

SRV's development projects are based on project development work that sets out to identify future trends and gain a deep understanding of customers' business needs. By genuinely listening to customers and engaging with key stakeholders, SRV successfully connects different perspectives. The goal is to find the most suitable premises for users and the most profitable investments for owners.

SRV's project development unit serves all areas of business and is responsible for matters such as land acquisition, zoning, concept design and finding investors and anchor tenants. SRV has its own project development activities in both Finland and Russia.

Management of project financing

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

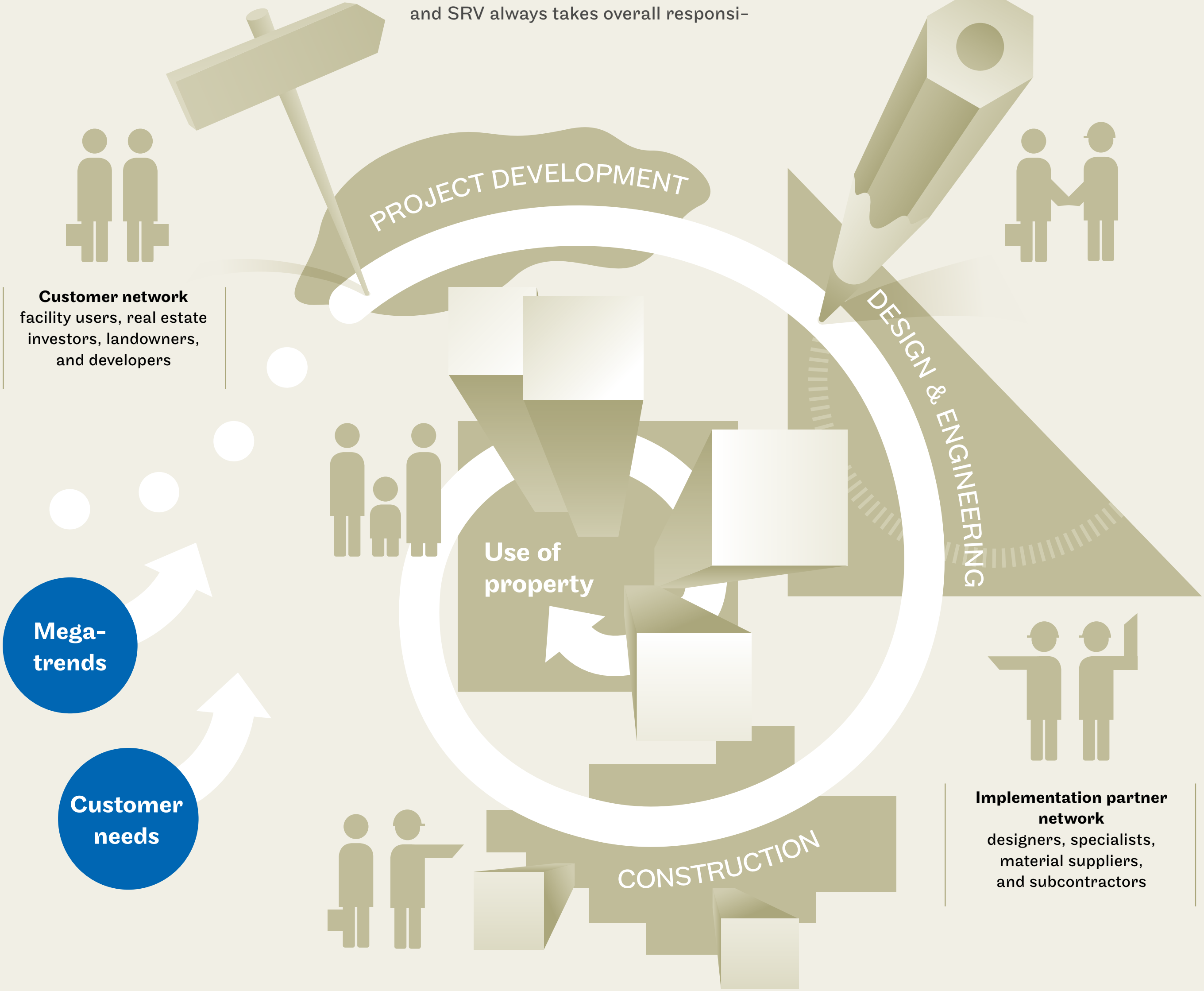
The real-estate investment company Russia Invest is an example of the good cooperation model developed by SRV, which the company has used to strengthen the financing of the St. Petersburg Okhta Mall project via domestic partners. An operating model developed from corresponding solutions will increase SRV's financing capacity in the implementation of major projects.

With its partners, SRV can find the best return on investment by optimising the time of sale.

Efficient project implementation using the SRV Approach

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

The excellence of the SRV Approach stems from its combination of innovative project development and customer-oriented, systematic 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. Customers receive all the services they need as well as the implementation of the project from one party, and SRV always takes overall responsibility for implementing and managing the project. The operating model is based on partnership and transparent cooperation. When so agreed, the customer 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.



Project development is always based on the customer's needs and can be initiated either on SRV's own initiative or when a customer contacts the company. SRV's project development seeks to anticipate its customers' needs and to design attractive projects. In the project development phase, the company continuously engages in active dialogue with customers. SRV serves its customers in matters such as choice of construction site, site development, land-use management, specification of space needs, project budgeting and acquisition of funding.

In the design phase, SRV steers the project towards the objectives jointly set with the customer, working in transparent cooperation with both the customer and design partners. SRV utilises in projects its extensive knowledge of construction costs and production with a view to finding effective and affordable solutions that best fulfil customers' needs. Today, energy efficiency and building systems expertise are playing a greater role.

In the construction phase, SRV serves as the main contractor, taking overall responsibility. Construction is carried out in accordance with the specified scheduling, cost and quality requirements. In a project, SRV is the customer's partner and puts forward different options. The close dialogue with the customer continues throughout the project and SRV keeps the customer constantly up to date on project matters.

The SRV Approach can be employed in different types of contracts and it is well suited to projects of different sizes and types. Customers reap the greatest benefit, however, when they partner up with SRV at the very start of their project.

REDI

REDI, to be built at Kalasatama, will be Finland's largest single urban construction project and the most significant change to the cityscape in Helsinki for over 200 years. SRV's innovative proposal, which covers with a green deck an area crossed by the Itäväylä motorway and the metro line, won a design competition arranged by the City of Helsinki in 2011.

At REDI, SRV will build a shopping centre, office and hotel towers, six residential towers, and public services. The project will create a new area centre, with over 2,000 residents and closely integrated with transport links, in the eastern inner city of Helsinki.

This megaproject will be constructed in phases between 2011 and 2022. During the entire project, the construction of the centre will generate for SRV an estimated one billion euros in revenue.

Okhta Mall

SRV's largest development project, which is under construction in St. Petersburg's central business district. In the first phase, a shopping centre measuring around 144,000 square metres will be built on a 8.5 hectare plot in the Okhta area. The value of the total investment of this phase is around EUR 225 million. In the subsequent phases, SRV plans to build office and business premises as well as facilities for restaurants and entertainment, increasing the total floor area to over 400,000 square metres.

Construction of the first phase of the project began in August 2013 and the shopping centre will open in summer 2016. SRV owns the Okhta Mall project together with real estate investment company Russia Invest, owned by SRV and a number of other Finnish companies.

Niittykumpu

SRV is developing the Niittykumpu area centre in Espoo in cooperation with SATO. SRV is implementing in Niittykumpu a metro centre complex consisting of an area commercial centre and two residential towers. The residential towers, to be built to the southwest of Merituulentie and Haukilahdenkatu, will be 12- and 24-storey buildings, and the latter, named Niittyhuippu, will on completion be the tallest building in Espoo.

The taller tower is scheduled for completion in spring 2017 and the 12-storey tower in 2018. Niittykumpu's existing shopping centre will remain until the new commercial centre is up and running in autumn 2016. SRV aims to build apartments on the site of the old shopping centre. SRV is also planning residential construction together with SATO and Varma to the east of Haukilahdenkatu.

Wood City

SRV and Stora Enso Oyj will implement a spearhead project of wooden construction, named Wood City, in the Jätkäsaari district in Helsinki. The quarter will consist of office, housing, hotel and parking buildings. The total size of the quarter is approximately 27,000 m^2 of floor area, of which a third will be housing units. The city plan for the quarter came into force in July 2014. The aim is to begin the construction during spring 2015, which means the quarter will be completed in stages during the year 2017.

Perkkaa

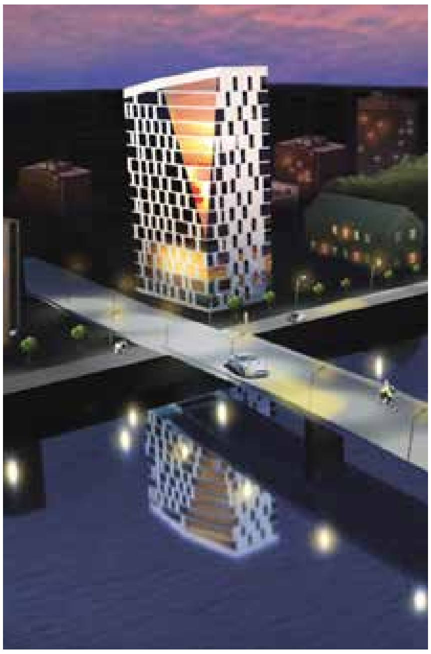
Together with SATO and Ilmarinen, SRV is developing a new residential area on the site of Siemens' former head office in Perkkaa, Espoo.

The area development project is part of extensive city plan changes, in which housing of 220,000 square metres is planned for the area. SRV, SATO and Ilmarinen's estimated future residential building rights total around 100,000 square metres, divided equally between the partners.

The project will establish a major new residential area with excellent access to traffic connections in eastern Perkkaa. After the confirmation of the city plan, construction could begin during 2015.

Keilaniemi

In Keilaniemi, Espoo, SRV will build four cylinder-shaped 32–40-storey residential towers, which on completion will be connected to the future Western Metro station. Ring Road I, which dominates the area, will be covered with a green deck. SRV has a planning option for the area, and the construction of the first residential tower is expected to begin in 2016, provided that the Ring Road I road plan is confirmed and road construction begins.



Satamarannan Masto

SRV is planning the construction of the 16-storey Satamarannan Masto residential building next to a bridge on the Toppilansalmi waterfront in Oulu. When completed, the 50-metre-plus tower will be Oulu's tallest building, from which in good weather it will be possible to see even the coast of Sweden. Satamaranta is less than three kilometres from the centre of Oulu.

New Children's Hospital

SRV is building the New Children's Hospital in Meilahti, Helsinki. The total value of the contract for the hospital is EUR 160 million, of which SRV's share is around EUR 81 million. The construction of the hospital, which will have a gross area of 48,000 square metres, was launched in autumn 2014 and the goal is to open the hospital during 2017.

Corporate responsibility

Tytti Kuusikko,
Environmental Specialist

Targets for amounts of waste

Tytti Kuusikko's job is to ensure that SRV's activities are in line with the environmental policy approved by the Corporate Executive Team and in compliance with prevailing environmental legislation. SRV is committed to developing its activities in accordance with sustainable development and to reporting the impacts of its activities. In SRV's work, site waste constitutes a significant environmental load. "The amounts of waste at SRV's construction sites is monitored and reported with the aid of a system developed precisely for this purpose. Together with the customer, SRV specifies project-specific environmental targets. In addition, we currently have a development project under way to specify waste targets for different types of project. In connection with the setting of waste targets, means of enhancing the sorting of waste on-site and reducing the amounts of waste are being studied. By reducing the amount of waste generated, SRV is doing what it can to reduce environmental loading", explains Tytti.

Jyrki Suhonen,
Project Manager, Building Systems

Energy-efficient construction

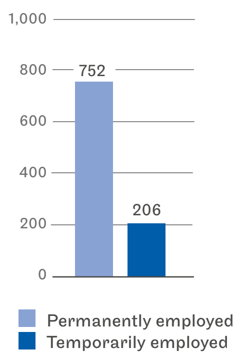
"SRV is a pathfinder in the utilisation of renewable energy. We have the expertise to assess the significance of different solutions – not just for society and the environment, but also for the customer, who ultimately pays for the choices made. The objective is to integrate this thought model into SRV's operating practice throughout the organisation", says Jyrki Suhonen, who in his work applies his own building systems and energy efficiency expertise in steering the planning of projects. Jyrki directed, for example, the energy-efficient design of the LEED Platinum-certified Derby Business Park. In 2014, the first of Derby's three towers to be built won the title of Finland's most attractive and energy-efficient office building in a competition organised by Green Building Council Finland.

Personnel

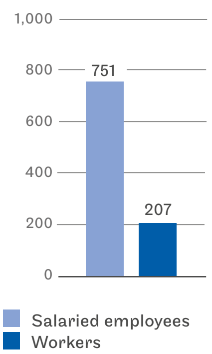
Key figures	2014	2013	change, %
Personnel on average	**937**	949	-1.3
Personnel on 31 Dec	**958**	912	5.0
of which permanently employed	**752**	742	1.3
Women, %	**22**	23	-4.3

Personnel by segment on 31 Dec	2014	2013	change, %
Operations in Finland	**655**	670	-2.2
International Operations	**212**	156	35.9
Other	**91**	86	5.8
Total	**958**	912	5.0

Type of employment on 31 Dec 2014



Salaried employees/ workers on average in 2014



Jari Korpisaari,
Safety Manager

Safety at work

"In the construction industry, the best prize for everyone involved in a project is zero accidents. We are one hundred per cent committed to this target, the most important one for us and our industry", says Jari Korpisaari, who develops and coordinates safety in SRV. SRV's own approach in safety matters is improved on a continuous basis. "The use of a safety helmet chin strap, for example, became mandatory on our sites at the beginning of 2014. We also developed a TR and MVR mobile measurement system for monitoring safety, and we revamped our reporting system. In addition, at test sites, we launched the use of sites' safety and communications application that we have developed."

Stina Ampuja,
Human Resources Development Manager

Human Resources Development

"I value the expertise of SRV's employees very highly. Our people are expert, motivated and enthusiastic in their work," says Stina Ampuja. Stina's responsibility is to develop and keep the skills of SRV's employees up to date. She coordinates training purchased outside the company and, in collaboration with the development unit, organises internal training. The focus is currently on the development of supervisor work. "We have also enhanced processes related to supervisor work, for example using electronic forms, and have created for supervisors new channels of communication and support. In 2015 production and sales training will also be a priority", says Stina.

Seppo Kopsa,
Director, Procurement

Responsible procurement chain

Seppo Kopsa is responsible for SRV's procurement function in Finland as well as its development, organisation and training. The most important task of procurement in SRV is to improve profitability. "As one measure to achieve this goal, we have prepared common ground rules for all of our partners. In this way, we ensure that our activities in SRV are consistent, coherent, open and transparent. In social responsibility, occupational health and safety, and combating the grey economy we also demand from our partners more than is required in law. Our strategic intent is to do things better than others", explains Seppo.

"We constantly monitor our purchasing trends and strive to identify our most important partners. In cooperation with them, we develop our operations and seek cost-effective solutions."

SRV Network Register combats the grey economy

SRV is the undisputed leader in combating the grey economy in the construction industry. The electronic SRV Network Register helps SRV to combat the grey economy, promote cooperation with the authorities, increase construction site safety and ensure a continuous overall picture in large projects.

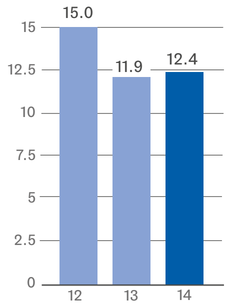
For SRV, it is important in every case to understand the actual cost structure of construction projects and which parties are handling each phase of the work. Full traceability of procurements is likewise important. Thanks to SRV Network Register, SRV makes sure that the tasks at construction sites are carried out by contractors and competent professionals approved by SRV.

In addition to preventing grey economy and related financial crimes, the SRV Network Register tangibly increases the safety of employees and construction sites.

Quality construction takes the environment into account

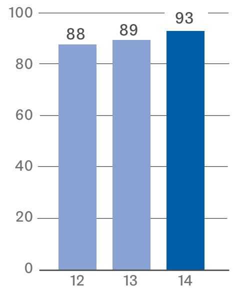
Waste arising from building site activity is the most significant direct environmental effect of construction. SRV requires that waste management and environmental plans contained in the company's quality management system are prepared for all domestic worksites. Each site must also have its own nominated project-specific environmental officer, who is responsible, among other things, for reporting amounts of waste and consumption of energy to SRV's environmental reporting system, SRV Environment.

Total amount of waste*
1,000 tonnes



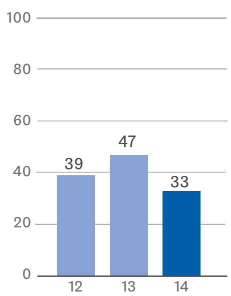
* Worksites in Finland. Reported amounts do not include demolition waste or soil excavation waste.

Waste utilisation rate*
%



* Worksites in Finland. Reported amounts do not include demolition waste or soil excavation waste.

Mixed construction waste as share of total waste*
%



* Worksites in Finland. Reported amounts do not include demolition waste or soil excavation waste.

Corporate Governance Statement 2014

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:

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 Members of the Board of Directors from among their number.

2. According to the standing orders, two members can be appointed to a committee if the Board of Directors considers this appropriate in view of the structure and the number of Members of Board. In 2014 the Audit Committee consisted of three members and the Nomination and Remuneration Committee consisted of three members. 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, real estate investment and project development is represented on the Audit Committee. There have therefore been good reasons for Timo Kokkila, who has previously served as SRV Group Plc's Manager, Project Development, to have been appointed a member of the Audit Committee. Timo Kokkila was appointed a member of the Board of Directors and a member of the Audit Committee of SRV Group Plc in 2010 and his employment relationship with the company ended in 2011.

The 2010 Finnish Corporate Governance Code for listed companies is available on the website of the Securities Market Association at *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 & CEO. An internal auditing unit reporting to the Board of Directors is responsible for internal auditing, and external auditing is carried out by auditors. The President & CEO attends to line operations with the assistance of the Corporate Executive Team.

General Meeting of Shareholders

The General Meeting of Shareholders is SRV Group Plc's highest decision-making body. Each of SRV's shares entitles its holder to one vote at a General Meeting. The company's Annual General Meeting was held on 26 March 2014. The meeting was attended by a total of 58 shareholders, who represented nearly 65% of the company's shares and votes. The minutes of the Annual General Meeting are available on the company's website at *https://www.srv.fi/sites/default/files/files/investors/annual_general_meeting/2014_yhtiokokouksen_poytakirja.pdf*

General Meetings are convened by the Board of Directors. The notice of a General Meeting must be published on the company's website no earlier than three months and no later than three weeks before the meeting. However, the said notice of a General Meeting must be published no less than nine days before the General Meeting record date, as defined by the Limited Liability Companies Act. The Board of Directors may, in addition, decide to publish the notice of a General Meeting, or a related announcement, in one or more newspapers according to the aforementioned timescale. The documents to be presented to the General Meeting and the proposals to the General Meeting are published on the company's website. Shareholders who are registered in the company's shareholder list eight weekdays before the General Meeting shall have the right to participate in the meeting. There are separate regulations on the right of holders of nominee-registered shares to participate in a General Meeting. In order to participate in a General Meeting, a shareholder must notify the company of his or her intention to attend no later than the date mentioned in the notice, which may be no earlier than 10 days before the meeting. An Extraordinary General Meeting of Shareholders shall be held when the Board of Directors deems it necessary or when required by law.

General Meetings shall deal with the matters specified in the Articles of Association as being the business of the Annual General Meeting. These matters include taking decisions on the election of Members of the Board, 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 Members of the Board and the President & CEO from liability, and the disposal of profits shown in the balance sheet. Meetings may also deal with other matters specified in the Companies Act as being the business of General Meetings, such as increases or decreases of the share capital, issuance of new shares, repurchase of own shares, and amendments to the Articles of Association. In addition, General Meetings will deal with matters included on the agenda by shareholders as set out in the Companies Act.

The President & CEO, the Chairman of the Board and a sufficient number of Members of the Board 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 Member of the Board 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 a General Meeting of Shareholders. A General Meeting elects one of the Members of the Board as its Chairman. The Board of Directors elects a Vice Chairman from amongst its members. The term of office of a Member of the Board 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.

On 26 March 2014, the Annual General Meeting elected six Members of the Board. The following were elected as Members of the Board:

Ilpo Kokkila	Chairman of the Board, M.Sc. (Eng.) b. 1947 Pontos Group, Chairman of the Board
Minna Alitalo	M.Sc. (Econ.) b. 1962 Alko Oy, Executive Vice President, Purchasing and Logistics
Arto Hiltunen	M.Sc. (Econ.) b. 1958
Olli-Pekka Kallasvuo	Vice Chairman of the Board, LL.M. b. 1953
Timo Kokkila	M.Sc.(Eng.) b. 1979 Pontos Group, Investment Director
Risto Kyhälä	M.Sc.(Eng.) b. 1963 Regatta Resorts Oy, CEO

The Annual General Meeting elected Ilpo Kokkila to be Chairman of the Board. The Board of Directors elected Olli-Pekka Kallasvuo to be Vice Chairman of the Board.

Of the Members of the Board, Minna Alitalo, Arto Hiltunen, Olli-Pekka Kallasvuo and Risto Kyhälä 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.

The Board of Directors convened 15 times in 2014. On average, 96.7% of Members of the Board were present. Members of the Board were present at meetings of the Board as follows: Ilpo Kokkila 15/15, Minna Alitalo 14/15, Arto Hiltunen 14/15, Olli-Pekka Kallasvuo 14/15, Timo Kokkila 15/15 and Risto Kyhälä 15/15.

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 appropriately 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 and annually ratifies the Group's strategy, budget and business plan. 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 & CEO and the Deputy CEO, decides on the terms of the President & CEO's contract of service and both directs and oversees the work of the President & CEO. The Board of Directors appoints the members of the Corporate Executive Team and decides on the compensation and incentive schemes for line management and personnel. The charter of the Board of Directors is available in its entirety on the company's website at *https://www.srv.fi/sites/default/files/files/investors/corporate_governance/charter_of_the_board_11052012.pdf*.

The Board of Directors meets regularly according to a meeting schedule 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 President & CEO and the General Counsel, who serves as the Secretary of the Board, participate in meetings of the Board of Directors. Other members of SRV's Corporate Executive Team participate in Board meetings on the invitation of the Board.

The Board of Directors conducts an annual assessment of its activities and working procedures and develops its activities based on the results.

Committees of the Board of Directors

The Board of Directors has established two committees: an Audit Committee and a Nomination and Remuneration Committee. The committees function in accordance with standing orders confirmed by the Board of Directors and they report to the Board of Directors. The committees have no independent decision-making power. Their task is to enhance the effectiveness of the Board of Directors' work by preparing matters for decision by the Board of Directors and General Meetings of Shareholders.

Audit Committee

The Audit Committee supervises the company's financial reporting and prepares matters for the Board of Directors relating to monitoring the financial situation, financial reporting, auditing and risk management. The Audit Committee's tasks include overseeing SRV's financial situation, monitoring auditing, considering drafts of the financial statements and interim reports, and monitoring the effectiveness of internal control, internal auditing and risk management systems. In addition, the Audit Committee prepares the selection of the auditor for presentation to Annual General Meeting.

The Audit Committee consists of 2–3 members, whom the Members of the Board of Directors elect from among their number. Two members can be appointed to the committee if the Board of Directors considers this appropriate in view of the structure and number of Members of the Board. The charter of the Audit Committee is available in its entirety on the company's website at *https://www.srv.fi/sites/default/files/files/investors/corporate_governance/2011_charter_of_audit_committee_srv.pdf*.

In 2014, Minna Alitalo chaired the Audit Committee. In 2014, the Audit Committee also consisted of Olli-Pekka Kallasvuo and Timo Kokkila. Of the members, Minna Alitalo 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 2014. Attendance at the meetings was 100%.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee prepares for presentation to the Annual General Meeting matters concerning the election and remuneration of the Members and Chairman of the Board of Directors. In addition, the committee considers matters relating to the nomination and remuneration of the President & CEO and other management as well as the remuneration and incentive schemes of personnel.

The committee evaluates the activities of senior management.

The Nomination and Remuneration Committee consists of 2–3 members, whom the Members of the Board of Directors elect from among their number. Two members can be appointed to the committee if the Board of Directors considers this appropriate in view of the structure and number of Members of the Board. The charter of the Nomination and Remuneration Committee is available in its entirety on the company's website at *https://www.srv.fi/sites/default/files/files/investors/corporate_governance/2011_charter_of_remuneration_committee_srv.pdf*.

In 2014, the chairman of the Nomination and Remuneration Committee was Ilpo Kokkila. In 2014, the other members of the Nomination and Remuneration Committee were Arto Hiltunen and Risto Kyhälä. Of the members, Arto Hiltunen and Risto Kyhälä are independent of the company and its major shareholders. Ilpo Kokkila is a major shareholder and is not independent of the company.

The Nomination and Remuneration Committee met twice during 2014. Attendance at the meetings was 100%.

President & CEO

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

SRV Group Plc's President & CEO was Jukka Hienonen M.Sc. (Econ.) (b. 1961) until 31 December 2014. Since 1 January 2015, SRV Group Plc's President & CEO is Juha Pekka Ojala, B.Sc. (CE) (b. 1963). SRV Group Plc's Deputy CEO is Timo Nieminen M.Sc. (Eng.) (b. 1958).

Corporate Executive Team

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

The members of the Corporate Executive Team in 2014:

Jukka Hienonen	President & CEO, Chairman of the Corporate Executive Team
Juha Pekka Ojala	Executive Vice President, Business Operations in Finland
Timo Nieminen	Executive Vice President, Project Development in Finland, Deputy to the CEO, Vice Chairman of the Corporate Executive Team
Hannu Linnoinen	Executive Vice President, CFO, on sick leave since 1 December 2014
Ilkka Pitkänen	CFO, acting, since 1 December 2014
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 Counsel
Valtteri Palin	Vice President, Financial Administration

The working committee of the Corporate Executive Team consists of Jukka Hienonen, Juha Pekka Ojala, Hannu Linnoinen (on sick leave since 1 December 2014), Timo Nieminen, Ilkka Pitkänen (acting, since 1 December 2014), Veli-Matti Kullas, Antero Nuutinen and Taneli Hassinen. The Group's Director, Business Development, serves as the secretary to the Corporate Executive Team and the working committee. In 2014, the Corporate Executive Team convened 13 times and the working committee 30 times.

Remuneration

The Annual 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 & CEO, Deputy CEO and members of the Corporate Executive Team as well as their other compensation. For more detailed information on remuneration, see the salary and remuneration report published on SRV Group Plc's website *www.srv.fi/en/investors/corporate-governance/remuneration*.

Board of Directors' remuneration

The Annual General Meeting held on 26 March 2014 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 Members of the Board. In addition, it was decided that members would be paid a EUR 500 meeting fee for meetings of the Board of Directors and its committees. Travel expenses of the Members of the Board of Directors are paid according to the Company's travel rules.

The total remuneration of the Members of the Board of Directors for 2014 amounted to:

	EUR
Illpo Kokkila, Chairman of the Board	69,000
Olli-Pekka Kallasvuo, Vice Chairman of the Board	57,500
Minna Alitalo	46,000
Arto Hiltunen	45,000
Timo Kokkila	46,000
Risto Kyhälä	45,000
Total	**308,500**

Salaries and compensation paid by SRV to the President & CEO, the Deputy CEO and the Corporate Executive Team for 2014

EUR	Regular salary plus fringe benefits	Bonuses paid	Share payments	**Total (without share payments)**
President & CEO Jukka Hienonen	557,311	203,837	–	**761,148**
Deputy CEO	173,948	24,520	85,770	**198,468**
Other members of the Corporate Executive Team	1,577,475	233,340	518,388	**1,810,815**

Auditing

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. In a public limited company, at least one auditor elected by the Annual General Meeting must be an authorised public accountant or an authorised public accounting firm.

On 26 March 2014, the Annual General Meeting elected PricewaterhouseCoopers Oy, Authorised Public Accountants, as the regular auditor, with Samuli Perälä, Authorised Public Accountant, as the chief auditor. Prior to this, the regular auditor was Ernst & Young Oy, Authorised Public Accountants, with Mikko Rytilahti, Authorised Public Accountant, as the chief auditor.

In 2014, the auditors were paid auditing fees of EUR 277,000. In addition, the auditors were paid EUR 32,000 for other services (including all the companies belonging to the same group or chain).

Main 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 realisation of risks can be prevented.

SRV's business operations are guided by consistent Group-wide business principles, decision-making authorisations and values. Internal control is founded on a healthy corporate and management culture as well as specified reporting and its justifications. In particular, internal control is based on financial reports, management reports, risk reports and internal audit reports. The company's main operations are directed 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 and progress schedule of individual projects.

Financial control

The internal control system applied to business operations is the responsibility of the executive teams of business areas as well as the controller function in accordance with SRV's Group principles and instructions. In ensuring the effectiveness and appropriateness 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 Group's internal control system 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. An external auditor audits financial reporting on a regular basis and reports directly to the Audit Committee.

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

Financial control measures also include management's on-going business control procedures. 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 prepared by the Corporate Executive Team.

Reliability of financial reporting

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

The interpretation and application of financial reporting 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 preparing and maintaining these instructions on a centralised basis. The principles are applied consistently throughout the Group.

Internal auditing

SThe internal auditing function operates under the Board of Directors of SRV Group Plc and is the responsibility of the Head of Internal Auditing. Internal auditing may use the services of an external service provider, if necessary. Internal auditing reports to the Board of Directors' Audit Committee, the President & CEO, and the CFO. The audits are based on an Audit Plan, which is approved annually by the Audit Committee. Reports on the audits conducted are submitted to the Audit Committee and annually to the company's Board of Directors.

Risk management system

SRV engages in systematic risk management in order to protect itself against factors that might adversely affect its business operations and to promote recognition of new opportunities. The company improves the profitability and stability of its operations by identifying strategic and operational risks and reacting to them in a timely manner. 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 SRV's controllable risks do not jeopardise operations. To this end, SRV has a systematic and comprehensive 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 the President & CEO. The Audit Committee goes quarterly through a report on the operational risks and how to prepare for them. 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 steering and supervision. The Group's risk management function supports the application of risk management principles and develops Group-wide operating practices.

The main risks directed at SRV's activities are discussed in more detail in section "Risks, risk management and corporate governance" of the Report of the Board of Directors, on page 24.

Share ownership on 31 December 2014

Members of the Board of Directors	
Ilpo Kokkila	9,034,712 shares
Share ownership of companies under his control	5,507,379 shares
In addition, SRV Group Plc, which is under Ilpo Kokkila's control, owns 1,175,307 of its own shares	
Minna Alitalo	none
no controlled companies	
Arto Hiltunen	none
no controlled companies	
Timo Kokkila	4,522,288 shares
no controlled companies	
Olli-Pekka Kallasvuo	50,000 shares
no controlled companies	
Risto Kyhälä	none
no controlled companies	

President & CEO and his deputy	
Jukka Hienonen (President & CEO until 31 December 2014)	81,800 shares
no holdings in controlled companies	
Juha Pekka Ojala (President & CEO since 1 January 2015)	120,710 shares
Timo Nieminen	429,234 shares
no holdings in controlled companies	

Members of the Board of Directors, the President & CEO and his deputy directly own a total of 38.4% of SRV Group Plc's shares and 15.0% of the company's shares through controlled companies. In addition, SRV Group Plc owns a total of 1,175,307 of its own shares, which accounts for 3.2% of the company's shares.

Corporate Executive Team	
Pirjo Ahanen	1,700 shares
Taneli Hassinen	3,000 shares
Katri Innanen	6,500 shares
Veli-Matti Kullas	119,598 shares
Jussi Kuutsa	16,433 shares
Hannu Linnoinen	629,566 shares
Antero Nuutinen	46,344 shares
Valtteri Palin	24,255 shares
Ilkka Pitkänen	ei omistusta

Board of Directors

Ilpo Kokkila
b. 1947, M.Sc.(Eng.)
Chairman of the Board, SRV Group Plc and Pontos Group
Chairman of the Board (1987–)
Chairman of the Nomination and Remuneration Committee (2007–)

Olli-Pekka Kallasvuo
b. 1953, LL.M.
Vice Chairman of the Board of Directors (2011–)
Chairman of the Audit Committee (2012–2013)
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, Purchasing and Logistics, Alko Oy
Member of the Board (2012–)
Chairman of the Audit Committee (2013–)
Member of the Audit Committee (2012–)

Risto Kyhälä
b. 1963, M.Sc.(Eng.)
CEO, Regatta Resorts Oy
Member of the Board (2013–)
Member of the Nomination and Remuneration Committee (2013–)

Information on the shareholdings of Members of the Board is presented on page 15.

More detailed information on their positions and work experience is presented at *www.srv.fi > Investors > Corporate Governance*.

Corporate Executive Team from 13 January 2015

Juha Pekka Ojala
b. 1963, B.Sc.(CE)
President & CEO
Joined the Group in 1997.

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

Juha Toimela
b. 1963, M.Sc.(Eng.), MBA
Vice President, Business Operations in Finland
Joined the Group in 2009.

Ilkka Pitkänen
(deputising for Hannu Linnoinen since 1 December 2014)
b. 1966, M.Sc.(Econ.)
CFO
Joined the Group in 2014.

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 Development 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 and Regional Offices 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 Corporate Executive Team is presented on page 15.

More detailed information on their positions and work experience is presented at *www.srv.fi > Investors > Corporate Governance*.

Report of the Board of Directors 2014

Reporting period 1 January–31 December 2014 in brief:

- **SRV's revenue was EUR 684.4 million (EUR 679.4 million 12/2013), change +0.7%**
- **Operating profit was EUR 24.9 million (EUR 26.4 million), change -5.5%**
- **Profit before taxes was EUR 18.5 million (EUR 22.8 million), change -18.7%**
- **Earnings per share were EUR 0.33 (EUR 0.43)**
- **The order backlog at period-end was EUR 860.4 million (EUR 825.8 million), change +4.2%**
- **Equity ratio was 43.0 per cent (36.4%)**
- **Proposed dividend per share is EUR 0.12 (0.12)**

Group key figures

IFRS, EUR million	**1-12/2014**	1-12/2013	change, MEUR	change, %
Revenue	684.4	679.4	5.0	0.7
Operating profit	24.9	26.4	-1.5	-5.5
Financial income and expenses, total	-6.4	-3.6	-2.8	
Profit before taxes	18.5	22.8	-4.3	-18.7
Order backlog	860.4	825.8	34.6	4.2
New agreements	700.3	600.7	99.6	16.6
Operating profit, %	3.6	3.9		
Net profit, %	2.2	2.7		
Equity ratio, %	43.0	36.4		
Net interest-bearing debt	206.1	215.8	-9.7	-4.5
Gearing ratio, %	91.6	97.1		
Return on investment, %	5.4	5.4		
Return on equity, %	6.9	8.4		
Earnings per share[1], EUR	0.33	0.43	-0.09	-21.8
Equity per share, EUR	5.04	4.97	0.07	1.4
Share price at end of period, EUR	2.83	4.05	-1.22	-30.1
Weighted average number of shares outstanding, millions	35.6	35.5		0.2

[1] SRV Group Plc has changed the way to calculate the earnings per share figure. The change of the way to calculate it is presented in the accounting principles.

Overall review

Thanks to growth in new contractor agreements, the Group's order backlog increased to EUR 860.4 million (EUR 825.8 million 12/2013). 85 per cent of the order backlog has been sold, a total of EUR 729 million. The unsold share of the order backlog decreased to EUR 132 million (EUR 208 million 12/2013). The value of the Group's new contracts rose to EUR 700.3 million (EUR 600.7 million 12/2013).

The Group's revenue increased to EUR 684.4 million (EUR 679.4 million 1–12/2013). Revenue from business construction in Finland grew when the sale of the Derby Business Park – a developer-contracted office property in Perkkaa, Espoo – was completed in the third quarter. Revenue from housing production for the consumer market declined as the number of completed units (249) fell to under half the number completed during the previous year (539 1–12/2013). In International Operations, the revenue for the comparison period was boosted by the sale of a 55 per cent holding in the Okhta Mall shopping centre project in June 2013, and also by construction volume for the final stage of the Pearl Plaza shopping centre.

The Group's operating profit totalled EUR 24.9 million (EUR 26.4 million), generating an operating margin of 3.6 per cent (3.9%). Operating profit from Operations in Finland noticeably improved. The Group's operating profit decreased, as operating profit for the comparison period included capital gains from the sale of a 55 per cent holding in the Okhta Mall shopping centre project in St. Petersburg in June 2013. Operating profit for the comparison period was also increased by a EUR 8.3 million change in the fair value of SRV's holding in the Okhta Mall shopping centre following the surrender of the company's controlling interest in the aforementioned June transaction and the subsequent remeasurement of its remaining holding at fair value based on the sale of the majority holding.

Several factors contribute to the quarterly variation in the operating profit and operating profit margin: SRV's own projects are recognised as income upon delivery; the part of the order backlog that is continuously recognised as income mainly consists of low-margin contracting; a share equivalent to the ownership of SRV's associated companies is eliminated from the profit margins of construction carried out for these companies; and the nature of the company's operations (project development).

The Group's net financial expenses rose to EUR 6.4 million (EUR 3.6 million). Interest expenses for the review period were raised by the fixed-interest bond issued in December 2013. Financial income for the comparison period increased due to interest income from SRV's associated company Etmia II, which refinanced its construction funding from SRV with a long-term project loan of about EUR 33 million in Q2/2013. Financial income for the review period was also increased in Q3 by the recognition of EUR 1.5 million in interest income adjustment from the Promenade project in Moscow.

The Group's profit before taxes was EUR 18.5 million (EUR 22.8 million). The result for the 1–12/2013 comparison period was improved by capital gains from the sale of a 55 per cent stake in the Okhta Mall shopping centre project in St. Petersburg, the EUR 8.3 million change in the fair value of SRV's holding, and financial income from SRV's associated company Etmia II. Net profit for the review period was EUR 15.4 million (EUR 18.3 million). Income taxes totalled EUR 3.2 million (EUR 4.5 million). Earnings per share were EUR 0.33 (EUR 0.43).

The Group's equity ratio improved to 43.0 per cent (36.4% on 31 December 2013) thanks to the favourable result and a reduction in capital invested after the Derby Business Park transaction.

Revenue from Operations in Finland totalled EUR 627.9 million (EUR 574.8 million 1–12/2013). Operating profit improved to EUR 30.0 million (EUR 21.4 million), generating an operating margin of 4.8 per cent (3.7%). This increase in profitability was driven by improved construction margin management, more efficient purchasing, and higher development project volumes. Operating profit was also adversely affected by the fact that the majority of the commercial development order backlog recognised as income consisted of low-margin contracting. The order backlog rose to EUR 723 million (EUR 646 million). In order to improve profitability, the company will now be focusing on increasing developer contracting, development projects, and negotiated contracts.

SRV sold a total of 756 housing units (701 1–12/2013) to consumers and investors. SRV had 1,625 housing units under construction (1,054 on 31 December 2013), of which 330 were developer-contracted. 87 per cent of residential units under construction have been sold, and 80 per cent of production consists of rental and right-of-occupancy units. 62 per cent (68%) of housing units were developed by SRV.

Revenue from International Operations was EUR 56.9 million (EUR 104.7 million). Operating profit was EUR 1.1 million (EUR 10.0 million). Revenue and operating profit declined due to events during the comparison period, namely the sale of the completed Okhta Mall shopping centre project in St. Petersburg and a change in the fair value of SRV's holding. The order backlog was EUR 137.2 million (EUR 180.1 million).

One of SRV's major shopping centre projects, the Pearl Plaza shopping centre in St. Petersburg, was opened in August 2013. 97 per cent of the shopping centre's premises have been leased and visitor numbers have exceeded targets. At the Okhta Mall shopping centre, which is under construction in St. Petersburg, lease agreements or preliminary BTS (business term sheet) lease agreements have been signed for over 50 per cent of the available retail space. An investor solution for the Promenade shopping centre in Moscow has been implemented and construction work has begun. In September, SRV signed an approximately EUR 240 million letter of intent with a group of investors to jointly invest in a major project in Finland, that is, the REDI shopping centre and parking facility.

SRV's project development activities are paving the way for a significant increase in operating volumes. These projects require long-term development work and are being 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.

Key figures for the segments

Revenue

EUR million	**1–12/2014**	1–12/2013	change, MEUR	change, %
Operations in Finland	627.9	574.8	53.1	9.2
International Operations	56.9	104.7	-47.7	-45.6
Other operations	19.5	13.0	6.5	49.5
Eliminations	-19.9	-13.1	-6.8	
Group, total	**684.4**	**679.4**	**5.0**	**0.7**

Operating profit

EUR million	**1–12/2014**	1–12/2013	change, MEUR	change, %
Operations in Finland	30.0	21.4	8.6	40.1
International Operations	1.1	10.0	-8.9	-89.3
Other operations	-6.2	-5.0	-1.1	
Eliminations	0.0	0.0	0.0	
Group, total	**24.9**	**26.4**	**-1.5**	**-5.5**

Operating profit

%	**1–12/2014**	1–12/2013
Operations in Finland	4.8	3.7
International Operations	1.9	9.5
Group, total	**3.6**	**3.9**

Order backlog

EUR million	**2014**	2013	change, MEUR	change, %
Operations in Finland	723.2	645.8	77.4	12.0
International Operations	137.2	180.1	-42.9	-23.8
Group, total	**860.4**	**825.8**	**34.6**	**4.2**
sold order backlog	729	618	111	17.9
unsold order backlog	132	208	-76	-36.7

Earnings trends of the segments

Operations in Finland

EUR million	**1–12/2014**	1–12/2013	change, MEUR	change, %
Revenue	627.9	574.8	53.1	9.2
Accounted for by business construction	395.5	319.2	76.2	23.9
Accounted for by housing construction	232.5	255.5	-23.1	-9.0
Operating profit	30.0	21.4	8.6	40.1
Operating profit, %	4.8	3.7		
Order backlog	723.2	645.8	77.4	12.0
Accounted for by business construction	450.1	392.8	57.3	14.6
Accounted for by housing construction	273.1	253.0	20.2	8.0

The Board of Directors confirmed that the business segment Domestic Operations is renamed as Operations in Finland. The content of the business operations remains exactly the same. The Operations in Finland segment consists of SRV's property development and construction operations in Finland. Operations in Finland are divided into business construction (which comprises retail, office, logistics, earthworks, and rock construction operations) and housing construction.

Revenue for Operations in Finland totalled EUR 627.9 million (EUR 574.8 million 1–12/2013), and accounted for 92 per cent of the Group's revenue (85%). Operating profit totalled EUR 30.0 million (EUR 21.4 million), generating an operating margin of 4.8 per cent (3.7%). Revenue was boosted by the sale of the Derby Business Park – a developer-contracted office property in Perkkaa, Espoo – in the third quarter. Revenue from developer-contracted housing targeted at consumers declined as the number of completed units fell significantly short of the comparison period. Operating profit growth was driven by improved construction margin management, more efficient purchasing, and higher development project volumes. However, operating profit was also affected by the fact that the majority of the commercial development order backlog recognised as income consisted of low-margin contracting. The relative profitability of construction in Finland was weakened by the sale of the low-margin Derby Business Park. The order backlog rose to EUR 723.2 million (EUR 645.8 million 12/2013) thanks to growth in negotiated contracts in business construction.

Business construction

Revenue from business construction totalled EUR 395.5 million (EUR 319.2 million). The order backlog was EUR 450.1 million (EUR 392.8 million). Competition for new contracts has remained fierce.

Projects completed during the review period include Hotel Torni Tampere for Sokotel, the Äänekoski health centre, daycare centres in Joutseno and Kyrö, a Biltema store in Vaasa, the expansion of the postal centre in Oulu, and the Päijänne tunnel's Pitkäkoski tailwater tank. In Tampere, SRV finished the construction of the Pispa Service Centre for the Tampereen Kotilinna Foundation, as well as expansions to a vocational college and upper secondary school in Hervanta. In Southwest Finland, SRV completed production facilities for Grene Noromaa in Paimio, and premises for Orion and Sandvik in Turku. Completed renovation projects included the Presidential Palace, Chemicum C for the University of Helsinki, Phase II of the Brondankulma renovation project, the refurbishment of the Merituuli shopping centre in Espoo and the renovation of a facility used by VTT for research into renewable energy. SRV also completed one of its own development projects: a logistics centre built in the Pressi area of Vantaa for HUS-Logistics.

During the review period, new contractor agreements worth EUR 427.9 million were signed with external clients. The major ones were for the construction of a new Children's Hospital in Meilahti, Helsinki (valued at about EUR 81 million), Phase I of the Tapiola urban centre in Espoo for Lähitapiola (about EUR 110 million), a central car park in Tapiola for Tapiolan keskuspysäköinti Oy (about EUR 40 million), the expansion of a car park under construction at Helsinki-Vantaa Airport for Finavia (about EUR 30 million), and the Joensuu Court and Police Building, which will be carried out as an alliance-based project for Senate Properties (about EUR 30 million). In addition, SRV signed several contractor agreements with clients such as Länsimetro Oy for the construction of the Koivusaari metro station, the University of Jyväskylä for the renovation of its C building, Senate Properties for the construction of a Nuclear Safety House for VTT Technical Research Centre of Finland in Espoo (as an alliance-based project), and ET-hoivakiinteistöt and YH for the construction of assisted-living houses in Turku. Agreements were also signed for the construction of the Fista international school in Tampere, and the Onervamäki school and Huhtasuo hospice in Jyväskylä.

Construction work began on one of SRV's development projects, a logistics centre with approximately 30,000 m^2 of floor area in Tuusula. Pension company Ilmarinen is the property developer and investor, and Stockmann will hold a long-term lease as tenant. Construction is scheduled for completion during 2015.

In the fourth quarter, SRV sold a logistics property in Kerava to Julius Tallberg-Kiinteistöt Oyj. This property was completed during 2014 and its 4,700 m^2 of floor area has been fully leased.

Housing construction

Revenue from housing construction totalled EUR 232.5 million (EUR 255.5 million). The order backlog was EUR 273.1 million (EUR 253.0 million).

Projects completed for external clients included 79 units for Opiskelija-asunnot in Joensuu and 16 units for YH in Turku. Also completed for SATO were 133 units in Kalasatama, Helsinki and 67 units in Kilteri, Vantaa; and for VVO 114 units in Pähkinärinne, Vantaa, 88 units in Nihtisilta, Espoo, 58 units in Suurpelto, Espoo and 34 units on Nuolialantie in Tampere. In projects falling within the scope of the RS system, 249 (539) developer-contracted housing units were completed during the early year.

During the review period, agreements valued at EUR 114.0 million were signed with external clients for the construction of 732 housing units. Contractor agreements were signed with SATO for the construction of 77 housing units in Töölö, Helsinki and with ATT for 93 units in Pukinmäki, Helsinki. 94 student flats will also be built for Opiskelija-asunnot Oy in Joensuu. Development projects sold to external clients will be built in Suurpelto, Espoo (129 units), Nihtisilta, Espoo (88 units), Keimola, Vantaa (84 units), Sarfvik, Kirkkonummi (76 units), Seppälä, Jyväskylä (54 units), and on Pohjolankatu, Tampere (37 units).

During the period, SRV launched the construction of 330 (202) developer-contracted housing units within the scope of the RS system. 73 housing units will be built in Oulunkylä, Helsinki, 52 units in Telakkaranta, Turku and 19 in Soukanniemi, Espoo. In Tampere, 92 units will be built on Pohjolankatu, 56 units in Vuores, and 38 units in Pirkkala. SRV has also greenlit the construction of 163 new developer-contracted housing units in the Lauttasaari and Jätkäsaari districts of Helsinki. These projects will be included in the order backlog when construction work begins.

SRV sold a total of 756 (701) housing units during the review period. 288 (297) of the developer-contracted housing units that fell within the scope of the RS system were sold during the review period, and 468 (404) units were sold to investors under negotiated contracts.

At the end of the review period, SRV had a total of 1,625 (1,054) units under construction, 87 per cent of which (1,406 units) had been sold. 330 (249) residential units for the consumer market were under construction, of which 219 (178) had not yet been sold. The number of completed yet unsold residential units totalled 183 (182). Based on current schedules, SRV estimates that a total of 247 developer-contracted residential units in the RS system will be completed during 2015. According to construction schedules, no units falling within the scope of the RS system will be completed during the first quarter of 2015.

Housing production in Finland

units	1-12/2014	1-12/2013	change, units
Units sold, total	756	701	55
developer contracting	288	297	-9
investor sales[2]	468	404	64
Developer contracting			
start-ups	330	202	128
completed	249	539	-290
completed and unsold[1]	183	182	1
Under construction, total[1]	1,625	1,054	571
contracts[1]	625	334	291
sold, negotiation contracts[1, 2]	670	471	199
developer contracting[1]	330	249	81
sold[1]	111	71	40
unsold[1]	219	178	41

[1] At period-end
[2] Investor sales under negotiation contracts

The order backlog for housing construction was EUR 273 million (EUR 253 million 12/2013). The order backlog for contracts and negotiated contracts was EUR 122 million (EUR 122 million), and accounted for 45 per cent (48%) of the total order backlog. EUR 150 million (EUR 136 million) of the residential production order backlog was sold.

Order backlog, housing construction in Finland

EUR million	31 Dec 2014	31 Dec 2013	change, MEUR
Contracts and negotiated contracts	122	122	0
Under construction, sold developer contracting	28	14	14
Under construction, unsold developer contracting	59	60	-2
Completed, unsold developer construction	65	57	8
Housing construction, total	**273**	**253**	**20**

Development of Operations in Finland

Although the RYM PRE research programme (Built Environment Process Re-Engineering) ended in the spring, SRV has maintained a strong focus on the development of data models. Modelling supports successful design, progress in construction projects, and cooperation between parties.

SRV is participating in two projects in Aalto University's Energizing Urban Ecosystems (EUE) programme, which seeks to find operating models for, and solutions to, the challenges and opportunities inherent in urbanisation. In 2012, SRV joined the Nordic Built Charter initiative, a trade and industry policy programme that sought green growth and ran from 2012 to 2014. In technical building systems, SRV has primarily been focusing on energy-efficient solutions, and energy consumption is already being monitored at several sites.

SRV has invested in the fight against the grey economy by developing the SRV Network Register, which contains information about contractors, access control systems, checks on tax numbers, and tax authority reports. The procurement system, Tilaajavastuu.fi service, and employee/company register have been integrated, thereby enabling up-to-date management and control of contractor's liability. SRV also organises internal anti-grey economy days.

As a member of the Zero Accidents Forum, SRV is committed to making continual improvements in occupational safety. A mobile information and measurement system has been developed to enhance the level of occupational safety. For example, it enables photos and geodata to be easily saved in a shared system.

International Operations

EUR million	1-12/2014	1-12/2013	change, MEUR	change, %
Revenue	56.9	104.7	-47.7	-45.6
Operating profit	1.1	10.0	-8.9	-89.3
Operating profit, %	1.9	9.5		
Order backlog	137.2	180.1	-42.9	-23.8

International Operations comprises SRV's construction and property development business in Russia and Estonia. SRV also seeks to expand its shopping centre operations in Russia.

Revenue from International Operations totalled EUR 56.9 million (EUR 104.7 million) and accounted for 8 per cent of the Group's revenue (15%). The construction of the Okhta Mall shopping centre generated the majority of this revenue. Revenue in the comparison period received a boost from the construction of the final phase of the Pearl Plaza shopping centre and the sale of a 55 per cent stake in the Okhta Mall shopping centre project. Operating profit was EUR 1.1 million (EUR 10.0 million). A proportion of the profit margin for construction, equivalent to the proportion owned by SRV, is eliminated from the operating profit. Operating profit for the comparison period included capital gains from the sale of a 55 per cent holding in the Okhta Mall shopping centre project in St. Petersburg in June 2013. It was also boosted by a EUR 8.3 million change in the fair value of SRV's holding in the Okhta Mall shopping centre. The launch of the Promenade project also made a favourable contribution to the operating profit for the review period through a return in impairments of EUR 1.1 million. The order backlog was EUR 137.2 million (EUR 180.1 million).

Russia

For several years now, SRV has been developing Okhta City, a large-scale project in the Okhta district of St. Petersburg that covers a total area of 8.5 hectares. A 400,000 m^2 package is planned for the area, including a shopping centre, housing, office and business premises, and hotel, restaurant and entertainment services. The project will be implemented in several phases. Phase I of the project commenced when Russia Invest, an investment company owned by SRV, Ilmarinen, Sponda, Etera and Onvest, reached a decision to invest in the Okhta Mall shopping centre project. Under agreements signed in June 2013, Russia Invest acquired a 55 per cent holding in the shopping centre from SRV. In addition to its direct ownership of the remaining 45 per cent, SRV owns a further portion of the project through its holding in Russia Invest. SRV retains a 100 per cent holding in the other phases of the Okhta City project.

Okhta Mall will open in summer 2016. It will have about 144,000 m^2 of floor area and leasable space of about 77,000 m^2. The centre will feature two underground parking levels, a hypermarket, and four aboveground levels. Located close to the heart of St. Petersburg, Okhta Mall will be the first shopping centre in the downtown area with a hypermarket. In addition to the hypermarket, the shopping centre will contain a multiplex cinema, restaurants, a gym, specialty shops, and a variety of fashion and sports stores. Leasing has progressed according to plan. About 42 per cent of the available space has been leased or reserved, and negotiations for a further 25 per cent are currently ongoing. The shopping centre will have 1,900 parking spaces. The target for annual rental income from the shopping centre is around EUR 33 million, and investment is currently budgeted at around EUR 225 million. In line with the project management contractor agreement (valued at about EUR 140 million), SRV is responsible for designing, constructing, developing, and leasing out the site. A project loan agreement valued at EUR 112.9 million was signed with Sberbank in September. The financing plan for the investment is also based on capital investments of about EUR 115 million from the owners. Construction has progressed according to plan and most of the owner financing has already been committed to the project. On the basis of the current budget's financing plan, SRV expects to invest about a further EUR 9 million in the project.

About EUR 70 million of the EUR 95.5 million investment capacity of Russia Invest will be earmarked for the Okhta Mall project. In the short term, arriving at new investment decisions will be challenging due to the Ukrainian crisis, and it is unlikely that the investment company will make any investments in new projects during 2015. SRV owns a 27 per cent stake in Russia Invest.

The Pearl Plaza shopping centre, jointly owned by SRV and the Shanghai Industrial Investment Company, was opened to the public on 24 August 2013. Visitor numbers have exceeded targets, rising to a record-breaking 670,000 in December 2014. SRV is responsible for managing the Pearl Plaza shopping centre. Total investment in the project totals approximately EUR 140 million. SRV's ownership in the joint venture is 50 per cent, and the company has invested roughly EUR 23 million in the project. In addition to investment from the owners, bank financing has been secured through a EUR 95 million financing agreement with a Chinese bank. In line with the project management contractor agreement, SRV was responsible for designing, constructing, developing, and leasing out the site. About 98 per cent of the premises have been leased and continual negotiations are ongoing for the remaining vacant premises. The target for annual rental income from the shopping centre is about EUR 18 million.

The commercial concept design of Phase II of the Pearl Plaza shopping centre has been completed and construction planning has been launched. According to the preliminary plan, construction of Phase II could begin during 2015. Preliminary lease reservations have been made for over 50 per cent of the Phase II premises.

The start-up of Phase I of the Promenade shopping centre project, which SRV is developing in the Moscow region, was confirmed in June when the Russian pension fund Blagosostoyanie became the company's new partner with a 55 per cent stake. The Finnish real-estate investment company Vicus Oy holds a 26 per cent stake in the project. SRV's total holding totals 20 per cent. The shopping centre has approximately 26,000 m^2 of leasable space, of which more than 60 per cent is already covered by preliminary lease agreements or ongoing lease negotiations. The shopping centre is scheduled for completion in early 2016. The target for annual rental income is about EUR 10 million and total investment in the project amounts to approximately EUR 55 million. SRV's total investment of about EUR 7 million has now been fully invested in the project. In addition to capital from the owners, the investment is also being financed with the aid of a long-term loan from Sberbank, which was taken out in December. In July, SRV signed project management contracts worth about EUR 50 million for the design, construction, leasing, and marketing of the project. As a consequence of the devaluation of the rouble, considerable savings have been, and will continue to be, achieved in construction. The value of these project management contracts will therefore end up being less than the original EUR 50 million.

The existing office premises in the Etmia II office and car park project in downtown Moscow have been leased out in their entirety. Net rental income for 2014 was about EUR 4.1 million. SRV is a co-owner in the project with a 50 per cent stake, and was also responsible for construction as the project management contractor. SRV's investment in the project amounts to about EUR 2 million. The company estimates that in the current market it is unlikely that the project will be sold to investors during 2015.

SRV has invested EUR 6.3 million in a property fund that acquired an office and logistics property in Moscow in autumn 2011. This property is fully leased out. Development of the St. Petersburg Eurograd logistics area has been temporarily suspended due to the local partner's financial difficulties. SRV has a 49 per cent holding in a Russian company that owns 24.9 hectares of land north of St. Petersburg, in the immediate vicinity of the Ring Road.

Five apartments in the Papula residential project in Vyborg were sold during the review period (17, 1–12/2013). At the end of the period, there was one completed yet unsold unit (six). Construction of the next two buildings, containing a total of 111 units, has been temporarily suspended, but will recommence as soon as the market situation improves.

Estonia

48 developer-contracted housing units were completed in Tartu.

Other operations

EUR million	**1-12/2014**	1-12/2013	change, MEUR	change, %
Revenue	19.5	13.0	6.5	49.5
Operating profit	-6.2	-5.0	-1.1	

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

The revenue from Other Operations was EUR 19.5 million (EUR 13.0 million) with an operating profit of EUR -6.2 million (EUR -5.0 million). Revenue increased thanks to higher operating volumes. During the review period, development costs expensed for SRV's projects totalled EUR 2.2 million (EUR 2.6 million).

REDI – Kalasatama Centre

The city plan for SRV's large-scale REDI project – the Kalasatama Centre – came into force in June 2013. The Administrative Court of Helsinki had dismissed a complaint regarding the city plan, and in June the Supreme Administrative Court rejected the appellants' request to appeal against the ruling. The Helsinki City Building Control Department has granted SRV a building permit for the REDI shopping centre and the first two residential towers to be built next to it.

REDI will consist of six residential towers, and a tower housing a hotel and offices. The towers will have 20–35 stories, with the highest tower reaching 132 metres. According to the plans, the towers will have 1,200 housing units with floor space of about 100,000 m^2 for approximately 2,000 residents; 10,000 m^2 of office space; and a 10,000 m^2 hotel. The 64,000 m^2 REDI shopping centre and a car park with around 2,000 parking spaces will be built next to the towers. As part of the implementation of the Kalasatama Centre, SRV and the City of Helsinki have agreed that SRV will build an approximately 18,000 m^2 social and health services centre on the north side of the Kalasatama Centre and lease it to the city. REDI will be built in phases, accounting for the market situation, with competition scheduled for the early 2020s. The underground waste station and new metro bridge commissioned by the City of Helsinki were completed in summer 2013.

Phase I of the private-sector part of the project consists of the construction of the REDI shopping centre and a car park with a total of 2,000 parking spaces, which will also serve park-and-ride commuters at Kalasatama. The shopping centre will have about 64,000 m^2 of leasable space. According to current plans, the shopping centre will open in its entirety in spring 2018. The plans for the shopping centre include two daily consumer goods stores and a wide selection of services and brands, all located in the intersection of the city's best traffic connections and its most densely populated area. REDI will be the first shopping centre in Finland that can be easily reached by public bus, metro, tram, car, bicycle, walking – and even by boat. 500,000 people live within a 15-minute drive from REDI and 1.1 million within a 30-minute drive. Each day, more than 100,000 cars use the three main roads that pass through Kalasatama, and Helsinki city centre is only six minutes away by metro.

REDI leasing negotiations are underway with anchor tenants and a wide range of potential tenants. The final and preliminary lease agreements signed to date account for more than 20 per cent of the available space. If ongoing lease negotiations also lead to agreements, about 70 per cent of the retail space will be leased out.

The total value of the shopping centre and car park investment will be approximately EUR 480 million, of which 50 per cent is intended to be financed with capital investments from the investment group. On the basis of the letter of intent signed last autumn, on 10 February 2015, SRV has signed an approximately EUR 240 million agreement with Ilmarinen, OP-Pohjola and Lähitapiola to jointly invest in the capitalisation and implementation of the REDI shopping centre and parking facility. The agreement is conditional upon signing an agreement on project financing. SRV's holding in the project is 40 per cent and thus SRV's share of the capital investment is just under EUR 96 million.

About 50 per cent of the total value of the investment will be funded through project financing. Financing negotiations are currently ongoing and it is expected that the final financing agreement will be signed during the first quarter. At the same time, SRV intends to sign a contractor agreement (valued at around EUR 400 million) with the newly established joint venture for the implementation of the shopping centre and car park and to begin construction of the project early in the second quarter.

Group project development

SRV, Mutual Pension Insurance Company Varma and SATO Corporation are progressing with their project to develop the Niittykumpu district in Espoo. The Espoo City Board approved the co-operation and preliminary agreement made between Espoo, Länsimetro, SRV and SATO for the Niittykumpu metro station on 16 June 2014. The design of Phase I, which encompasses around 20,000 m^2, has progressed according to schedule and the goal is to launch construction in spring 2015. On 28 November 2014, SRV, SATO and Varma acquired an area east of Haukilahdenkatu, enabling the construction of three apartment buildings with a total of about 180 housing units. The goal is to start construction in early 2015 once the building permit has been secured.

SRV, Mutual Pension Insurance Company Ilmarinen and SATO Corporation are progressing with their project to develop their jointly owned area in the Perkkaa district of Espoo. The Espoo City Planning Committee approved the proposed city plan for the area in September, and progress was made in land-use negotiations with the City of Espoo during the autumn. The goal is for the city plan to be reviewed by the Espoo City Board in early 2015. The scope of the project is being confirmed at about 100,000 m^2 of residential building rights, of which SRV's share is approximately one third. The aim is to launch housing construction during 2015.

Construction of the Airut eco-quarter in the Jätkäsaari district of Helsinki has begun with the car park. Construction of the residential buildings will begin during spring 2015 once the building permit has been secured. The project comprises approximately 22,000 m^2 of floor area, including a rental apartment building for VVO and SRV's four market-financed owner-occupied apartment buildings, of which two will be built in accordance with HITAS terms. The design of the eco-quarter is based on a multi-purpose concept that seeks to offer residents a wide range of services. The project focuses on energy monitoring and reporting on apartments' energy consumption, thereby enabling residents to optimise their energy use and uphold the principles of sustainable development in their daily lives.

SRV and Stora Enso Oyj have a joint reservation for a quarter in the Jätkäsaari district where they plan to build a project showcasing industrial wood construction. This project, named Wood City, will consist of office, hotel and commercial buildings. The entire quarter encompasses approximately 20,000 m^2 of floor area. The Helsinki Housing Production Department (ATT) will also build two apartment buildings in the quarter, with a total floor area of about 8,000 m^2. The city plan for the quarter came into force in July 2014. SRV and Stora Enso submitted the most competitive proposal in the tender held by ATT for design-and-build apartment buildings for the quarter. The goal is to launch residential construction during spring 2015. Construction of the office building will begin once investor and lease agreements so permit.

The Keilaniemi project in Espoo consists of four residential towers containing housing units with a total of approximately 72,000 m^2 of floor area. This project is being developed by SRV, which has a planning reservation for the area. Although the city plan is in force, progress hinges on a tunnel for a section of Ring Road I, and also on tunnelling and traffic arrangements. The general plan for Ring Road I came into force in late 2014 and its road plan has been put on display. The road plan will be sent to both the City of Espoo and the government for approval during spring 2015. The goal is to launch construction during 2016.

SRV is developing the Lapinmäentie 1 property in Munkkivuori, Helsinki in cooperation with its owner, WP Carey Inc. Changes to the city plan have been initiated. The design is based on the winning entry in an architectural competition held in spring 2014 and requires new building rights of about 50,000 m^2 for the plot. A proposal has been made to renovate about 22,000 m^2 of existing floor area. The changes to the city plan are expected to be confirmed during 2016.

Financing and financial position

Net operational cash flow was EUR 47.0 million (EUR 97.6 million 1–12/2013) and net cash used in investing activities was EUR -33.7 million (EUR -44.7 million 1–12/2013). The net operational cash flow for the review period was positively affected by the sale of the Derby Business Park in Perkkaa, Espoo. Net operational cash flow in the comparison period was considerably impacted by the sale of a 55 per cent stake in the Okhta Mall shopping centre project and a decrease in short-term loan receivables when SRV's associated company Etmia II refinanced its construction funding from SRV with a long-term project loan of about EUR 33 million. The Group's investments are mainly investments in Russia's real estate projects and in machines and equipments. The Group's inventories stood at EUR 312.8 million (EUR 365.0 million), of which land areas and plot-owning companies accounted for EUR 162.1 million (EUR 151.3 million). The Group's invested capital totalled EUR 449.8 million (EUR 528.0 million).

In December 2014, SRV Group Plc signed a long-term, binding liquidity arrangement of EUR 100 million with a Nordic banking syndicate. This loan replaces the syndicated credit limit agreement of 2012. The loan was undrawn the end of the review period, and the new arrangement will mature in January 2018.

At the end of the review period, the Group's financing reserves totalled EUR 146.1 million with the Group's cash assets amounting to EUR 18.4 million, and open-ended account limits and committed undrawn financing reserves and loans to EUR 127.7 million. The equity ratio and liquidity covenant function as financial covenants. The equity ratio is reported to funders also with respect to founder contracting sites as a statistical parameter based on percentage of completion. Liquidity refers to the Group's immediately available cash, cash equivalents and deposits, committed limits and non-drawn loans in which the maturity period exceeds 12 months, as well as the non-drawn share of the syndicated liquidity limit. SRV's equity ratio based on percentage of completion was 43.5 per cent (on 31 December 2014).

Capital committed to SRV's developer-contracted housing and business construction projects in Finland – both those under construction and those completed – totals around EUR 135.3 million, of which about EUR 54.0 million is tied up in infrastructure construction for the Kalasatama Centre. SRV estimates that the completion of these projects (excluding the Kalasatama Centre) requires a further EUR 49.7 million. Undrawn housing corporation loans and receivables for housing construction projects plus undrawn commercial construction financing totals EUR 62.0 million. Capital committed to completed international projects amounts to EUR 0.5 million, which is tied to a housing project in Vyborg. Capital committed to completed projects involving associated companies includes EUR 23 million tied up in the Pearl Plaza shopping centre and EUR 2 million in the Etmia office project.

SRV's investment commitments totalled EUR 9.6 million (EUR 14 million).

The equity ratio stood at 43.0 per cent (36.4%) and gearing at 91.6 per cent (97.1%). The Group's shareholders' equity totalled EUR 225.2 million (EUR 222.2 million). The Group's net interest-bearing liabilities totalled EUR 206.1 million (EUR 215.8 million). At the end of the review period, the Group's cash and cash equivalents amounted to EUR 18.4 million. The return on investment was 5.4 per cent (5.4%), and the return on equity 6.9 per cent (8.4%).

Unbuilt land areas, land acquisition commitments and land development agreements

Land reserves 31 December 2014	Business construction	Housing construction	International Operations	Total
Unbuilt land areas and land acquisition commitments				
Building rights[1], m²	260,022	381,227	701,000	1,342,249
Land development agreements				
Building rights[1], m²	120,400	175,950	52,000	348,350

[1] 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. SRV builds and develops commercial and business premises, residential units, and infrastructure projects. In addition to 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 segments are Operations in Finland, International Operations, and Other Operations. The Operations in Finland segment consists of property development and domestic construction operations led by SRV Construction Ltd. Operations in Finland are divided into business construction (which comprises retail, office, logistics, earthworks, and rock construction operations) and housing construction. International Operations comprises SRV's business activities in Russia and Estonia. Other Operations primarily consists of SRV Group Plc and SRV Kalusto Oy's operations.

Personnel

SRV had an average payroll of 937 (949) employees, of whom 722 (700) were salaried employees. The parent company had an average staff of 59 (54) salaried employees. At the close of the financial year, the Group had 958 (912) employees, of whom 58 (55) were employed by the parent company. 206 (148) employees were employed by international subsidiaries. SRV's Operations in Finland employed a total of 45 (36) trainees (students on work placements and students working on a thesis or diploma). SRV offers a broad range of opportunities for trainees, and particularly for those studying construction. Systematic cooperation with educational institutions and universities fosters continuity for SRV's own trainee programme, enabling young people to combine study and work as naturally as possible.

SRV's human resources strategy is designed to secure the availability and high motivation of personnel, and to ensure continued competence and leadership development. During 2014, systematic investments were continued in order to provide training in contract law and in the management of additional work and alterations. An extensive 360-degree feedback programme was launched to develop leadership and interaction skills. 120 supervisors and experts took part in this programme during the spring, followed by 80 key employees from the work site organisation during the autumn. SRV made investments in occupational wellbeing by, for example, organising KUNNONpäivät fitness days for employees at the Salmisaari fitness centre in Helsinki. Working capacity risk management was enhanced with, for example, the development of Early Support processes and cooperation with both occupational healthcare and pension and accident insurance companies.

Personnel by business area

	31 Dec 2014	31 Dec 2013	Percentage of Group personnel, 31 Dec 2014, %
Operations in Finland	655	670	68
International Operations	212	156	22
Other Operations	91	86	10
Group, total	**958**	**912**	**100**

On 13 February 2014, the Board of Directors of SRV Group Plc approved a new share-based incentive scheme for the Group's key personnel. The scheme seeks 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. It covers 26 key SRV personnel. The key indicators for the scheme's performance period 2014–2016 are the Group's cumulative operating profit margin and return on equity. Additional business-specific indicators specified for 2014–2016 will also affect the bonus earned. Personnel covered by the scheme must hold at least half of the

shares received on the basis of the scheme until 31 December 2017 and at least half until 31 December 2018. If a key employee's employment ends during the above restriction period, he/she must hand over all shares to the company without compensation. When the indicators are fulfilled, the bonus will be paid, partly in the company's shares and partly in cash. This scheme allows the conveyance, without consideration, of a maximum of 588,000 SRV Group Plc shares to key employees, 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, 2014–2018, will be approximately EUR 2.1 million, to which the cash payments will be added.

In December 2014, SRV Group Plc's Board of Directors approved a new share-based incentive scheme for Juha Pekka Ojala, who became the new President & CEO of SRV Group Plc on 1 January 2015. Based on the scheme, Juha Pekka Ojala will be given 600,000 acquisition rights, entitling him to acquire the number of SRV Group Plc shares corresponding to the acquisition rights at a price of EUR 3.1374 per share, or to receive an amount of cash or shares or a combination of these corresponding to the benefit arising from exercising the acquisition rights and based on the development of SRV Group Plc's share price. In each instance, the company's Board of Directors will make a separate decision on the manner of implementation. Under the terms of the scheme, half of the post-tax value thus obtained must be linked to SRV Group Plc's shares. These shares are subject to a transfer restriction that is valid for two years from receipt of the shares. The acquisition rights can be exercised in five two-year periods. The first period begins on 1 January 2015 and ends on 31 December 2016 and the second begins on 1 January 2019 and ends on 31 December 2020. The acquisition rights holder is entitled to exercise 120,000 acquisition rights during each period. The maximum total recognised IFRS cost of the portion given as shares over the lifetime of the incentive scheme 2014–2022 will be approximately EUR 0.4 million.

During the review period, the cost of share-based incentive schemes was about EUR 1.7 million (EUR 2.4 million).

Outlook for construction

The outlook for the world economy is mildly optimistic, with the USA, Britain, and China leading a slow recovery. The Finnish economy shows few signs of improvement. GDP for 2014 is forecast to remain around the zero mark. The forecast for 2015 is mildly optimistic. The weak business cycle will continue in the construction sector. An approximately three per cent contraction has been estimated for total construction volumes in 2014, and a further 0–1 per cent has been forecast for 2015. The rise in building costs is moderate.

The poor economic situation and consumer uncertainty have contributed to a downswing in housing production. The construction of an estimated 24,500 housing units was begun in Finland in 2014, and the forecast for this year is about the same. Sales of new housing units have slackened, especially outside the Helsinki Metropolitan Area. Business with housing funds and other investors has partly compensated for weaker sales to individual households. Demand for housing is affected by 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.

The total number of business construction start-ups for 2014 is expected to fall from the previous year. The slow pace of economic growth has kept the number of empty offices high, and the need for additional retail space has remained low. There were fewer start-ups of public-sector service buildings than in 2013. However, there is still a need for modern premises with good transport connections. The number of business construction start-ups is forecast to make a clear upswing during 2015.

Steady annual growth of 2.5 per cent is expected in renovation construction. An increase in building stock, the ageing of existing buildings, and modernisation requirements will also support renovation construction in the future. Infrastructure construction is still being weakened by the decline in new construction work and the contraction in investments in highway construction and maintenance.

GDP growth in Russia has continued to slacken. The crisis in Ukraine, the weakened rouble, and a fall in the price of oil have put the economy under considerable stress. Investment and retail growth are stagnant. GDP growth in 2014 is estimated at around the zero mark. Russia is subject to major uncertainty in 2015 and a clear contraction in the economy as a whole is already being forecast. The situation in Russia also brings significant uncertainty factors to Estonia's economy, although slight growth is predicted during 2015.

Risks, risk management and corporate governance

The general business cycle and changes in customers' business environments have immediate effects on the construction, property and financial markets, and this may, for example, alter the volume of SRV's order backlog and the profitability of its operations. It may also hinder the availability of financing and lead to an increased amount of capital being tied up in projects. A change in the general level of interest rates has a direct impact on both cash flow from operating activities and financing costs. The general economic climate is unstable, and the international financial crisis is contributing to economic uncertainty. This uncertainty coupled with difficulties in securing financing are reducing demand for property investments and delaying the start-up of large-scale projects in particular.

SRV develops, owns and operates shopping centres in Russia. The Ukrainian crisis is affecting the Russian economy, the availability of financing from investors and for projects, and property sales. The sanctions on the financial market, imposed by the United States and European Union, weaken the Russian bank sector's ability to grant loans. The decline in the rouble's exchange rate is impacting on consumer purchasing power and may weaken the rent-paying capacity of tenants in shopping centres. The fall in the price of oil is also weakening the Russian state economy. Furthermore, the crisis is affecting the economies of Russia's major trading partners.

Stricter banking regulation will affect the availability of financing from banks, the length of loan periods, and loan margin levels. In spite of the extremely low interest rate level, financing costs may grow as loan margins continue to rise. 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 revenue is largely based on the completed contract method, and recognition depends on the percentage of sold premises in delivered projects. The delivery schedules of developer-contracted projects can have a material impact on the development of revenue and profit for the financial year and the quarters. Factors that affect project sales include the availability of financing for buyers and premises' occupancy rates. When sales are delayed, the recognition of revenue and operating profit are likewise delayed. The sales prices of slow-turnover projects might have to be lowered in order to accelerate sales. Postponed start-ups in developer-contracted projects increase development expenses, which are recognised as costs.

Slower sales increase both interest expenses and sales and marketing costs for developer-contracted housing production. Economic uncertainty and tax rises have weakened both consumer sales volumes and their outlook. Key risks affecting demand for housing include changes in consumer confidence in the future, the availability of financing, and a strong rise in interest rates. Changes in demand for rental housing development projects for investors would affect the volume and profitability of SRV's new order backlog.

Construction is subject to significant cost risks relating to subcontracting and procurements. Long-term planning is vital in keeping these risks under control. SRV's operating model requires an adequate supply of skilled and competent personnel. A weak economic cycle increases the financial risks relating to subcontractors. The construction industry is now subject to greater administrative regulation, which requires enhanced accuracy. Post-construction warranty and liability obligations can last up to ten years after handover. The rise in construction costs has levelled out and the building cost index has remained fairly steady.

SRV's revenue is generated by construction projects, and the company's result depends on the profitability of individual projects and their progress. Fierce competition for new orders in the construction sector may affect the volume and profitability of SRV's new order backlog. Contract agreements for construction are extremely valuable. Their terms and conditions require all parties to achieve the agreed targets within a set timetable, and to adhere to agreed working methods. In particular, agreeing on additional works and alterations may involve financial risks that increase in a poor economic climate. Project receivables can include additional work and alterations, and these may involve complaints or be the subject of disputes over payment liability. Although segment management estimates the provisions required for receivables, these provisions may prove to be insufficient. If no mutual agreement on payment liability is reached during the final settlement of a project, the company may have to instigate legal proceedings against the client. The outcomes of legal proceedings involve uncertainties. In 2013, SRV initiated legal proceedings against clients with respect to two completed projects involving client complaints or disputes over payment liability for additional work and alterations. In 2013, SRV initiated legal proceedings against Auroratalo Oy and HDL-Talot over payment liability for construction costs incurred by new construction and the renovation of the Auroratalo building. SRV's claims amount to around EUR 3.6 million (VAT 0%). In 2013, SRV initiated legal proceedings against Kiinteistö Oy Abraham Wetterintie over a dispute relating to both payment liability for, and the construction costs and schedule of, a project comprising the construction of several residential apartment buildings built by SRV Construction Ltd for the real estate company. Keva owns the entire share capital of the real estate company. In March 2014, the client made a defendant's claim of approximately EUR 3.9 million from SRV Construction Ltd. SRV's claims amount to around EUR 7.1 million (VAT 0%). SRV's management believes that these cases and their outcomes will not have a significant impact on SRV's financial standing.

In addition to land acquisition risks, property projects face other challenges, such as those related to the outcome of zoning, soil conditions, financing, the liquidity of funding based on financing commitments, the commercialisation of the project, implementation schedules and agreements, partners, the project's geographical location, and the type of project. In line with IFRS requirements, SRV measures its land reserves at acquisition cost. If the acquisition cost plus 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. SRV aims to carry out large-scale development projects in cooperation with real estate investors using project funding. The availability and terms of project and investor financing affect the progress of development projects, their profitability for SRV, as well as the amount of financing the company has tied up in the project. SRV's investment commitments in projects require the company to maintain sufficient liquidity and financing capacity. A decline in the availability of investor and project funding may increase SRV's own share of project funding, and this would lower the Group's equity ratio, reduce Group liquidity, and hinder the availability of other funding.

The financial risks related to SRV's operations are interest rate, currency, liquidity, capital structure, and contractual party risks. These will be presented in more detail in the Notes to the 2014 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 for 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 through the efficient management of cash flows and related solutions, such as binding lines of credit that are valid until further notice. The company has a long-term binding liquidity arrangement of EUR 100 million, which will mature in January 2018. The company's financing agreements contain customary terms and conditions. The equity ratio and liquidity covenant function as financial covenants. The equity ratio is reported to funders also with respect to founder contracting sites as a statistical parameter based on percentage of completion. Liquidity refers to the Group's immediately available cash, cash equivalents and deposits, committed limits and non-drawn loans in which the maturity period exceeds 12 months, as well as the non-drawn share of the syndicated liquidity limit.

Capital structure risks may adversely affect the availability of financing for the Group if the company's equity ratio falls too low. The Group does not have a public credit rating issued by a credit institution. In order to maintain its capital structure, the Group may adjust its dividend payment, or issue new shares or bonds. In order to maintain its equity ratio, the Group may be forced to make changes in its business operations or use of capital. The profitability of business operations, delays in selling or turning over developer-contractor projects, plot investments, and other increases in the balance sheet value all affect the equity ratio. The Group monitors its capital structure using its equity ratio. The Group seeks to keep its share of the capital in the balance sheet total (minus advances received) to at least 30 per cent. On 28 December 2012, SRV issued a EUR 45 million domestic hybrid bond. The bond has no maturity, but the company has the right to redeem it in four years' time. The interest payable on the bond will increase after the first repayment 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.

Corporate Governance Statement will be presented in 2014 Annual Report. Information about risks and risk management will be published also in the Notes to the Financial Statements and Annual Report.

Corporate governance and resolutions of general meetings

The Annual General Meeting (AGM) of SRV Group Plc was held on 26 March 2014. The AGM adopted the Financial Statements for the period 1 January–31 December 2013 and granted release from liability to the members of the Board of Directors and the President & CEO. As proposed by the Board of Directors, a dividend of EUR 0.12 per share was declared. The dividend was paid on 7 April 2014. 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 Risto Kyhälä were elected to seats on the Board. The firm of public accountants PricewaterhouseCoopers Oy was elected as the company's auditor for the next term of office. Samuli Perälä, authorised public accountant, is 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 of the company's 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. On the basis of this authorisation, the Board may acquire a maximum of 3,676,846 shares in public trading arranged by Nasdaq OMX Helsinki Oy at a market price valid at the moment of acquisition, as well as a maximum of 200,000 shares issued on the basis of incentive schemes to individuals employed by SRV Group without consideration, or for no more than the price at which an individual within the sphere of an incentive scheme is obliged to convey a share, such that the maximum number of acquired shares nevertheless remains at 3,676,846. The aforementioned authorisations include the right to acquire shares other than in proportion to the holdings of shareholders. Shares acquired on the basis of this authorisation may be acquired in one or several instalments. The company's own shares can be acquired for use, for example, as payment in corporate acquisitions, when the company acquires assets relating to its business, as part of the company's incentive programmes, or to be otherwise conveyed, held or cancelled. 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 20 March 2013. The Board of Directors shall decide on other terms relating to the acquisition.

The Board of Directors of SRV Group Plc held its organisation meeting on 26 March 2014. Minna Alitalo was elected Chair of the Audit Committee, and Olli-Pekka Kallasvuo and Timo Kokkila as members. Ilpo Kokkila was elected as Chairman of the Nomination and Remuneration Committee, and Arto Hiltunen and Risto Kyhälä as members. Olli-Pekka Kallasvuo will serve as Vice Chairman of the Board of SRV Group Plc.

SRV Group Plc's CFO Hannu Linnoinen went on sick leave on 1 December 2014. During his absence, Linnoinen's duties are being handled by Ilkka Pitkänen, M.Sc. (Econ.), who joined SRV as of the same date.

On 9 December 2014, SRV Group Plc's Board of Directors appointed Juha Pekka Ojala, B.Sc. (Eng.), as President & CEO of SRV Group Plc as of 1 January 2015. Ojala transferred from his former position as CEO of SRV Construction Ltd. The former President & CEO, Jukka Hienonen, M. Sc. (Econ.) left his position on his own initiative.

After the end of the review period on 13 January 2015, SRV Group Plc's Board of Directors appointed Juha Toimela, M.SC. (Tech.), MBA, as CEO of SRV Construction Ltd and Vice President responsible for SRV's Business Operations in Finland. At the same time, Antero Nuutinen, B.Sc. (Eng.), was appointed Deputy CEO of SRV Construction Ltd, responsible for Housing and Regional Offices. Both Toimela and Nuutinen are members of SRV Group's Corporate Executive Team.

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 5,956 shareholders on 31 December 2014.

The closing price at OMX Helsinki at the end of the review period was EUR 2.83 (EUR 4.05 on 31 December 2013, change -30.1%). The highest share price during the review period was EUR 4.38 and the lowest EUR 2.75. SRV's equity per share without the hybrid bond at the end of the review period amounted to EUR 5.04 (EUR 4.97 on 31 December 2013). During this period, the all-share index of the Helsinki Stock Exchange (OMX Helsinki) was up 6.2 per cent, and the OMX Construction and Materials index down 35.7 per cent.

At the end of the review period, the company had a market capitalisation of EUR 100.7 million, excluding the Group's treasury shares. 3.6 million shares were traded during the period with a trade volume of EUR 13.8 million. At the end of the review period, SRV Group Plc held 1,175,307 SRV Group Plc shares (3.2 per cent of the total number of the company's shares and combined number of votes). On 11 February 2015, the Group held 1,175,307 shares (3.2 per cent of the total number of the company's shares and votes). In 2014 SRV Group Plc acquired 6,000 of its own shares (in 2013 no own shares were acquired).

Outlook for 2015

During 2015, SRV's revenue and result will be affected by several factors, in addition to general economic trends, such as: SRV's own projects are recognised as income upon delivery; the part of the order backlog that is continuously recognised as income mainly consists of low-margin contracting; trends in the order backlog's profit margins; the sales volume of developer-contracted housing and the completion schedules of the properties; and the start-up of new contracts and development projects. The construction of the REDI shopping centre, which SRV is developing in Kalasatama, is expected to begin during early 2015. Based on current completion schedules, SRV estimates that a total of 247 developer-contracted housing units will be completed during 2015.

Thanks to the REDI shopping centre start-up, the Group's full-year revenue is expected to increase on 2014 (EUR 684.4 million 1–12/2014). The result before taxes is forecast at EUR 10–20 million (EUR 18.5 million 1–12/2014).

Proposal for the distribution of profits

The parent company's distributable funds on 31 December 2014 are	EUR 138,624,233.12
of which net profit for the financial year is	EUR 8,964,662.77

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

A dividend of EUR 0.12 per share be paid to shareholders, or	EUR 4,412,216.16
The amount to be transferred to shareholders' equity is	EUR 134,212,016.96

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

Espoo, 10 February 2015

Board of Directors

Key financial indicators

		2014	2013	2012	2011	2010
Revenue	EUR million	684.4	679.4	641.6	672.2	484.2
Operating profit	EUR million	24.9	26.4	6.9	14.1	12.5
Operating profit, % of revenue	%	3.6	3.9	1.1	2.1	2.6
Profit before extraordinary items	EUR million	18.5	22.8	2.8	10.8	7.9
Profit before extraordinary items, % of revenue	%	2.7	3.4	0.4	1.6	1.6
Profit before taxes	EUR million	18.5	22.8	2.8	10.8	7.9
Profit before taxes, % of revenue	%	2.7	3.4	0.4	1.6	1.6
Net profit for the financial year attributable to equity holders of the parent company	EUR million	15.2	18.3	0.8	5.9	6.4
Return on equity, %	%	6.9	8.4	0.5	3.3	3.2
Return on investment, %	%	5.4	5.4	2.2	4.5	4.1
Equity ratio, %	%	43.0	36.4	34.7	31.0	35.2
Order backlog	EUR million	860.4	825.8	827.8	810.8	594.8
New agreements		700.3	600.7	594.5	811.6	559.9
Personnel on average		937	949	989	880	794
Invested capital	EUR million	449.8	528.0	513.3	454.0	387.1
Net interest-bearing debt	EUR million	206.1	215.8	267.9	271.8	222.8
Net gearing ratio, %	%	91.6	97.1	126.2	160.2	141.7
Earnings per share[2]	EUR	0.33	0.43	0.02	0.17	0.19
Earnings per share (diluted)[2]	EUR	0.33	0.42	0.02	0.17	0.19
Equity per share	EUR	6.30	6.24	5.88	4.68	4.56
Equity per share (excluding hybrid bond)	EUR	5.04	4.97	4.61	4.68	4.56
Dividend per share[1]	EUR	0.12	0.12	0.06	0.12	0.12
Dividend payout ratio, %	%	36.4	27.9	300.0	70.6	63.2
Dividend yield, %	%	4.2	3.0	1.8	3.0	1.8
Price per earnings ratio (P/E-ratio)		8.6	9.4	163.0	23.5	34.9
Share price development						
Share price at the end of the period	EUR	2.83	4.05	3.26	4.00	6.63
Average share price	EUR	3.81	3.75	3.76	5.88	6.42
Lowest share price	EUR	2.75	2.95	3.00	3.83	5.50
Highest share price	EUR	4.38	4.72	4.89	7.43	7.14
Market capitalisation at the end of the period	EUR million	100.7	143.8	115.7	142.0	224.8
Trading volume	EUR 1,000	3,613	3,364	2,937	8,759	12,114
Trading volume, %	%	10.2	9.5	8.3	25.0	35.7
Weighted average number of shares outstanding	1,000	35,558	35,495	35,499	35,023	33,923
Weighted average number of shares outstanding (diluted)	1,000	35,583	35,595	35,532	35,023	33,923
Number of shares outstanding at the end of the period	EUR 1,000	35,593	35,495	35,498	35,503	33,901

[1] The Board of Directors' dividend proposal for 2014.
[2] The Group has changed the accounting principle for calculating earnings per share. The practise is presented in the group accounting principles.

Calculation of key figures

Gearing ratio, %	=	$100 \times \frac{\text{Net interest-bearing debt}}{\text{Total equity}}$
Return on equity, %	=	$100 \times \frac{\text{Net result for the financial year}}{\text{Total equity, average}}$
Return on investment, %	=	$100 \times \frac{\text{Result before taxes + interest and other financial expenses (excluding exchange rate gains and losses)}}{\text{Invested capital, average}}$
Equity ratio, %	=	$100 \times \frac{\text{Total equity}}{\text{Total assets – advances received}}$
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 equity holders of the parent company	=	$\frac{\text{Result for the period – non-controlling interest – hybrid bond interest}}{\text{Average number of shares outstanding}}$
Earnings per share attributable to equity holders of the parent company (diluted)	=	$\frac{\text{Result for the period – non-controlling interest – hybrid bond interest}}{\text{Average diluted number of shares outstanding}}$
Equity per share	=	$\frac{\text{Equity attributable to equity holders of the parent company}}{\text{Number of shares outstanding at the end of the period}}$
Equity per share (without hybrid bond)	=	$\frac{\text{Equity attributable to equity holders of the parent company – Hybrid Bond}}{\text{Number of shares outstanding at the end of the period}}$
Price per earnings ratio (P/E-ratio)	=	$\frac{\text{Share price at the end of the period}}{\text{Earnings per share}}$
Dividend payout ratio, %	=	$100 \times \frac{\text{Share price at the end of the period}}{\text{Earnings per share}}$
Dividend yield, %	=	$100 \times \frac{\text{Dividend per share}}{\text{Earnings per share}}$
Average share price	=	$\frac{\text{Dividend per share}}{\text{Share price at the end of the period}}$
Market capitalisation at the end of the period	=	Number of shares outstanding at the end of the period x share price at the end of the period
Trading volume	=	Number of shares traded during the period and in relation to the weighted average number of shares outstanding

Shares and shareholders

Share price trend and trading of shares

The shares of SRV Group Plc are quoted on the OMX Nordic Exchange. The trading with SRV Group Plc's shares (SRV1V) started on the Main list of OMX on 15 June 2007. During 2014 the highest price was EUR 4.38 and the lowest price EUR 2.75. The average share price for 2014 was EUR 3.81 and the closing price EUR 2.83 giving the company a market capitalisation of EUR 100.7 million as of 31 December 2014. 3.6 million shares were traded in OMX which corresponds to 10.2% of the weighted average number of SRV shares outstanding. The trading value of the shares was EUR 13.8 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 14,118,034 shares on 31 December 2014 which corresponds to 38.4 % of SRV shares and voting rights. In addition to the direct ownership Ilpo Kokkila owned SRV shares also through Kolpi Investments Oy and through SRV Group Plc which is under Kokkila's control.

Shareholders on 31 December 2014

Shareholder	Number of shares	Holding and voting rights, %
Kokkila Ilpo	9,034,712	24.6
Kolpi Investments Oy	5,507,379	15.0
Kokkila Timo	4,522,288	12.3
SRV Group Plc	1,175,307	3.2
Fondita Nordic Micro Cap	1,017,821	2.8
OP-Suomi Pienyhtiöt	865,800	2.4
Nordea Fennia Equity Fund	759,362	2.1
OP-Suomi Arvo	700,000	1.9
The State Pension Fund (VER)	700,000	1.9
Linnoinen Hannu	629,566	1.7
Mandatum Life Unit-Linked	500,000	1.4
Varma Mutual Pension Insurance Company	430,000	1.2
Nieminen Timo	429,234	1.2
Skandinaviska Enskilda Banken	399,105	1.1
Etera Mutual Pension Insurance Company	394,000	1.1
Sundholm Göran	323,906	0.9
Ilmarinen Mutual Pension Insurance Company	308,003	0.8
Taaleritehdas Arvo Markka Equity Fund	243,600	0.7
Taaleritehdas Mikro Markka Equity Fund	185,000	0.5
Säästöpankki Kotimaa Equity Fund	182,338	0.5
20 largest shareholders	**28,307,421**	**77.0**
Nominee registration	516,363	1.4
Other	7,944,684	21.6
Total number of shares	**36,768,468**	**100.0**

Breakdown of share ownership on 31 December 2014 by number of shares owned

Number of shares	Number of shareholders	% of shareholders	Number of shares	% of shares
1–100	814	13.7	55,282	0.2
101–500	3,154	53.0	758,825	2.1
501–1,000	849	14.3	705,591	1.9
1,001–5,000	875	14.7	2,045,383	5.6
5,001–10,000	119	2.0	819,481	2.2
10,001–50,000	102	1.7	1,945,042	5.3
50,001–100,000	15	0.3	1,077,082	2.9
100,001–500,000	18	0.3	4,449,547	12.1
500,000–	10	0.2	24,912,235	67.8
Total	**5,956**	**100.0**	**36,768,468**	**100.0**
of which nominee registrations	7	0.1	516,363	1.4

By shareholder category

	% of shares
Corporations	23.4
Financial and insurance institutions	13.6
Non-profit organisations	1.4
Public institutions	5.1
Households	56.4
Non-Finnish shareholders	0.1
	100.0

Consolidated financial statements

Consolidated income statement

EUR 1,000	Note	2014	2013
Revenue		**684,420**	**679,396**
Other operating income	5	4,891	4,148
Change in inventories of finished goods and work in progress		–54,554	18,709
Use of materials and services		–533,181	–594,827
Employee benefit expenses	8	–63,174	–63,644
Share of profits of associated and joint venture companies	17	1,030	–2,027
Depreciation and impairments	7	–2,049	–3,092
Other operating expenses	6	–12,459	–12,281
Operating profit		**24,924**	**26,384**
Financial income	10	2,824	1,805
Financial expenses	10	–9,204	–5,391
Financial income and expenses, total		**-6,380**	**-3,587**
Profit before taxes		**18,545**	**22,797**
Income taxes	11	–3,158	–4,479
Net profit for the financial year		**15,387**	**18,318**
Attributable to			
Equity holders of the parent company		15,217	18,283
Non-Controlling interests		170	36
Earnings per share attributable to equity holders of the parent company	12	**0.33**	**0.43**
Earnings per share attributable to equity holders of the parent company (diluted)	12	**0.33**	**0.42**

Statement of comprehensive income

EUR 1,000	Note	2014	2013
Net profit for the financial year		**15,387**	**18,318**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Gains and losses on remeasuring available-for-sale financial assets		–1,174	0
Gains and losses arising from translating the financial statements of a foreign operation		–5,298	–4
Income tax relating to components of other comprehensive income		235	0
Other comprehensive income for the year, net of tax		**-6,237**	**-4**
Total comprehensive income for the year		**9,150**	**18,315**
Total comprehensive income attributable to:			
Equity holders of the parent company		8,981	18,279
Non-Controlling interests		170	36

Consolidated balance sheet

EUR 1,000	Note	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	14	11,335	12,624
Goodwill	15	1,734	1,734
Other intangible assets	15	731	767
Shares in associated and joint venture companies	17	99,960	67,804
Other financial assets	16, 18	9,250	10,805
Receivables	16, 19	928	5,137
Loan receivables from associated companies and joint ventures	16, 22	29,953	23,750
Deferred tax assets	20	6,954	7,498
Non-current assets, total		**160,845**	**130,121**
Current assets			
Inventories	21	312,765	364,984
Trade and other receivables	16, 23	82,587	74,961
Loan receivables from associated companies and joint ventures	16, 22	1,100	1,100
Current tax receivables		321	1,843
Cash and cash equivalents	24	18,449	89,982
Current assets, total		**415,221**	**532,870**
ASSETS TOTAL		**576,067**	**662,989**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	25	3,063	3,063
Share premium reserve	25	0	0
Invested free equity fund	25	92,267	92,204
Fair value reserve	25	–939	0
Translation differences	25	–5,317	–19
Other reserves		0	0
Hybrid Bond		45,000	45,000
Retained earnings		90,279	81,326
Equity attributable to equity holders of the parent company, total		**224,353**	**221,574**
Non-controlling interests		**811**	**641**
Equity, total		**225,164**	**222,215**
Non-current liabilities			
Deferred tax liabilities	20	1,548	2,667
Provisions	26	6,523	3,965
Interest-bearing liabilities	16, 27	147,028	179,067
Other liabilities	16, 28	39	1,427
Non-current liabilities, total		**155,137**	**187,125**
Current liabilities			
Trade and other payables	16, 28	111,514	118,916
Current tax payable		2,717	2,314
Provisions	26	3,974	5,695
Interest-bearing liabilities	16, 27	77,563	126,725
Current liabilities, total		**195,768**	**253,649**
Liabilities, total		**350,905**	**440,775**
EQUITY AND LIABILITIES, TOTAL		**576,067**	**662,989**

Consolidated cash flow statement

EUR 1,000	Note	**2014**	2013
Cash flow from operating activities			
Net profit for the year		**15,387**	**18,318**
Adjustments:			
Depreciation and impairments	7	2,049	3,092
Non-cash transactions	32	1,205	10,483
Financial income and expenses	10	6,380	3,605
Capital gains and losses on sale of tangible and intangible assets		0	–2
Income taxes	11	3,158	4,479
Adjustments, total		**12,792**	**21,657**
Changes in working capital:			
Change in loan receivables		–773	18,517
Change in trade and other receivables		–8,258	47,741
Change in inventories		50,838	33,223
Change in trade and other payables		–7,103	–30,428
Changes in working capital, total		**34,705**	**69,053**
Interest and other financial costs paid		–14,664	–13,982
Interest received		226	3,307
Income taxes paid		–1,471	–756
Net cash from operating activities		**46,975**	**97,598**
Cash flow from investing activities			
Property, plant and equipment		–2,538	–2,147
Intangible assets		–121	–312
Other financial assets		–31,126	–42,705
Sale of property, plant and equipment and intangible assets		128	283
Sale of financial assets		0	170
Net cash used in investing activities		**-33,657**	**-44,711**
Cash Flow from financing activities			
Proceeds from loans		10,697	86,644
Repayments of loans		–10,207	–75,821
Change in housing corporation loans		–15,829	–17,017
Change in credit limits		–65,403	12,374
Purchase of treasury shares		230	0
Dividends paid		–4,294	–2,163
Net cash from financing activities		**-84,806**	**4,017**
Net change in cash and cash equivalents		**-71,488**	**56,903**
Cash and cash equivalents at the beginning of financial year		89,982	33,079
Effects on exchange rate fluctuations on cash held		–45	0
Cash and cash equivalents at the end of financial year		**18,449**	**89,982**

Consolidated statement of changes in equity

EUR 1,000	Equity attributable to equity holders of the parent company								
	Share capital	Invested free equity fund	Fair value reserve	Translation differences	Hybrid Bond[2]	Retained earnings	**Total**	Non-controlling interests	**Equity Total**
Equity, total, 1 Jan 2013	**3,063**	**92,204**	**0**	**-19**	**45,000**	**81,326**	**221,574**	**641**	**222,215**
Net profit for the financial year	0	0	0	0		15,217	**15,217**	170	**15,387**
Other comprehensive income items (with the tax effect)									
Foreign currency translation differences for foreign operations	0	0	0	-5,298	0	0	**-5,298**	0	**-5,298**
Available-for-sale financial assets	0	0	-939	0	0	0	**-939**	0	**-939**
Total comprehensive income	**0**	**0**	**-939**	**-5,298**	**0**	**15,217**	**8,981**	**170**	**9,150**
Transactions with the owners									
Dividends paid	0	0	0	0	0	-4,294	**-4,294**	0	**-4,294**
Share based incentive plan	0	0	0	0	0	1,257	**1,257**	0	**1,257**
Sale of treasury shares	0	63	0	0	0	167	**230**	0	**230**
Purhchase of treasury shares	0	0	0	0	0	0	**0**	0	**0**
Hybrid Bond	0	0	0	0	0	-3,392	**-3,392**	0	**-3,392**
Other changes	0	0	0	0	0	0	**0**	0	**0**
Transactions with the owners, total	**0**	**63**	**0**	**0**	**0**	**-6,262**	**-6,200**	**0**	**-6,200**
Equity, total, 31 Dec 2014	**3,063**	**92,267**	**-939**	**-5,317**	**45,000**	**90,279**	**224,353**	**811**	**225,164**
Equity, total, 1 Jan 2013	**3,063**	**92,204**	**0**	**-15**	**45,000**	**68,507**	**208,758**	**3,514**	**212,273**
Net profit for the financial year	0	0	0	0		18,283	**18,283**	36	**18,318**
Other comprehensive income items (with the tax effect)									
Foreign currency translation differences for foreign operations	0	0	0	-4	0	0	**-4**	0	**-4**
Available-for-sale financial assets	0	0	0	0	0	0	**0**	0	**0**
Total comprehensive income	**0**	**0**	**0**	**-4**	**0**	**18,283**	**18,279**	**36**	**18,315**
Transactions with the owners									
Dividends paid	0	0	0	0	0	-2,130	**-2,130**	0	**-2,130**
Share based incentive scheme	0	0	0	0	0	2,020	**2,020**	0	**2,020**
Purhchase of treasury shares	0	0	0	0	0		**0**	0	**0**
Purhchase and cancellation of treasury shares	0	0	0	0	0		**0**	0	**0**
Hybrid Bond	0	0	0	0	0	-3,184	**-3,184**	0	**-3,184**
Other changes[1]	0	0	0	0	0	-2,170	**-2,170**	-2,909	**-5,079**
Transactions with the owners, total	**0**	**0**	**0**	**0**	**0**	**-5,464**	**-5,464**	**-2,909**	**-8,373**
Equity, total, 31 Dec 2013	**3,063**	**92,204**	**0**	**-19**	**45,000**	**81,326**	**221,574**	**641**	**222,215**

[1] Other change consists of the loss from non-controlling interests from acquisition of 2,909 thousand euros.
[2] Due to change of accounting practice the Hybrid bond is shown without emission costs.

Notes to the consolidated financial statements

Description of operations

SRV Group Plc and its subsidiaries (SRV Group) comprise one of the Finland's leading project management contractors 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 Ehituse AS 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 in Estonia. 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 10 February 2015.

Accounting policies

The consolidated financial statements have been prepared on 31 December 2014 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.

SRV has changed its presentation of associated company and joint venture form of investments in the consolidated balance sheet. In future, the company will present investments consolidated by the equity method as a separate item in non-current assets. Previously, these have been presented as inventories or other non-current financial assets, depending on the nature of the investment. Holdings in associated companies and joint venture totalled EUR 67.8 million on 31 December 2013 and EUR 31.5 million on 31 December 2012. The reclassification has no impact on the company's result, total assets or the key figures presented in the company's financial statements. The reclassification causes a change in the cash flow statement only between net cash flow from operating activities and net cash flow from investing activities. The adjustment figures of comparison periods were presented in a release issued on 30 December 2014.

The accounting principles of key figures and their formulas are unchanged, except for the earnings per share key figure. Departing from its earlier practice, the company presents only one earnings per share key figure, in which earnings attributable to shareholders of the parent are adjusted by hybrid loan interest with tax effect. The key figures of comparison periods have been adjusted to reflect the new accounting policy. In the company's view, the change has no material impact on the key figure. The figures of the release have been rounded to millions of euros, the total sum of the individual figures may differ from the sum figure presented.

Application of new standards, amendments and interpretations

Following standards, interpretations and amendments have been applied beginning from 1 January 2014:

- IFRS 10, Consolidated financial statements. The most important amendment is the specification of the concept of control in determining whether an entity should be combined consolidated financial statements. The standard will not have an material impact on the consolidated financial statements.
- IFRS 11, Joint arrangements. The standard key amendments is that joint arrangements of rights and obligations emphasis on their legal forms instead. In addition, the standard requires the reporting of joint arrangements for using the equity method. The standard will not have a material impact on the consolidated financial statements.
- IFRS 12, Disclosures of interests in other entities. The standard key amendments are the disclosure requirements for all forms of interests in other entities. The new standard expanded disclosures by the group to present their holdings in other entities.
- IAS 28, Associates and joint ventures. The main impact of the change relating to the requirement of associates and joint ventures using the equity method of treatment of the IFRS 11 standard, as a result of the publication. The standard will not have a material impact on the consolidated financial statements.
- IAS 32, Financial instruments: Presentation, on asset and liability offsetting. IAS 32 amendment clarifies that when the entity has a legally right to set off the recognised amounts and when to set-off takes place at the same time sufficiently so that all assets and liabilities may be offset. The standard will not have a material impact on the consolidated financial statements.
- IAS 36, Impairment of assets on recoverable amount disclosures. The amendment clarifies the disclosure requirements relating to assets where the recoverable amount is determined based on the fair value less costs of disposal. The standard had no impact on the consolidated financial statements.
- IAS 39 Financial Instruments: recognition and measurement on novation of derivatives. The amendment states that hedge accounting does not have to stop, if protective counterparty, the change is forced by the law and the terms of the agreement which shall remain unchanged. The standard had no impact on the consolidated financial statements.
- IFRIC 21 Levies. The interpretation addresses what the obligating event is that gives rise to the payment of a levy and when a liabil-

ity should be recognised. The interpretation had no impact on the consolidated financial statements.

The following standards, interpretations and amendments shall be applied for a period beginning on 1.1.2016 or later (in brackets effective date).

The Group is reviewing the impact of future standards, amendments and interpretations.

- Amendment to IFRS 11 Joint arrangements regarding acquisition of an interest in a joint operation. (01/01/2016, not yet approved in the EU). This amendment provides new guidance on how to account for the acquisition of an interest in a joint venture operation that constitutes a business. The amendments require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.
- Amendment to IAS 16 Property, plant and equipment and IAS 38 Intangible assets regarding depreciation and amortisation (01/01/2016, not yet approved in the EU). This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. This has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The presumption may only be rebutted in certain limited circumstances. These are where the intangible asset is expressed as a measure of revenue; or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.
- Amendments to IFRS 10 and IAS 28 regarding the sale or contribution of assets between an investor and its associate or joint venture. (01/01/2016, not yet approved in the EU). These amendments address an inconsistency between IFRS 10 and IAS 28 in the sale or contribution of assets between an investor and its associate or joint venture. A full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if those assets are in a subsidiary.
- Amendment to IAS 27 Separate financial statements regarding the equity method (01/01/2016, not yet approved in the EU). The amendment allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Annual improvements amend standards from the 2012–2014 reporting cycle. (01/01/2017, not yet approved in the EU). These annual improvements includes changes to: IFRS 5 Non-current assets held for sale and discontinued operations, IFRS 7 Financial instruments: Disclosures: There are two amendments: Servicing contracts and Interim financial statements, IAS 19, Employee benefits, IAS 34, Interim financial reporting
- IFRS 15, Revenue from contracts with customers. (01/01/2017, not yet approved in the EU). This is the converged standard on revenue recognition. It replaces IAS 11 Construction contracts, IAS 18, 'Revenue' and related interpretations. Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:
  - Step 1: Identify the contract(s) with a customer
  - Step 2: Identify the performance obligations in the contract
  - Step 3: Determine the transaction price
  - Step 4: Allocate the transaction price to the performance obligations in the contract
  - Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

  IFRS 15 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

- IFRS 9, Financial instruments (01/01/2018, not yet approved in the EU). The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

Use of estimates

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

Revenues and expenses related to the construction contracts are recognised based on the percentage of completion method, 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. If 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 all such companies that belong to parent company SRV Group Plc where the Group has authority. The Group has authority in a company if the Group, by being involved in it, is susceptible to or entitled to its changing revenue, and is capable of exerting an impact on the revenue concerned by applying its authority in a manner that affects the company concerned. The subsidiaries will be combined within the consolidated financial statements from the day that authority is transferred to the Group, and the combination will end on the day when this authority ceases.

The balance sheet items of self-sufficient construction projects are comprised within 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.

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

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.

Changes in the ownership share of the parent company in the subsidiary that do not lead to the loss of authority are treated as business operations affecting equity. When the authority of the Group ceases, the remaining ownership share is appreciated to the fair value of authority on the loss date, and the change in book value is entered as effect on income. This fair value functions as an original book value when the remaining share is later treated as an associated company, joint venture or as financial assets. In addition, amounts entered previously into other broad profit-based items respective to the enterprise concerned will be treated as if the Group had directly transferred the assets and liabilities connected with them. This may mean that amounts entered previously into other broad profit-based items will be transferred as effect on income.

Associated companies and Joint ventures

Associated companies are all enterprises in which the Group has considerable influence, but not authority. This is generally based on share ownership that generates 20–50% of the voting rights.

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the jointly agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement, whereas in a joint operation the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to arrangement.

The Group has applied the IFRS 11 standard to all joint arrangements from the outset of 2014 onwards. According to IFRS 11, the joint arrangements are classified as joint operations or joint ventures in compliance with the investors' contractual rights and obligations. The Group has assessed the character of its joint arrangements and has determined that they are joint ventures.

The associated companies and joint ventures are combined in the consolidated financial statements by using the capital share method. If the Group's share of associated company and joint venture losses exceeds the book value of the investment, the investment will be entered into the balance sheet with a value of zero, and the losses exceeding book value will be combined, unless the Group is not obligated to fulfilling the obligations of the associated company and joint venture. Associated company and joint venture investment contains the goodwill that has been generated from its acquisition. Non-realized profits and losses between the Group and associated companies and joint ventures are eliminated in accordance with the Group's ownership share. Non-realized losses are not eliminated if the transaction suggests a reduction in value of the transferred asset. The Group's ownership share from the share of financial year results from an associated company and joint venture is presented before business profit.

The financial statement formulation principles observed by an associated company and joint venture have been amended as required to comply with the principles the Group observes.

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. When controlling interest is lost in current asset company in a transaction carried out, its remaining holding is measured at fair value.

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

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. Changes in the fair value of derivative instruments are recognised directly in the income statement. 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.

Group's Treasury unit is responsible for the hedge transactions according to the policy approved by the Board of Directors.

During the fiscal year 2014 and 2013 there were no hedges qualifying for IAS 39 hedge accounting.

Financial assets and liabilities held for trading

The derivative instruments 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

The available-for-sale financial assets are financial assets that are either specified as belonging to this item or which have not been classified in any other group. These include long-term financial assets unless there is the intention to relinquish the investment within 12 months from the date of the balance sheet.

The available-for-sale financial assets can include both quoted and non-quoted shares. The investments in the sorts of non-quoted shares whose fair value is not reliably specified are valued at the purchase price. The fair value of the investment is determined on the basis of the investment's bid price. In the event that there are no quoted bid prices for the available-for-sale financial assets, the Group will apply various valuation methods to their valuation. These are, for example, the recent transactions between independent interests, discounted cash flows, or other similar types of instrument valuations.

The changes in the fair value of the available-for-sale financial assets will be entered into the other broad profit items and presented in an equity instalment, the Revaluation Reserve, whilst taking into consideration its tax impact. The accumulated fair value changes are transferred from equity as corrections owing to changes in the classification of items affecting income when the investment is sold or its value has declined to the extent that impairment loss from the investment should be entered.

The available-for-sale financial assets are derecognised when the rights to cash flows cease being valid or they are transferred, and the Group has transferred the risks and benefits connected with ownership to a substantive extent.

The Group assesses on each balance sheet date as to whether or not there is objective evidence that the value of the item or group of items respective to the financial assets for sale has declined.

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.

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.

Rental costs remitted to an external party can be activated to book value for the asset assigned to rent; such as, e.g. the rental agency's fees. Sales and marketing costs are not activated costs. In preparing the asset, the activated rental costs should be entered as expenditure along with the average duration of the rental agreements. The margin generated from rental services sold by the associated company and joint venture should be eliminated in relation to the ownership share.

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 tax assets or liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. 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:

Operations in Finland

SRV is an innovative construction company that provides end-to-end solutions. The company assumes customer-focused responsibility for project development, commercialisation and construction.The product selection of Finnish business operations is comprised of residential, office and infrastructure construction. In Finland, SRV operates in the Greater Helsinki Area, Turku, Tampere, Oulu, Jyväskylä 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 Estonia 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 Estonia. 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.

In accordance with the IFRS 8 definition, the Group had one significant individual customer during the 2014 financial year. There were no such customers in 2013.

2014

EUR 1,000	Operations in Finland	International Operations	Other	Total
Revenue, external	620,799	56,689	6,932	**684,420**
Business construction	395,474			
Housing construction	232,468			
Revenue, internal	7,073	241	12,559	**19,873**
Total	**627,872**	**56,930**	**19,490**	**704,293**
Operating profit	**30,026**	**1,066**	**-6,168**	**24,924**
Segment's assets				
Non-current	18,146	133,863	179,170	**331,179**
Current				
Land areas and plot-owning companies	96,033	66,089	0	**162,122**
Work in progress	77,095	2,275	0	**79,371**
Shares in completed housing corporations and real estate companies	58,229	2,755	0	**60,984**
Other inventories	5,970	4,310	7	**10,287**
Inventories total	237,328	75,430	7	**312,765**
Other current assets	124,495	16,868	173,523	**314,886**
Total	**379,969**	**226,160**	**352,701**	**958,830**
Segment's liabilities				
Non-current	71,129	4,106	79,989	**155,223**
Current	169,543	151,547	87,019	**408,110**
Total	**240,672**	**155,653**	**167,008**	**563,333**
Invested capital				
At the end of period	277,244	202,999		**449,756**
Return on investment, %	10.8	1.3		**5.4**
Order backlog	**723,200**	**137,178**		**860,378**
Business construction	450,060			
Housing construction	273,140			

2013

EUR 1,000	Operations in Finland	International Operations	Other	Total
Revenue, external	574,039	104,535	823	**679,396**
Business construction	319,249			
Housing construction	255,521			
Revenue, internal	730	143	12,215	**13,089**
Total	**574,770**	**104,678**	**13,038**	**692,485**
Operating profit	**21,428**	**9,992**	**-5,035**	**26,384**
Segment's assets				
Non-current	13,169	104,403	39,663	**157,234**
Current				
Land areas and plot-owning companies	83,113	68,176	0	**151,285**
Work in progress	87,804	4,335	0	**92,139**
Shares in completed housing corporations and real estate companies	112,886	1,885	0	**114,772**
Other inventories	5,814	960	10	**6,788**
Inventories total	289,617	75,357	10	**364,984**
Other current assets	80,441	29,324	349,990	459,755
Total	**383,228**	**209,083**	**389,663**	**981,974**
Segment's liabilities				
Non-current	90,566	16,228	80,331	**187,125**
Current	236,085	182,734	126,699	**545,518**
Total	**326,651**	**198,962**	**207,030**	**732,643**
Invested capital				
At the end of period	**274,783**	**177,859**		**528,007**
Return on investment, %	**7.3**	**6.3**		**5.4**
Order backlog	**645,753**	**180,060**		**825,813**
Business construction	392,775			
Housing construction	252,978			

Revenue

EUR 1,000	2014	2013
Segment's revenue	684,802	679,447
Revenue, others	19,490	13,038
Eliminations and other adjustments	–19,873	–13,089
Total	**684,420**	**679,396**

Operating profit

EUR 1,000	2014	2013
Segment's operating profit	31,093	31,420
Operating profit, others	–6,168	–5,035
Eliminations and other adjustments	0	0
Total	**24,924**	**26,384**

Assets

EUR 1,000	2014	2013
Segment's assets	606,129	592,311
Assets, others	352,701	389,663
Eliminations and other adjustments	–382,763	–318,983
Total	**576,067**	**662,991**

Liabilities

EUR 1,000	2014	2013
Segment's liabilities	396,325	525,613
Liabilities, others	167,008	207,030
Eliminations and other adjustments	–212,429	–291,870
Total	**350,904**	**440,774**

Order backlog

EUR million	2014	2013
Order backlogs of the segments	860	826
Total	**860**	**826**

2 Acquisitions

SRV Group did not acquire new businesses in 2014 and previous year.

3 Disposals

SRV Group did not have significant disposals of businesses in 2014 and previous year.

4 Construction contracts

2014

EUR 1,000	
Revenue recognised from construction contracts based on the percentage of completion	541,162
Revenue recognised from other construction projects upon delivery	136,643
Contract costs and profits at the end of financial year (less recognised losses) related to the work in progress	501,055

EUR 1,000	Total 2014	Cost incurred plus regognised profits	The sum of recognised losses and progress billings
The gross amount due from customers for contract work	10,685		
Operations in Finland	10,685	167,159	156,474
International Operations	0	4,279	4,279
The gross amount due to customers for contract work[1]	49,223		
Operations in Finland	47,141	297,352	344,493
International Operations	2,082	4,161	6,242

2013

EUR 1,000	
Revenue recognised from construction contracts based on the percentage of completion	519,047
Revenue recognised from other construction projects upon delivery	121,184
Contract costs and profits at the end of financial year (less recognised losses) related to the work in progress	255,458

EUR 1,000	Total 2013	Cost incurred plus regognised profits	The sum of recognised losses and progress billings
The gross amount due from customers for contract work	1,567		
Operations in Finland	1,567	63,160	61,593
International Operations	0	74,271	74,271
The gross amount due to customers for contract work[1]	50,906		
Operations in Finland	47,288	203,369	250,657
International Operations	3,618	152,577	156,195

[1] Gross receivables from customers are disclosed in Note 23 Accounts and other receivables, on the line Gross amount due from customers related to construction contracts. Gross liabilities to customers are disclosed in Note 28, Other Liabilities, on the line Advance payments related to construction contracts.

5 Other operating income

EUR 1,000	**2014**	2013
Capital gains on sales of property, plant and equipment and intangible assets	75	35
Rental income	4,186	3,265
Other income	630	849
Total	**4,891**	**4,148**

6 Other operating expenses

EUR 1,000	**2014**	2013
Capital losses on sales of property, plant and equipment and intangible assets	0	16
Rental expenses	1,825	1,428
Voluntary indirect personnel expenses	1,806	1,396
Car and travel expenses	935	977
Entertainment and marketing	1,013	1,097
Communications and IT	1,795	1,416
Other external services	1,219	1,051
Other fixed expenses	3,867	4,900
Total	**12,459**	**12,281**

Auditing fees

EUR 1,000	**2014**	2013
Audit	277	270
Auditors' statements	0	0
Tax services	4	9
Other services	28	49
Total	**309**	**327**

7 Depreciation and impairments

EUR 1,000	**2014**	2013
Depreciation		
Intangible assets		
Other intangible assets	131	100
Reversal of impairment	-1,100	0
Property, plant and equipment		
Buildings and structures	585	661
Machinery and equipment	2,364	2,301
Other tangible assets	68	30
Total	**2,049**	**3,092**

8 Employee-benefit expenses

EUR 1,000	**2014**	2013
Wages and salaries[1]	50,375	49,842
Pension expenses – defined contribution plans	8,516	8,364
Share-based incentive scheme	1,723	2,395
Other indirect personnel expenses	2,559	3,042
Total	**63,174**	**63,644**

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

Average number of personnel

	2014	2013
Operations in Finland	658	702
International Operations	188	160
Other	91	87
Total	**937**	**949**

Share-based incentive schemes

	Grant year					
Grant year	2009[1]	2011[2]	2012[3]	2014[4]	2014[5]	**Total**
Reward principle	Employment	Employment	Set targets	Set targets	Employment	
Exercise price	4.80	6.81	–	–	3.14	
Dividend adjusted exercise price 31 Dec 2014	4.80	6.39	–	–	3.14	
Subscription period	2010–2016	2011–2016	2012–2013	2014–2016	2015–2020	
Total amount	2,000,000	2,000,000	404,000	588,000	600,000	
Share incentives 1 Jan 2013	1,600,000	1,657,000	389,000	–	–	**3,646,000**
Additions	–	–	–	–	–	**-**
Share incentives used	–	–	–	–	–	**-**
Share incentives returned or expired	400,000	438,250	17,000	–	–	**855,250**
Share incentives 31 Dec 2013	1,200,000	1,218,750	372,000	–	–	**2,790,750**
Share incentives 1 Jan 2014	1,200,000	1,218,750	372,000	–	–	**2,790,750**
Additions	–	–	–	553,000	600,000	**1,153,000**
Share incentives used	–	–	104,232	–	–	**104,232**
Share incentives returned or expired	400,000	447,750	267,768		–	**1,158,578**
Share incentives 31 Dec 2014	800,000	771,000	0	553,000	600,000	**2,724,000**
Shares granted based on incentives, 2013	–	–	–	–	–	**-**
Shares granted based on incentives, 2014	–	–	104,232	–	–	**104,232**

[1] 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. 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.

[2] 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%.

[3] 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 recognised 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.

[4] On 13 February 2014, the Board of Directors decided on a new share-based incentive scheme for the Group's key personnel. The scheme covers 26 key SRV personnel. The scheme will be in effect from 2014 to 2016 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 558,000 SRV Group shares will be granted to key employees. The total recognised IFRS value of shares conveyed over the lifetime of incentive scheme will be approximately EUR 2.8 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 4.00, risk-free interest rate 0.86% and volatility 32 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.

[5] In December 2014, the Board of Directors of SRV decided on new CEO's, starting from the beginning of January 2015, long-term share-based incentive scheme. The scheme will be in effect from 2014 to 2022 and the reward is based on the price development of SRV Group Plc's share. The company's Board of Directors will make a decision on the manner of implementation each time separately 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 total recognised IFRS value of shares conveyed over the lifetime of incentive scheme will be approximately EUR 0.4 million The theoretical market value is calculated by the Black-Scholes -model used for pricing options with the following criteria: share price EUR 3.12, reference share price EUR 3.1374, risk-free interest rate 0.37% and volatility 25 per cent.

The liabilities related to share-based payment transactions amounted to EUR 653 thousand (2014) and EUR 686 thousand (2013) 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	**2014**	2013
Financial income		
Income on available-for-sale assets	0	0
Interest income from loans and receivables	2,426	894
Financial asset/liabilities at fair value	383	801
Other financial income	398	913
Total	**3,207**	**2,608**
Financial expenses		
Expenses for financial liabilities at amortised cost	-6,867	-5,197
Other financial expenses	-1,378	-865
Total	**-8,245**	**-6,063**
Foreign exchange gains/losses		
Foreign exchange gains[1]	4,032	4,685
Foreign exchange losses	-5,374	-4,817
Total	**-1,342**	**-132**
Financial income and expenses, total	**-6,380**	**-3,587**

[1] Foreign exchange gains and financial assets and liabilities at the fair value through profit and loss are disclosed in the income statement under financial expenses.

11 Income taxes

Income taxes in the income statement

EUR 1,000	**2014**	2013
Current taxes	4,139	5,203
Taxes for previous financial years	51	128
Other taxes	1	0
Deferred taxes	-1,033	-851
Total	**3,158**	**4,479**
Effective income tax rate	17.0 %	19.6 %

The income taxes in the consolidated income statement differ from the statutory income tax rate in Finland (20.0% in 2014 and in 2013 24.5%) as follows:

Income tax reconciliation

EUR 1,000	**2014**	2013
Profit before taxes	18,545	22,797
Income taxes at statutory tax rate in Finland (20.0% 2014 and 24,5% 2013)	3,709	5,585
Differing tax rates of foreign subsidiaries	-3	75
Effect of changes in income tax rates on deferred taxes[1]	0	658
Tax exempt income	-221	-3,723
Non-deductible expenses	786	530
Unrecognised and reversed tax losses	-798	439
Taxes for previous financial years	-109	418
Associated companies and joint ventures consolidated using the equity method	-206	497
Adjustments	0	0
Income taxes	**3,158**	**4,479**

[1] The figure for 2013 is affected by the change in the Finnish corporate tax rate from 24.5% to 20.0% in 2014.

Income taxes recognised in other comprehensive income

	2014			2013		
EUR 1,000	**Before tax**	**Tax (expense) benefit**	**Net of tax**	Before tax	Tax (expense) benefit	Net of tax
Financial assets available for sale	1,174	-235	939	-	-	-
Total	1,174	-235	939	-	-	-

Income taxes recognised in equity

EUR 1,000	**2014**	2013
Hybrid Bond interests tax	848	1,043
Total	848	1,043

12 Earnings per share

EUR 1,000	**2014**	2013
Profit/loss for the year attributable to equity holders of the parent	15,217	18,283
Profit/loss for the year attributable to Hybrid Bond investors	-3,392	-3,184
Profit/loss for the calculate the earnings per share	11,825	15,099

Number of shares	**2014**	2013
Weighted average number of shares outstanding, (1,000)	35,558	35,495
Weighted average number of shares outstanding (diluted), (1,000)	35,583	35,595

Earnings per share attributable to equity holders of the parent company, eur per share[1]	**0.33**	**0.43**
Earnings per share attributable to equity holders of the parent company (diluted), eur per share[1]	**0.33**	**0.42**

[1] The comparable year's figures will be affected by the new way of calculation of the interest of the hybrid bond loan.

13 Dividend per share

The dividends paid in 2014 was EUR 0.12 per share, totalling EUR 4.3 million. The dividends paid in 2013 was EUR 0.06 per share, totalling EUR 2.2 million. A dividend of EUR 0.12 per share will be proposed at the Annual General Meeting on 25 March 2015 corresponding to total dividends of EUR 4.3 million. This proposed dividend is not recorded as liability in the financial statements.

14 Property, plant and equipment

2014

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	**Total**
Historical cost, 1 Jan	272	10,896	25,074	824	**37,066**
Increases	0	0	2,255	149	**2,404**
Decreases	0	-11	-80	-355	**-447**
Transfer	0	0	15	0	**15**
Foreign exchange differences	0	-61	-147	-158	**-366**
Historical cost, 31 Dec	**272**	**10,825**	**27,116**	**459**	**38,672**
Accumulated depreciation and impairments, 1 Jan	0	-6,141	-18,242	-58	**-24,441**
Depreciation	0	-585	-2,364	-68	**-3,018**
Accumulated depreciations of decreases	0	0	13	-1	**12**
Foreign exchange differences	0	10	103	17	**129**
Transfer	0	0	-19	-1	**-18**
Accumulated depreciation and impairments, 31 Dec	**0**	**-6,717**	**-20,507**	**-112**	**-27,336**
Carrying amount, 31 Dec	**272**	**4,108**	**6,609**	**347**	**11,335**

2013

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	**Total**
Historical cost, 1 Jan	272	10,916	23,821	407	**35,416**
Increases	0	8	1,707	429	**2,145**
Decreases	0	-28	-455	-12	**-494**
Foreign exchange differences	0	0	0	0	**0**
Historical cost, 31 Dec	**272**	**10,896**	**25,074**	**824**	**37,066**
Accumulated depreciation and impairments, 1 Jan	0	-5,486	-16,204	-32	**-21,722**
Depreciation	0	-661	-2,301	-30	**-2,992**
Accumulated depreciations of decreases	0	6	263	3	**272**
Accumulated depreciation and impairments, 31 Dec	**0**	**-6,141**	**-18,242**	**-58**	**-24,441**
Carrying amount, 31 Dec	**272**	**4,755**	**6,832**	**766**	**12,624**

SRV Group had no significant value of finance lease agreements in 2014 and 2013.

15 Goodwill and other intangible assets

2014

EUR 1,000	Intangible rights	Goodwill	Other capitalised expenditure	Total
Historical cost, 1 Jan	728	1,734	880	**3,342**
Foreign exchange differences	0	0	-42	**-42**
Increases	7	0	157	**164**
Decreases	0	0	-26	**-26**
Historical cost, 31 Dec	**735**	**1,734**	**969**	**3,438**
Accumulated amortisation, 1 Jan	-473	0	-368	**-841**
Foreign exchange differences	10	10	10	**29**
Amortisation	-5	0	-126	**-131**
Accumulated amortisation, 31 Dec	**-481**	**0**	**-492**	**-973**
Carrying amount, 31 Dec	**254**	**1,734**	**477**	**-2,465**

2013

EUR 1,000	Intangible rights	Goodwill	Other capitalised expenditure	Total
Historical cost, 1 Jan	727	1,734	627	**3,089**
Increases	1	0	313	**314**
Decreases	0	0	-61	**-61**
Historical cost, 31 Dec	**728**	**1,734**	**880**	**3,342**
Accumulated amortisation, 1 Jan	-469	0	-277	**-746**
Amortisation	-4	0	-91	**-95**
Accumulated amortisation of decreases	0	0	0	**0**
Accumulated amortisation, 31 Dec	**-473**	**0**	**-368**	**-841**
Carrying amount, 31 Dec	**255**	**1,734**	**512**	**2,501**

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

Goodwill

EUR 1,000	2014	2013
Operations in Finland		
SRV Construction Ltd	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 13 February 2014, the SRV Board of Directors confirmed a new Group strategy for the years 2014–2018 with the following strategic targets:

- SRV's focus is to improve profitability instead of growth.
- The turnover of International Operations will be increase up to over 150 million euros per year.
- The operating margin will go up to six per cent.
- The return on equity will be 15 per cent at the minimum.
- The equity ratio will be kept at above 30 per cent.
- Taking into consideration the capital needs of the businesses, SRV targets a dividend of 30 per cent of the annual profit.

In the impairment test of goodwill performed in January 2015, 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 unit 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 categories

2014

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	Fair value	Note
Non-current financial asset							
Long-term interest bearing receivables	0	928	0	0	928	928	19
Loan receivables from associated companies and joint ventures	0	29,953	0	0	29,953	29,953	22
Other financial assets	0	0	9,250	0	9,250	9,250	18
Current financial assets							
Accounts receivables	0	43,683	0	0	43,683	43,683	23, 29
Construction contracts receivables	0	10,685	0	0	10,685	10,685	23
Other interest bearing receivables	0	18	0	0	18	18	23
Derivative instruments	0		0	0	0	0	30
Loan receivables from associated companies and joint ventures	0	1,100	0	0	1,100	1,100	22
Cash and cash equivalents	0	18,449	0	0	18,449	18,449	24
Total	**0**	**104,817**	**9,250**	**0**	**114,067**	**114,067**	
Non-current financial liabilities							
Interest bearing liabilities	0	0	0	147,028	147,028	149,561	27
Other non-current liabilities	0	0	0	39	39	39	28
Current financial liabilities							
Interest bearing liabilities	0	0	0	77,563	77,563	77,563	27
Derivative instruments	0	0	0	0	0	0	31
Accounts payables	0	0	0	0	22,267	22,267	28
Total	**0**	**0**	**0**	**224,629**	**246,897**	**249,430**	

2013

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	Fair value	Note
Non-current financial asset							
Long-term interest bearing receivables	0	5,137	0	0	5,137	5,137	19
Loan receivables from associated companies and joint ventures	0	23,750	0	0	23,750	23,750	22
Other financial assets	0	0	10,805	0	10,805	10,805	18
Current financial assets							
Accounts receivables	0	39,551	0	0	39,551	39,551	23, 29
Construction contracts receivables	0	1,567	0	0	1,567	1,567	23
Other interest bearing receivables	0	9	0	0	9	9	23
Derivative instruments	0		0	0	0	0	30
Loan receivables from associated companies and joint ventures	0	1,100	0	0	1,100	1,100	22
Cash and cash equivalents	0	89,982	0	0	89,982	89,982	24
Total	**0**	**161,097**	**10,805**	**0**	**171,902**	**171,902**	
Non-current financial liabilities							
Interest bearing liabilities	0	0	0	179,067	179,067	179,067	27
Other non-current liabilities	0	0	0	1,427	1,427	1,427	28
Current financial liabilities							
Interest bearing liabilities	0	0	0	126,725	126,725	126,725	27
Derivative instruments	383	0	0	0	383	383	31
Accounts payables	0	0	0	0	26,220	26,220	28
Total	**383**	**0**	**0**	**307,218**	**333,822**	**333,822**	

Carrying amounts do not differ substantially from Fair value excluded bonds. The fair value of a bond is based on discounted cash flows. Interest by means of which the Group would obtain a corresponding external loan on the ending date of the reporting period is used as the discount rate. Carrying amounts of financial assets represent the maximum amount of credit risk at the balance sheet date.

17 Shares in associated and joint venture companies

Shares in associated and joint venture companies

EUR 1,000	2014	2013
Shares in associated companies	72,824	43,523
Shares in joint venture companies	27,136	24,281
Total	**99,960**	**67,804**

Shares in associated and joint venture companies are investments into international construction projects together with other investors.

Information about the substantial associated companies

		Direct ownership (%)	
Name	Domicile	2014	2013
Jupiter Realty 1 B.V	Netherlands	45	45

The associated company is investing into Okhta Mall project in St. Petersburg. SRV is investing into the project also through partnership in Russia Invest.

Information about the substantial joint venture companies

		Direct ownership (%)	
Name	Domicile	2014	2013
Netherland Pearl Plaza B.V	Netherlands	50	50

The associated company is investing into Pearl Plaza project in St. Petersburg.

Financial information about the substantial associated companies

	Jupiter Realty 1 B.V		Netherland Pearl Plaza B.V	
Name	2014	2013	2014	2013
Cash and cash equivalents	–	–	1,731	3,116
Other short term assets	90,623	41,069	1,871	5,125
Short term assest	**90,623**	**41,069**	**3,602**	**8,241**
Long term assets	**8,574**	**0**	**154,732**	**152,321**
Long term liabilities	**8,523**	**2,318**	**15,820**	**22,365**
Long term financial liabilities	–	–	95,000	95,000
Long term liabilities	35,814	19,000	–	–
Other long term liabilities	**35,814**	**19,000**	**95,000**	**95,000**
Net sales	0	0	20,167	5,311
Depreciation	–	–	-40	-3
Interest income	–	–	60	0
Interest expenses	–	–	-5,700	-1,624
Income taxes	–	–	-1,094	406
Profit for the financial period	-1,096	-420	4,317	-1,586

The reconciliation of the associated companies financial information to Group's unbooked book value:

Group's ownership-%	45	45	50	50
Group's share of net assets	24,687	8,888	23,757	21,598
Adjustment to purchase price of associated companies	15,381	15,336	0	0
The balance sheet value of the associated companies in Group balance sheet	40,068	24,224	23,757	21,598

Summary of financial information

	Other associated companies		Other joint venture companies	
Name	2014	2013	2014	2013
The Group's share of the profit	-1,077	-1,271	696	268
The total book value in Group's balance sheet	32,756	19,299	3,379	2,683

18 Other financial assets

Other financial assets may include quoted or 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	2014	2013
Opening balance at 1 Jan 2014	**10,805**	**10,917**
Increases	0	155[1]
Decreases	-317	-267
Amount of available-for-sale financial assets, transferred into the income statement	-1,174	0
Gains and losses recognised in profit or loss	-64	0
Closing balance, 31 Dec 2014	**9,250**	10,805[1]
Non-current	9,250	10,805
Current	0	0
Quoted shares	0	0
Unquoted shares	9,250	10,805

[1] In connection with the revision in the presentation mode, the classification changed on 30 December 2014.

19 Receivables

	Carrying amount	
EUR 1,000	2014	2013
Non-current receivables		
Loan receivables	928	5,137
Total	**928**	**5,137**

20 Deferred tax assets and liabilities

2014

EUR 1,000	1 Jan	Recognised in the income statement	Recognised in comprehensive income	Exchange rate difference	31 Dec
Deferred tax assets					
Tax losses	2,683	692	0	0	**3,375**
Employee-benefits	343	-173	0	0	**170**
Unrealised losses/profits of assets available for sale	0	8	235	0	243
Accrual differences in developer contracting	2,650	184	0	0	2,834
Other temporary differences	1,822	-799	0	-691	332
Total	**7,498**	**-87**	**235**	**-691**	**6,954**
Deferred tax liabilities					
Unrealised profits of financial instruments	160	-160	0	0	0
Other temporary differences	2,507	-960	0	0	1,548
Total	**2,667**	**-1,120**	**0**	**0**	**1,548**
Net deferred taxes	**4,831**	**1,033**	**235**	**-691**	**5,406**

2013

EUR 1,000	1 Jan	Recognised in the income statement	Recognised in comprehensive income	Exchange rate difference	31 Dec
Deferred tax assets					
Tax losses	3,872	-1,189	0	0	**2,683**
Employee-benefit	698	-355	0	0	**343**
Unrealised losses/profits of assets available for sale	978	-978	0	0	**0**
Accrual differences in developer contracting	1,661	989	0	0	**2,650**
Other temporary differences	915	908	0	0	**1,822**
Total	**8,123**	**-625**	**0**	**0**	**7,498**
Deferred tax liabilities					
Unrealised losses of financial instruments	0	160	0	0	160
Other temporary differences	4,144	-1,637	0	0	2,507
Total	**4,144**	**-1,477**	**0**	**0**	**2,667**
Net deferred taxes	**3,979**	**851**	**0**	**0**	**4,831**

The Group's accumulated losses for 31 Dec 2014 which no deferred tax assets have been recognised were 4,576 thousand euros (7,924 thousand euros) because realisation of the tax benefit 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.

21 Inventories

EUR 1,000	2014	2013
Raw materials and consumables	3,380	815
Work in progress	79,371	92,139
Land areas and plot-owning companies	162,122	151,285
Shares in completed housing corporations and real estate companies	60,984	114,772
Advance payments	6,557	5,445
Other inventories[1]	350	529
Inventories, total	**312,765**	**364,984**

[1] The comprehensive data for other inventories has changed because of re-statement given 30 Dec 2014. The shares in associated companies and joint ventures are presented as non-current assets (Note 17).

During the financial year capitalised interests the amount of which was EUR 1,468 thousand (EUR 1,979 thousand) was included in the value of work in progress.

The capitalisation rate used was 2.8% on average.

The carrying amount of completed inventories used as security for loans in 2014 amounted to EUR 52,310 thousand (39,192 thousand) and the carrying amount of inventories under construction in 2013 was EUR 24,423 thousand (EUR 74,337 thousand).

During the financial year 2014 there was impairment losses for land areas for EUR 188 thousand (1,059 thousand EUR) and for shares in completed housing corporations for 298 thousand EUR.

22 Loan receivables from associated companies and joint ventures

EUR 1,000	2014	2013
Long term loan receivables from associated companies	23,643	7,902
Increases	6,734	31,288
Decreases	-425	-15,440
Total	**29,953**	**23,750**
Short term loan receivables from joint ventures	1,100	33,766
Increases	0	1,100
Decreases	0	-33,766
Total	**1,100**	**1,100**

23 Accounts and other receivables

	Carrying amount	
EUR 1,000	2014	2013
Accounts receivables	43,683	39,551
Loan receivables	18	9
Gross amount due from customers related to construction contracts	10,685	1,567
Accrued income and prepaid expenses	24,923	29,735
Other receivables	3,277	4,098
Total	**82,587**	**74,961**
Interest bearing receivables	18	9
Non-interest bearing receivables	82,568	74,952
Total	**82,587**	**74,961**

Carrying amount does not substantially differ from fair value.

In 2014 the Group's accounts receivables were on average EUR 42 million. The accounts receivables are non-interest bearing and they are normally about 30 days by age.

24 Cash and cash equivalents

EUR 1,000	2014	2013
Cash and cash equivalents	18,449	89,982
Total	**18,449**	**89,982**

25 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 2013	35,498,195	3,063	92,204
Return of treasury shares	-3,266		0
Transfer of treasury shares	0		0
31 Dec 2013	**35,494,929**	**3,063**	**92,204**
1 Jan 2014	35,494,929	3,063	92,204
Return of treasury shares	-6,000		0
Transfer of treasury shares	104,232		63
31 Dec 2014	**35,593,161**	**3,063**	**92,267**

Shares, share capital and share premium reserve

On the 31 December 2014, the total number of SRV Group Plc's shares outstanding was 35,593,161 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 26 March 2014 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 authorisation. The authorisation includes the right to acquire own shares in proportion other than the holdings of the shareholders. The authorisation is in force for 18 months from the decision of the Meeting.

The company's own shares can be acquired in order to be used as part of the company's incentive programmes, 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.

At the end of December there were 1,175,307 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 45 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 0.12 per share.

26 Provisions

2014

EUR 1,000	Provisions for construction contracts	Other provisions	Total
1 Jan	**9,660**	**0**	**9,660**
Increase in provisions	3,526	0	3,526
Provisions used	-2,688	0	-2,688
31 Dec	**10,497**	**0**	**10,497**
Non-current	6,523	0	**6,523**
Current	3,974	0	**3,974**
Total	**10,497**	**0**	**10,497**

2013

EUR 1,000	Provisions for construction contracts	Other provisions	Total
1 Jan	**9,969**	**0**	**9,969**
Increase in provisions	2,994	0	**2,994**
Provisions used	-4,181	0	**-4,181**
Reversals of unused provisions	878	0	**878**
31 Dec	**9,660**	**0**	**9,660**
Non-current	3,965	0	**3,965**
Current	5,695	0	**5,695**
Total	**9,660**	**0**	**9,660**

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.

27 Interest-bearing liabilities

EUR 1,000	Carrying amount **2014**	Fair value **2014**	Carrying amount 2013	Fair value 2013
Non-current				
Loans from financial institutions	26,607	26,607	42,701	42,701
Bonds	74,850	77,382	75,000	75,000
Housing corporation loans	45,572	45,572	61 366	61,366
Total	**147,028**	**149,561**	**179 067**	**179,067**
Current				
Loans from financial institutions	47,873	47,873	31,001	31,001
Commercial papers	29,500	29,500	95,500	95,500
Housing corporation loans	190	190	224	224
Total	**77,563**	**77,563**	**126,725**	**126,725**

Carrying amounts do not differ substantially from Fair value excluded bonds. The fair value of a bond is based on discounted cash flows. Interest by means of which the Group would obtain a corresponding external loan on the ending date of the reporting period is used as the discount rate.

28 Other liabilities

EUR 1,000	Carrying amount **2014**	2013
Non-current		
Other liabilities	39	1,427
Total	**39**	**1,427**
Current		
Accounts payables	22,267	26,220
Advance payments related to construction contracts	49,223	50,906
Other advance payments	2,801	1,274
Other current liabilities	18,920	16,668
Accrued expenses and prepaid income	18,303	23,848
Total	**111,514**	**118,916**
Accrued expenses and prepaid income		
Wages and salaries and related expenses	9,327	9,489
Interest and other financial liabilities	252	596
Periodisations of project expenses	6,510	10,826
Other	2,214	2,937
Total	**18,303**	**23,848**

Carrying amount does not substantially differ from fair value.

29 Financial risk management

The SRV Group is exposed to several financial risks in its business operations. The most significant financial risks are related to interest, currency, liquidity and credit. The management of the Group's financial risks is concentrated on the Group's finance department. The management of financial risks is implemented in accordance with the financial policies approved by the Board of Directors. Financial policy is updated as required to respond to the changes in the marketplace, but is implemented at least once a year. The objective of management of the Group's financial risks is to reduce the uncertainty that the changes occurring on the financial markets incur on the financial result of the Group.

Interest-rate Risks

The cash flows and fair values of the Group's debts and receivables subject to interest are susceptible to changes in interest. Interest-rate risk is composed primarily of the short- and long-term loans connected with the funding of business operations as well as receivables sold to financing companies. The overwhelming bulk of the Group's credit is obtained for target-specific, short-term construction period financing requirements. Construction period financing is typically either re-financed or paid off at the time of transfer. The Group can assume long-term debt at both a variable and fixed interest rate. The effective weighted average value of interest respective to the entire loan portfolio when the accounts were closed was 2.8%. Euribor is primarily the reference rate of variable-interest loans.

Interest-rate risk is monitored and measured from the perspective of the income statement by means of gap analysis as well as via the average interest rate linkage period. Interest-rate risk is managed by changing the ratio of variable- and fixed-interest debts in the loan portfolio. The proportion of fixed-interest loans in the entire loan portfolio (contains off-balance sheet receivables sold to banks and financing companies) when the accounts were closed was 40.3%. Interest-rate risk is also managed by interest period selection or by changing the content of the loan portfolio afterwards via derivatives. On the date of closing the accounts, the Group did not have any interest rate swaps in effect. In 2014, an interest rate swap for EUR 30 million became due. By means of derivatives, protection is sought from market interest rate changes, and changes in the fair value of interest rate derivatives are entered into financial returns or expenditures for the financial year during which they occur. Derivatives are long-term debts when their maturity period lasts over 12 months, and short-term debts when their remaining maturity period is under 12 months. The fair values for derivatives correspond to the prices that the Group would be required to remit or would obtain if it were to dissolve the derivative agreement. Price quotations are used to determine the fair value of interest-rate derivatives. These price quotations are based on predominant market circumstances and generally accepted pricing models. Hedge accounting has not been applied to interest-rate derivatives used in 2014 and 2013. General interest rate change also has direct impacts on the investment decisions of the Group's customers and, via the same, cash flows from Group business operations.

The accompanying sensitivity analysis compliant with IFRS7 contains variable interest rate financial debts in which there is an interest rate inspection during the next 12 months, in accordance with the closing balance sheet. Variable interest rate financial debts are composed of target-specific company loans and variable interest rate loans respective to the Group's general financing sphere. Sensitivity analysis for financial debts contains off-balance sheet receivables sold to banks and financing companies to the amount of EUR 36.4 million. On the date of closing the accounts, the Group did not have any variable interest rate financing receivables.

	2014				2013	
EUR 1,000	Carrying amount	Average interest rate	Average maturity, months	Sensitivity EUR[1]	Carrying amount	Sensitivity, EUR
Debt, floating rate	121,613	1.83%	2.1	-994	109,043	-875
Receivables[1]	0	0.00%	0.0	0	0	0

[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 most significant currency to pose currency risk in 2014 was the Russian ruble. The foreign subsidiaries are, in accordance with the Group's financial policies, responsible for identifying and reporting rate of exchange risks connected with currency-based cash flows to the finance department. 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. At the end of year 2014 there were no open hedge instruments.

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 risk in those entities where the operational currency is not euro. The operational currency of the SRV Stroi and SRV Development subsidiaries was changed in 2014 to the ruble.

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 cash flows and possible hedge transactions. 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 cash flows are not noted. A change of +/-10% is used as it is considered to be a potential change in the currency areas in question.

	2014		2013	
EUR 1,000	RUB	LVL	RUB	LVL
Transaction risk	–1,593	0	–1,493	0
Translation risk	22,735	0	0	64
Impact on earnings				
Euro 10% strengthening	145	0	136	0
Euro 10% weakening	–177	0	–166	0
Impact on equity[1]				
Euro 10% strengthening	–2,067	0	0	–6
Euro 10% weakening	2,526	0	0	7

[1] The sign illustrates the direction of the cash flow, e.g. negative sign shows that there is more outgoing than incoming cash flow 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 binding marginal lending facility totalling EUR 100 million was renewed in December 2014, and the new limit on liquidity will become due in January 2018. At the end of December 2014 the amount of commited undrawn credit lines and cash in hand and in bank accounts amounted to EUR 146.1 million of which Group's cash assets were amounting to EUR 18.4 million, and open-ended account limits and committed undrawn financing reserves to EUR 127.7 million.

The total amount of accounts receivable and undrawn project loans in SRV's housing and business developer contracting projects was EUR 62 million. SRV estimates that total cost to finish these projects is EUR 49.7 million. The equity ratio and liquidity covenant function as financial covenants.

The equity ratio is reported to funders also with respect to founder contracting sites as a statistical parameter based on percentage of completion. Liquidity refers to the Group's immediately available cash, cash equivalents and deposits, committed limits and non-drawn loans in which the maturity period exceeds 12 months, as well as the non-drawn share of the syndicated liquidity limit.

Financial liabilities

	2014		Maturity					2013	
EUR 1,000	Carrying amount	Contractual liability[1]	2015	2016	2017	2018	later	Carrying amount	Contractual liability[1]
Bonds	74,850	90,000	3,750	3,750	3,750	78,750	0	75,000	93,750
Loans from financial institutions[2]	74,480	75,313	47,803	11,576	14,263	1,355	317	73,702	74,441
Housing loans[3]	45,572	49,636	984	1,027	2,280	2,587	42,759	61,366	81,717
Commercial Papers	29,500	29,500	29,500	0	0	0	0	95,500	95,500
Other liabilities	8	8	8	0	0	0	0	8	8
Derivative liabilities	0	0	0	0	0	0	0	383	383
Accounts payables	22,267	22,267	22,267	0	0	0	0	26,220	26,220
Investment commitment[4]	9,642	9,642	9,642	0	0	0	0	13,974	13,974
Total	**256,318**	**276,366**	**113,945**	**16,352**	**20,294**	**82,691**	**43,076**	**346,153**	**385,993**

[1] Includes all contractual payments, e.g. interest and commitment fees.
[2] Commmitted current account overdrafts are assumed to expire 2015.
[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	31 Dec 2014	31 Dec 2013
Committed credit facility	100,000	100,000
Committed current account overdraft limits	23,300	22,805
Cash and cash equivalents	18,449	89,982
Total	**141,749**	**212,787**

In addition to the above the Group has EUR 4.4 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 2014 one rental agreement was 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 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 impairment. If the project parties cannot arrive at a mutual understanding on payment obligations during the final financial review, the company may have to enter into legal proceedings against the client.

The outcomes of legal proceedings involve uncertainties. It is also impossible to precisely assess the time required by court procedures owing to disputes. SRV initiated a legal process against Auroratalo Oy and HDL-Talot Oy in 2013, connected with payment liability for construction costs in the renovation and new construction contract on the Auroratalo building. The amount of SRV's claim is approximately EUR 3.6 million (VAT 0%). In 2013, SRV initiated litigation against Kiinteistö Oy Abraham Wetterintie 6 in a dispute concerning construction costs and schedule as well as the property company's payment liability in a construction works contract in which SRV Rakennus Oy has constructed a site comprised of several blocks of flats for the property company concerned. Keva owns the entire capital stock of the property company. The orderer has filed a counterclaim (3/2014), in which he has demanded approximately EUR 3.9 million from SRV Rakennus Oy. The amount of SRV's claim is approximately EUR 7.1 million (VAT 0%). The SRV management group believes that these cases and their outcomes will not significantly affect SRV's financial position.

Ageing of accounts receivables

EUR 1,000	**2014**	2013
Account receivables, undue	33,639	24,996
1–30 days past due	2,708	3,064
31–60 days past due	42	68
61–90 days past due	2	229
91–180 days past due	1,055	7,827
181–360 day past due	81	840
Over 361 days past due	6,154	2,528
Account receivables, total	**43,683**	**39,551**

There were no past due receivables in other group financial assets.
Accounts receivables do not contain provisions for credit losses.

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 2014 or 31 Dec 2013.

Derivative financial instruments at fair value through profit or loss

EUR million	Level 1	Level 2	Level 3	**Total**
31 Dec 2014				
Derivative financial assets	0	0	0	**0**
Derivative financial liabilities	0	0.0	0	**0.0**
31 Dec 2013				
Derivative financial assets	0	0	0	**0**
Derivative financial liabilities	0	0.4	0	**0.4**

Available-for-sale financial assets

EUR million	Level 1	Level 2	Level 3	**Total**
31 Dec 2014				
Unlisted shares	0	0.8	8.5	**9.3**
31 Dec 2013				
Unlisted shares	0	0.9	9.9	**10.8**

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 reference year information has been amended due to the classification amendment made on 30 December 2014.

The table below presents movements in level 3 instruments for 2014

EUR million	Unquoted shares and holdings
Opening balance at 1 Jan 2014	9.9
Increases	0.0
Decreases	0.0
Amount of available-for-sale financial assets, transferred into the income statement	-1.2
Gains and losses recognised in profit or loss	-0.2
Total	**8.5**

The table below presents movements in level 3 instruments for 2013

EUR million	Unquoted shares and holdings
Opening balance at 1 Jan 2013	9.8
Increases	0.1
Decreases	0.0
Amount of available-for-sale financial assets, transferred into the income statement	0.0
Gains and losses recognised in profit or loss	0.0
Total	**9.9**

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	**2014**	2013
Total equity	225,164	222,215
Total assets	576,067	662,989
Advance payments	-52,055	-52,217
	524,012	**610,772**
Equity ratio, %	**43.0 %**	**36.4 %**

30 Operating leases, commitments and contingent liabilities

Group as lessee

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

EUR 1,000	**2014**	2013
In less than a year	3,787	1,585
In more than one but less than five years	9,840	1,246
In more than five years	12,680	0
Total	**26,307**	**2 831**

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 174 months. Open-ended leasing agreements duration time is estimated to be 12 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	**2014**	2013
Collateral given for own liabilities		
Real-estate mortgages given	79,198	96,186[1]
Other commitments		
Investment commitments given	9,642	13,974
Land area commitments	185,793	157,810

[1] The method for calculating given real-estate mortages has been changed, therefore the reference year information has been updated accordingly.

The Group has guaranteed obligations of its subsidiaries.
At 31 December 2014, the total amount of these guarantees was 271,571 thousand euros (214,314).

31 Fair and nominal values of derivative instruments

EUR 1,000	**2014**		2013	
	Fair values		Fair values	
	Positive	Negative	Positive	Negative
Hedge accounting not applied				
Foreign exchange forward contracts	0	0	0	0
Interest rate swap	0	0	0	383
Total	**0**	**0**	**0**	**383**

EUR 1,000	**2014**	2013
Nominal values of derivative instruments		
Foreign exchange forward contracts	0	0
Interest rate swap	0	30,000
Total	**0**	**30,000**

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.

32 Adjustments to cash flows from operation

EUR 1,000	**2014**	2013
Non-cash transactions		
Change in provisions	837	-309
Change in the fair values	298	7,289
Others	70	3,539
Total	**1 205**	**10,519**

33 Subsidiaries

Name	Domicile	Group's holding, %	Group's voting right, %
Shares in subsidiaries			
SRV Contruction Ltd	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
SRV Infra Oy	Kerava	100.00	100.00
Porvoon Puurakennus Oy	Porvoo	100.00	100.00
Kiinteistö Oy Nummelanrinne	Vihti	100.00	100.00
SRV Russia Oy	Espoo	100.00	100.00
OOO SRV Development	St. Petersburg	100.00	100.00
SRV Stroi OOO	Moscow	100.00	100.00
SRV Ehituse AS	Tallinn	100.00	100.00
SRV Realty B.V	Amsterdam	100.00	100.00
Jupiter Realty B.V	Amsterdam	100.00	100.00

The list does not include project companies.

34 Related party transactions

2014

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	774	0	1,037	0
Associate company	40,008	-140	2,557	21
Other related parties	143	0	0	0
Total	**40,925**	**-140**	**3,595**	**21**

2013

EUR 1,000	Selling of goods and services	Purchase of goods and services	Receivables	Liabilities
Management and Board of Directors	3,005	0	0	0
Joint ventures	57,817	97	5,566	88
Associate company	7,843	0	15,911	3,590
Other related parties	0	0	0	0
Total	**68,665**	**97**	**21,476**	**3,677**

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 33 Subsidiaries. Subsidiaries are included in the consolidated financial statements and therefore the transactions between Group companies are not included in Note 34 Related party transactions.

Itemisation of management salaries and employment-based benefits

EUR 1,000	2014	2013
Management salaries and other short-term employment-based benefits	2,770	2,350
Share-based payments	604	0
Post-employment benefits, statutory pensions	648	533
Post-employment benefits, voluntary additional pensions	215	202
Other long-term benefits	0	0
Benefits paid upon termination	531	0
Total	**4,768**	**3,085**

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, 23.4 (22.7%). In 2014, severance pay remitted in connection with CEO's resign was entered as expenditure in the 2014 financial statements, but this compensation was not paid until 2015.

Compensation of President and CEO and Board of Directors

EUR 1,000	2014	2013
Hienonen Jukka, President and CEO	761	484
Nieminen Timo, Deputy CEO	284	175
Members of the Board		
Kokkila Ilpo, Chairman	69	67
Kallasvuo Olli-Pekka, Vice Chairman	58	57
Alitalo Minna	46	45
Hiltunen Arto	45	44
Kokkila Timo	46	45
Kyhälä Risto, from 20 March 2013	45	33
Members of the Board, total	**309**	**289**

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, a termination compensation amounting to 12 months' salary is paid.

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

The 2014 paid statutory occupational pension insurance of the president and CEO and deputy CEO were 224 thousand euros (152 thousand euros in 2013).

35 Events after the review period

The Group did not have any significant events after 31 Dec 2014.

Parent company's financial statements

Income statement of the parent company

EUR 1,000	**2014**	2013
Revenue	**13,617**	**7,707**
Other operating income	235	1,974
Purchase during the financial year	–6,788	–663
Personnel costs		
Salaries and other remuneration	–5,756	–5,645
Indirect personnel costs		
Pension costs	–925	–854
Other indirect personnel costs	–232	–245
Depreciation and impairments		
Depreciation	–298	–252
Other operating expenses	–6,740	–6,956
Operating loss	**-6,888**	**-4,934**
Financial income and expenses	–6,193	–76
Loss before extraordinary items	**-13,081**	**-5,010**
Extraordinary items +/–	24,183	6,780
Profit before appropriations and taxes	**11,102**	**1,770**
Income taxes	–2,138	–421
Net profit for the financial year	**8,965**	**1,349**

Balance sheet of the parent company

EUR 1,000	**31 Dec 2014**	31 Dec 2013
ASSETS		
NON-CURRENT ASSETS		
Intangible assets	688	634
Property, plant and equipment	784	794
Investments		
Shares in group companies	177,285	34,981
Other financial assets	2,810	4,218
Non-current assets, total	**181,567**	**40,628**
CURRENT ASSETS		
Inventories	7	10
Long-term receivables	1,141	246
Short-term receivables	162,550	269 574
Cash and cash equivalents	**11,452**	**80,900**
Current assets, total	**175,150**	**350,730**
ASSETS, TOTAL	**356,717**	**391,358**
EQUITY AND LIABILITIES		
Equity		
Share capital	3,063	3,063
Invested free equity fund	92,267	92,204
Retained earnings	37,393	39,953
Net profit for the financial year	8,965	1,349
Equity, total	**141,687**	**136,569**
Provisions	**1,656**	**2,281**
Liabilities		
Non-current liabilities	125,034	126,957
Current liabilities	88,340	125,551
Liabilities, total	**213,374**	**252,508**
EQUITY AND LIABILITIES, TOTAL	**356,717**	**391,358**

Cash flow statement of the parent company

EUR 1,000	2014	2013
Cash flow from operating activities		
Net profit for the year	**8,965**	**1,349**
Adjustments:		
Depreciation	298	252
Non-cash transactions	1,620	486
Financial income and expenses	6,193	76
Capital gains on sales of tangible and intangible assets	0	2
Income taxes	2,137	421
Adjustments, total	**10,248**	**1,237**
Changes in working capital:		
Changes in loan receivables	–559	–2,414
Change in trade and other receivables	–49,085	–29,759
Change in inventories	3	–10
Change in trade and other payables	32,032	8,934
Working capital, total	**-17,608**	**-23,248**
Interest paid and other financial costs	–12,511	–8,218
Interest received	5,916	7,109
Dividends received	990	65
Income taxes paid	53	1,350
Net cash from operating activities	**-3,948**	**-20,356**
Cash flow from investing activities		
Property, plant and equipment	–197	–190
Intangible assets	–144	–219
Other financial assets	0	–6,511
Sale of investments	0	152
Net cash used in investing activities	**-341**	**-6,768**
Cash flow from financing activities		
Proceeds from loans	0	75,000
Repayments of loans	–1,923	–6,125
Paid and received group contibution	6,800	6,408
Change in credit limits	–66,000	11,900
Purchase of treasury shares	230	0
Dividends paid	–4,266	–2,163
Net cash from financing activities	**-65,159**	**85,020**
Net change in cash and cash equivalents	**-69,448**	**57,896**
Cash and cash equivalents at the beginning of financial year	80,900	23,004
Cash and cash equivalents at the end of financial year	**11,452**	**80,900**

Statement of changes in equity of the parent company

EUR 1,000	**2014**	2013
Share capital, 1 Jan	3,063	3,063
Share capital, 31 Dec	**3,063**	**3,063**
Invested free equity fund, 1 Jan	92,204	**92,204**
Increase in invested free equity fund	63	0
Invested free equity fund, 31 Dec	**92,267**	**92,204**
Retained earnings, 1 Jan	39,953	41,934
Profit for the previous financial year	1,349	149
Dividends paid	–4,266	–2,130
Purchase of treasury shares	356	0
Retained earnings, 31 Dec	**37,393**	**39,953**
Net profit for the financial year	8,965	1,349
Equity, 31 Dec	**141,687**	**136,569**
Statement of distributable funds at 31 Dec		
Invested free equity fund, 1 Jan	92,267	92,204
Retained earnings	41,302	42,083
Dividends paid	–4,266	–2,130
Purchase of treasury shares	356	0
Net profit for the financial year	8,965	1,349
Distributable funds, 31 Dec	**138,625**	**133,506**

Signatures to the financial statements and Report of The Board of Directors, auditor’s note

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

Espoo, 10 February 2015

Ilpo Kokkila
Chairman

Olli-Pekka Kallasvuo
Vice Chairman

Minna Alitalo

Arto Hiltunen

Timo Kokkila

Risto Kyhälä

Juha Pekka Ojala
President and CEO

Auditor’s note

Our auditor’s report has been issued today.

Espoo, 13 February 2015

PricewaterhouseCoopers Oy
Authorized Public Accounting Firm

Samuli Perälä
KHT

Auditor's Report

(Translation from the Finnish Original)

To the Annual General Meeting of SRV Yhtiöt Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of SRV Yhtiöt Oyj for the year ended 31 December, 2014. 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 or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they 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.

Helsinki, 13 February 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant

Group and segment information by quarter (unaudited)

Revenue

EUR million	**IFRS 10–12/2014**	**IFRS 7–9/2014**	**IFRS 4–6/2014**	**IFRS 1–3/2014**	IFRS 10–12/2013	IFRS 7–9/2013	IFRS 4–6/2013	IFRS 1–3/2013
Operations in Finland	176.0	196.5	131.0	124.4	155.8	155.0	128.9	135.0
Business construction	99.1	144.9	82.5	69.0	89.1	88.1	74.6	67.5
Housing construction	76.9	51.7	48.5	55.4	66.8	66.9	54.3	67.5
International Operations	17.8	12.6	12.4	14.2	15.7	15.1	50.4	23.5
Other operations	4.2	5.0	5.4	4.9	3.8	2.9	3.0	3.3
Eliminations	–4.1	–5.1	–5.7	–4.9	–3.8	–2.9	–3.0	–3.4
Group, total	**193.8**	**209.0**	**143.1**	**138.5**	**171.6**	**170.0**	**179.4**	**158.4**

Operating profit

EUR million	**IFRS 10–12/2014**	**IFRS 7–9/2014**	**IFRS 4–6/2014**	**IFRS 1–3/2014**	IFRS 10–12/2013	IFRS 7–9/2013	IFRS 4–6/2013	IFRS 1–3/2013
Operations in Finland	10.2	6.2	7.0	6.6	8.0	7.3	2.7	3.4
International Operations	1.8	0.2	–0.4	–0.6	–1.7	0.2	12.3	–0.8
Other operations	–2.4	–0.4	–1.8	–1.6	–1.7	–0.6	–1.3	–1.4
Eliminations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Group, total	**9.6**	**6.0**	**4.9**	**4.4**	**4.6**	**6.9**	**13.7**	**1.2**

Operating profit

%	**IFRS 10–12/2014**	**IFRS 7–9/2014**	**IFRS 4–6/2014**	**IFRS 1–3/2014**	IFRS 10–12/2013	IFRS 7–9/2013	IFRS 4–6/2013	IFRS 1–3/2013
Operations in Finland	5.8	3.1	5.4	5.3	5.1	4.7	2.1	2.5
International Operations	10.1	1.6	–2.9	–4.0	–10.7	1.1	24.5	–3.6
Group, total	**5.0**	**2.9**	**3.4**	**3.2**	**2.7**	**4.0**	**7.6**	**0.8**

Order backlog

EUR million	**IFRS 31 Dec 2014**	**IFRS 30 Sept 2014**	**IFRS 30 June 2014**	**IFRS 31 Mar 2014**	IFRS 31 Dec 2013	IFRS 30 Sept 2013	IFRS 30 June 2013	IFRS 31 Mar 2013
Operations in Finland	723.2	777.8	920.0	721.5	645.8	727.8	771.6	686.9
Business construction	450.1	505.6	633.1	477.2	392.8	451.1	458.7	389.9
Housing construction	273.1	272.3	286.9	244.2	253.0	276.6	312.9	296.9
International Operations	137.2	166.2	126.9	158.8	180.1	183.7	187.6	39.8
Group, total	**860.4**	**944.1**	**1,047.0**	**880.2**	**825.8**	**911.5**	**959.2**	**726.7**
Sold order backlog	728.8	816.7	873.3	698.2	618.0	704.4	746.4	532.5
Unsold order backlog	131.6	127.4	173.7	182.0	207.9	207.1	212.8	194.2

Group key figures

EUR million	IFRS 31 Dec 2014	IFRS 30 Sept 2014	IFRS 30 June 2014	IFRS 31 Mar 2014	IFRS 31 Dec 2013	IFRS 30 Sept 2013	IFRS 30 June 2013	IFRS 31 Mar 2013
Revenue	193.8	209.0	143.1	138.5	171.6	170.0	179.4	158.4
Operating profit	9.6	6.0	4.9	4.4	4.6	6.9	13.7	1.2
Financial income and expenses, total	–2.4	–0.2	–1.5	–2.3	–1.0	–1.7	–0.4	–0.5
Profit before taxes	7.2	5.7	3.4	2.2	3.6	5.2	13.3	0.7
Order backlog	860.4	944.1	1,047.0	880.2	825.8	911.5	959.2	726.7
New agreements	108.0	90.3	317.3	184.7	68.3	107.9	384.5	40.0
Earnings per share, EUR	0.13	0.14	0.05	0.01	0.02	0.07	0.35	–0.02
Equity per share, EUR	5.04	5.13	4.97	4.87	4.97	4.94	4.85	4.48
Share closing price, EUR[1]	2.83	3.67	4.13	3.76	4.05	4.41	3.28	3.36
Equity ratio, %[1]	43.0	38.9	38.4	39.0	36.4	39.3	35.2	34.3
Net interest bearing debt[1]	206.1	255.1	252.7	225.3	215.8	227.1	245.0	277.7
Gearing ratio, %[1]	91.6	111.6	113.4	103.0	97.1	102.8	112.5	135.6

[1] At the end of the period

Invested capital

EUR million	IFRS 31 Dec 2014	IFRS 30 Sept 2014	IFRS 30 June 2014	IFRS 31 Mar 2014	IFRS 31 Dec 2013	IFRS 30 Sept 2013	IFRS 30 June 2013	IFRS 31 Mar 2013
Operations in Finland	277.2	298.9	303.1	275.3	274.8	286.5	291.2	292.7
International Operations	203.0	208.5	192.8	181.7	177.9	171.7	179.0	195.4
Other operations and eliminations	–30.5	–2.2	–3.6	10.7	75.4	8.7	40.6	10.5
Group, total	**449.8**	**505.1**	**492.3**	**467.7**	**528.0**	**466.9**	**510.9**	**498.6**

Housing production in Finland

units	10–12/2014	7–9/2014	4–6/2014	1–3/2014	10–12/2013	7–9/2013	4–6/2013	1–3/2013
Housing sales, total	206	102	288	160	117	183	178	223
Sales, developer contracting	122	65	29	72	29	69	64	135
Sales, negotiation contracts[2]	84	37	259	88	88	114	114	88
Developer contracting								
Start-ups	197	111	0	22	0	25	142	35
Completed	63	86	0	100	151	175	109	104
Completed and unsold[1]	183	194	173	198	182	128	89	75
Under construction, total[1]	1,625	1,612	1,638	1,185	1,054	1,398	1,525	1,633
construction contracts[1]	625	649	649	455	334	550	560	795
negotiation contracts[1,2]	670	767	818	559	471	448	415	321
developer contracting[1]	330	196	171	171	249	400	550	517
of which sold[1]	111	63	63	59	71	139	206	237
of which unsold[1]	219	133	108	112	178	261	344	280

[1] At the end of the period
[2] Investor sales under negotiation contracts

Order Backlog, housing construction in Finland

EUR million	31 Dec 2014	30 Sept 2014	30 June 2014	31 Mar 2014	31 Dec 2013	30 Sept 2013	30 June 2013	31 Mar 2013
Negotiation and consruction contracts	122	146	179	130	122	119	121	120
Under construction, sold	28	16	14	13	14	31	52	56
Under construction, unsold	59	41	26	27	60	87	117	99
Completed and unsold	65	69	68	74	57	40	24	21
Housing construction, total	**273**	**272**	**287**	**244**	**253**	**277**	**313**	**297**

Information for shareholders

Basic information about the share

SRV Group Plc's shares are quoted on NASDAQ OMX Helsinki, under the sector heading Industrial Products and Services in the mid-cap group. The share's trading code is SRV1V. The ISIN code of the share is FI0009015309.

Financial information calendar in 2015

Financial Statement Release 2014: 11 February 2015
Interim report January–March 2015: 7 May 2015
Interim report January–June 2015: 6 August 2015
Interim report January–September 2015: 5 November 2015

Annual Report 2014: Week 8/2015 (pdf on the website)

Annual General Meeting, 25 March 2015

Quiet periods

SRV Group Plc does not make statements on the company's financial trends nor meet with capital market representatives during two weeks prior to the publication of its financial statement release or interim reports.

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Ordering publications

SRV's annual reports and other financial bulletins can be ordered from SRV's website *www.srv.fi/en/investors*
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