

SRV GROUP PLC'S FINANCIAL STATEMENT RELEASE 1 JANUARY - 31 DECEMBER 2019

SRV to strengthen its balance sheet substantially, major impairments led to a significant operating loss, strong cash flow during the last quarter

January-December 2019 in brief:

- **Revenue** rose by 10.6 per cent to EUR 1,060.9 million (959.7 1–12/2018). Revenue was up in both business construction and housing construction. Revenue from housing construction grew because more developer-contracted housing units were recognised as income than in the comparison period, a total of 833 (537).
- **Operative operating profit** amounted to EUR -96.8 (-10.0) million. Operative operating profit was weakened especially by the classification of the REDI shopping centre as an asset held for sale and its consequent measurement at impairment in the fourth quarter as well as other impairments and expense entries made for holdings. Impairments with an impact on operative operating profit during the entire year totalled EUR 96.5 million. Operative operating profit was also impacted by the weakening of the margins of two projects – by a total of EUR 11.0 million – completed in 2019, expense entries of EUR 6.0 million for the water damage at Majakka and the loss of EUR 1.9 million from the sale of a plot in Estonia. Operative operating profit was improved by slight growth in the revenue of Construction and a year-on-year increase in housing units recognised as income. Operative operating profit for the comparison period is burdened particularly by the losses on the construction of the REDI shopping centre.
- **Operating profit** was EUR -93.0 (-19.8) million. The change in the rouble exchange rate had an impact on the operating profit of the Investments segment, which totalled EUR -92.5 (-17.5) million. The net effect of the exchange rate change was EUR 3.8 (-9.8) million. The exchange rate impact, which had mainly no effect on cash flow, was caused by the valuation of the euro-denominated loans of associated companies in rubles and hedging expenses. Operating profit exclusive of the above impairments amounted to EUR 3.5 (-15.8) million.
- **Operating profit from Construction** rose to EUR 7.0 (-13.4) million. Operating profit was positively impacted by the completion of the REDI shopping centre contract, but was reduced particularly by the weakening of the margins of two projects – by a total of EUR 11.0 million. The result also includes EUR 6.0 million in expense entries due to water damage at REDI Majakka and a EUR 1.9 million loss on the sale of a plot in Estonia.
- **The result before taxes** amounted to EUR -122.4 (-37.3) million, including the EUR -2.1 (-0.6) million impairment revaluation of interest rate derivatives. Profit before taxes included impairments and extraordinary expense items of EUR 107.4 million in total, of which impairments and extraordinary expense items of loan receivables of associated companies and joint ventures recognised in financial expenses accounted for EUR 10.8 million.
- **Cash flow from operating and investing activities** was EUR -16.7 (22.4) million. Cash flow was weakened primarily by a decrease in non-interest-bearing debt.
- **Earnings per share** were EUR -1.85 (-0.56).
- At period-end, **the order backlog** stood at EUR 1,344.2 (1,816.0) million. In January–December, the order backlog saw a year-on-year decline of 26.0 per cent. The sold share of the order backlog was 81.4 (88.7) per cent. New agreements valued at EUR 487.6 (1,133.0) million were signed in January–December.
- In May, SRV issued a EUR 58.4 million hybrid bond. EUR 20.5 million of the proceeds were used for early repayment of the existing hybrid bond and EUR 37.9 million for early repayment of current notes.

- **Equity ratio** was 21.2 (28.5) per cent and **gearing** was 240.3 (121.1) per cent. Impairments and the effect of the adoption of IFRS 16 at the beginning of the year weakened the equity ratio and gearing, while the loan arrangement carried out in May improved them. The comparable figures (without the impact of IFRS 16) were 26.4 (28.5) per cent for the equity ratio and 151.2 (121.1) for gearing. The company sought the necessary approvals from the financing banks in advance and the loan covenants were not broken.

October–December 2019 in brief:

- **Revenue** in October–December amounted to EUR 403.8 (299.8) million. Revenue was increased particularly by growth in revenue from housing construction.
- **Operative operating profit** amounted to EUR -87.2 (1.5) million. Operative operating profit was weakened especially by the classification of the REDI shopping centre as an asset held for sale and its consequent impairment in the fourth quarter as well as other impairments made for holdings, totalling EUR 92.9 million. Operative operating profit exclusive of impairments was EUR 5.7 million.
- **Operating profit** was EUR -86.8 (0.1) million.
- **The result before taxes** amounted to EUR -97.2 (-6.2) million, including the EUR 1.8 (-1.4) million impairment revaluation of interest rate derivatives. Profit before taxes included impairments of EUR 101.2 million in total, of which impairments of loan receivables of Russian associated companies recognised in financial expenses accounted for EUR 8.3 million.
- **Cash flow from operating and investing activities** was EUR 70.2 (63.6) million. Cash flow was improved primarily by a decrease in inventories influenced by completion of developer-contracted projects.
- Fewer new agreements were recorded in **the order backlog** than last year, EUR 142.9 (438.0) million.

■ The company publishes alternative key figures that have been adjusted to exclude the impact of IFRS 16 Leases on the balance sheet and result. SRV is applying a simplified approach to adopting this standard, which is why the figures for the comparison period have not been adjusted to comply with the standard. The company also discloses its operative operating profit, which is determined by deducting the calculated rouble exchange differences included in financial items and their potential hedging impacts from operating profit.

Events after the period

- Today, the company issued a separate release about significant transactions, preliminary financing agreements and its intention to ask the Annual General Meeting for the authorisation to implement two separate share issues during spring 2020. Due to the planned transactions, the company already designated several asset items as assets held for sale and in the 2019 financial statements. If the transactions are carried out as planned, the company's balance sheet and financial position will improve significantly by the end of the second quarter. The company's equity ratio (excluding the impact of IFRS 16) would then improve to about 35–38 per cent from its current level and gearing to about 75–85 per cent (excluding the impact of IFRS 16), and the measures are expected to have a positive cash flow impact of around EUR 95 million.
- On 29 January, SRV signed an agreement with Sagax on the sale of the Lumijälki 2 project. Work on the logistics centre will commence immediately and the new premises in Ylästö, Vantaa will be ready for use in early 2021. The total value of the project is EUR 23 million. The project was recognised in SRV's order backlog in January.

Segment reporting remains unchanged

The new organisation structure that came into force at the beginning of the year has four business units, supported by Group Services. The new business units are: Business Premises, Regional Units and Infrastructure; Housing; Investments; and Operations in Russia and Estonia. The business units reported under the Construction segment are: Business Premises, Regional Units and Infrastructure; Housing; and Operations in Russia and Estonia. The business unit reported on under the Investments segment is the Investments business unit, including holdings in shopping centres and the remaining investments in plots in Russia.

Recovery programme measures Q4:

- In connection with the publication of the Q3 interim report, SRV announced that it will kick off a recovery programme. The short-term target is to ensure that operative operating profit and cash flow in 2020 are in the black and to return operative operating profit in 2021 to the 2017 level. The recovery programme focuses on renewing the organisation and operating culture, lightening the balance sheet, strengthening cash flow and achieving cost-savings.
- As part of the programme, the company carried out cooperation negotiations with personnel in Finland. As a result of the negotiations, the number of personnel will decrease by no more than 48 people. In addition, layoffs and part-time assignments will be implemented, with an effect amounting to around 12 person-years. The combined effect of the adjustment measures and other attrition is about 80 person-years. The estimated cost impact amounts to annual savings of EUR 6.0 million.
- Completed housing units have been sold at an accelerated pace, mainly to investors. Negotiations on several plots are currently under way and one plot has been sold in Estonia.

Outlook for 2020

During 2020, SRV's revenue and result will be affected by several factors in addition to general economic trends, such as: the timing and amount of income recognition for SRV's own projects, which are recognised as income upon delivery; the part of the order backlog that is continuously recognised as income mainly consists of contracting; trends in the order backlog's profit margins; the start-up of new contracts and development projects; and the rouble exchange rate.

The largest ongoing projects are Tampere Central Deck and Arena, the extension of Helsinki Airport, and several hospital projects.

- The company's main focus in 2020 will be on major business premises contracts, hospital projects, and housing development projects for investors. Fewer developer-contracted housing units will be completed in 2020 than in the comparison period. It is estimated that a total of 586 developer-contracted housing units will be completed in 2020 (808 in 2019).
- Measures to boost operational efficiency and achieve savings in procurement are expected to improve the company's earnings performance. In addition, the recovery programme measures that were carried out in late 2019 are expected to improve the company's cost structure.
- Full-year consolidated revenue for 2020 is expected to fall in comparison with 2019 (revenue in 2019: EUR 1,060.9 million). Operative operating profit is expected to improve on 2019 and to be positive (operative operating profit EUR -96.8 million).

Overall review

Group key figures (IFRS, EUR million)	1-12/ 2019	1-12/ 2018	change	chang e, %	10-12/ 2019	10-12/ 2018
Revenue	1,060.9.	959.7	101.3	10.6	403.8	299.8
Operative operating profit ¹⁾	-96.8	-10.0	-86.8		-87.2	1.5
Operative operating profit, %	-9.1	-1.0			-21.6	0.5
Operating profit ^{*)}	-93.0	-19.8	-73.3		-86.8	0.1
Operating profit, %	-8.8	-2.1			-21.5	0.0
Operating profit, excl. IFRS 16 ^{2) *)}	-94.3	-19.8			-84.6	0.1
Operating profit, %, excl. IFRS 16 ²⁾	-8.9	-2.1			-21.0	0.0
Financial income and expenses, total ^{**)}	-29.3	-17.5	-11.8		-10.4	-6.3
Profit before taxes	-122.4	-37.3	-85.1		-97.2	-6.2
Net profit for the period	-103.6	-31.2	-72.4		-83.4	-4.0
Net profit for the period, %	-9.8	-3.3			-20.6	-1.3
Order backlog (unrecognised) ³⁾	1,344.2	1,816.0	-471.8	-26.0		
New agreements	487.6	1,133.0	-645.3	-57.0	142.9	438.0
¹⁾ net effect of currency exchange fluctuations	3.8	-9.8	13.5		0.4	-1.4
^{2)**)} derivatives included in financial income and expenses	-3.7	-2.2	-1.6		1.6	-1.6

- 1) Operative operating profit is determined by deducting the calculated rouble exchange differences included in financial items and their potential hedging impacts from operating profit. Net exchange rate differences during the review period amounted to EUR 3.8 (-9.8) million, of which the effect of currency hedging was EUR -3.8 (0.6) million.
- 2) The impacts of IFRS 16 in 2019 have been adjusted out of the figure. Due to this adjustment, the figure is comparable with the figures for 2018.
- 3) The Group's order backlog consists of the Construction business. The unrecognised margin corresponding to the holding is not included in the order backlog comparison figures.

Group key figures (IFRS, EUR million)	1-12/ 2019	1-12/ 2018	change	change, %
Equity ratio, % ¹⁾	21.2	28.5		
Equity ratio, %, excl. IFRS 16 ²⁾	26.4	28.5		
Net interest-bearing debt ¹⁾	422.0	282.8	139.2	49.2
Net interest-bearing debt, excl. IFRS 16 ²⁾	271.9	282.8	-10.9	-3.9
Net gearing ratio, % ¹⁾	240.3	121.1		
Net gearing ratio, %, excl. IFRS 16 ²⁾	151.2	121.1		
Return on investment, % ³⁾	-15.2	-2.9		
Return on investment, %, excl. IFRS 16 ²⁾³⁾	-17.5	-2.9		
Capital employed ¹⁾³⁾	625.3	611.0	14.4	2.4
Capital employed, excl. IFRS 16 ²⁾³⁾	479.4	611.0	-131.6	-21.5
Return on equity, %	-50.6	-12.1		
Earnings per share, EUR	-1.85	-0.56	-1.29	230.7
Equity per share (without hybrid bond), EUR	1.59	3.21	-1.62	-50.5
Share price at end of period, EUR	1.36	1.70	-0.34	-20.0
Weighted average number of shares outstanding, millions	59.6	59.6		

- 1) The figures for 2019 are not comparable with the figures for 2018. The company changed how it allocates deferred tax assets and liabilities; they are now fully allocated to the Other operations and eliminations unit. Comparative data has also been adjusted. The key figure also includes assets designated as held for sale in the balance sheet.
- 2) The impacts of IFRS 16 in 2019 have been removed from this figure. Due to this adjustment, the figure is comparable with the figures for 2018.
- 3) The company changed how it allocates deferred tax assets and liabilities; they are now fully allocated to the Other operations and eliminations unit. Comparative data has also been adjusted. The key figure also includes assets designated as held for sale in the balance sheet.

CEO's review

In connection with the financial statements, we published a comprehensive solution thanks to which SRV will be even better able to meet its customers' needs and wishes as well as the challenges of urbanisation. This solution is expected to significantly strengthen the company's financial position, give SRV a fresh start and lay a strong foundation for the development of the company.

2019 was a great disappointment to us in terms of both earnings and profitability. In the fourth quarter, we had to recognise several impairments, the most significant of which was the EUR 71.5 million impairment of the REDI shopping centre due to its forthcoming sale. Construction remained largely healthy and the failures in operational performance were limited to a few individual projects.

Towards the end of the year, we kicked off a recovery programme that focuses on renewing the organisation and operating culture, bolstering financial position and performance level, and improving profitability. As part of this programme, we announced that we intend to reduce our holdings in various cooperation projects. The recovery programme is proceeding at a rapid clip and most of the measures have been implemented. The new comprehensive solution that we have now announced will give the company more financial muscle to reorient its operations.

In the last quarter, we overhauled our organisation and clarified responsibilities. The new Corporate Executive Team came into effect at the beginning of this year.

Construction continued to be strong and more housing units were completed and recognised as income than in the comparison period. Demand also remained good in the Greater Helsinki Area, Tampere and Turku. Residents moved into Finland's first residential skyscraper, Majakka, in November-December. In the fourth quarter, 532 housing units were recognised as income, 275 of them in Majakka alone, and we recorded new projects valued at EUR 121.0 million in our order backlog.

As I mentioned above, today we have announced a wide-ranging comprehensive solution that includes many measures: new financing solutions, sales of assets and new capital. This new solution and our existing strengths will build up an evolving, high-performance company that is an appealing partner and investment.

I would like to thank all our customers, partners and personnel for the year now ended. We head into this year from a new, strengthened position.

Saku Sipola, President & CEO

Markets

The growth of the global economy slowed down in 2019 due to uncertainty caused by trade conflicts. That said, economic growth is already expected to recover this year, driven by the eurozone and many developing economies. (Ministry of Finance: 18 December 2019)

The outlook for the eurozone is overshadowed by the vulnerable German industry. Industry survey indicators are quite low, although the trend has levelled off slightly towards the end of 2019. Economic growth in the eurozone is expected to be about one per cent this year. In the years ahead, Finnish economic growth will be more restrained than in earlier years. The economy is estimated to have grown by 1.6 per cent in 2019. In 2020, economic growth will slacken to about 1.0 per cent. (Ministry of Finance: 18 December 2019.)

Construction began to decline last year. Construction will decrease further this year, while the rest of the economy will continue to grow. In 2019, start-ups of building construction work declined from their level in the two previous years, about 40 million cubic metres, to under 37 million cubic metres. This year, construction volume will most likely amount to less than 35 million cubic metres. (Business cycle review by the Confederation of Finnish Construction Industries RT, 2/2019.)

Construction of new housing has been at a record high in recent years, especially in the Greater Helsinki Area and other large growth centres such as Tampere and Turku. However, housing construction is expected to become muted this year. Housing start-ups in Finland began to decline last year and are forecast to decrease further this year from about 38,000 to around 32,000 units. The slowdown in housing construction is offset by brisk construction of housing in the Greater Helsinki Area, low interest rates and investor demand, which remains strong (Business cycle review by the Confederation of Finnish Construction Industries RT, 2/2019.)

In business construction, start-ups of non-industrial and non-warehouse buildings will decrease this year. Construction of healthcare buildings and schools remains brisk. Renovation construction is expected to see stable growth of 1.5 per cent this year, while civil engineering investments are forecast to swing to growth of a couple of per cent. According to Statistics Finland, construction costs have risen by 0.2 per cent compared with December 2018. Labour input prices in particular have grown during the past 12 months. (Source: Business cycle review by the Confederation of Finnish Construction Industries RT, 2/2019, Statistics Finland, Building Cost Index.)

Both Finnish and foreign investors are maintaining a good level of interest in projects in Finnish growth centres. The trading volume in the real estate market is expected to remain high, as in the past few years. Apartments have become an increasingly attractive class of property investment in recent years, and interest remains high. (Source: KTI market review, autumn 2019.)

The Russian economy has continued to grow slowly. A dearth of investments and weak consumer demand will continue to hamper economic growth in Russia over the coming years. The Bank of Finland Institute for Economies in Transition (BOFIT) estimates that the Russian economy grew by 1% in 2019 and will see growth of 1.8% in 2020. The major forecast risks are still posed by changes in the price of oil and the weaker-than-expected development of the outlook for the global economy and international relations. (Source: The Bank of Finland Institute for Economies in Transition (BOFIT), 3 October 2019.)

Earnings trends for the segments

SRV's new organisation, which is divided into the Construction and Investments segments, came into force at the beginning of 2019. As a result of this change, SRV has reported on two business segments since the

first-quarter interim report of 2019: Construction and Investments. The comparison figures were published in a separate bulletin in April 2019.

The **Construction** segment covers all of SRV's construction activities, including the capital and plots required for developer-contracted housing production. It is SRV's intention to develop, build and sell these plots to a faster schedule than those we report on in the Investments segment. Construction encompasses housing construction, business construction, technical units and procurement, as well as internal services in Finland and Russia.

The **Investments** segment encompasses both complete and incomplete sites in which the company is a long-term investor. Plots that SRV will develop itself, and whose expected profits will be generated through development and longer-term ownership, are also reported on under Investments. Investments focuses on the management and realisation of the Group's real estate investments, and on the creation and ownership of new joint investment structures.

Other operations and eliminations include the group functions of the parent company, SRV Group Plc, and the Project Development Unit's property and project development activities. Group eliminations are also included in this unit.

Revenue (EUR million)	1-12/ 2019	1-12/ 2018	change	change, %	10-12/ 2019	10-12/ 2018
Construction	1,057.7	955.4	102.3	10.7	403.1	298.4
Investments	5.9	4.6	1.3	27.8	1.7	1.0
Other operations and eliminations	-2.6	-0.3	-2.3		-0.9	0.3
Group, total	1,060.9	959.7	101.3	10.6	403.8	299.8

Operative operating profit (EUR million)	1-12/ 2019	1-12/ 2018	change	change, %	10-12/ 2019	10-12/ 2018
Construction	7.0	-13.4	20.4		3.6	-7.5
Investments	-96.3	-7.8	-88.5		-87.9	-4.0
Other operations and eliminations	-7.6	11.1	-18.7		-2.9	13.0
Group, total	-96.8	-10.0	-86.8		-87.2	1.5

Operative operating profit (%)	1-12/ 2019	1-12/ 2018	10-12/ 2019	10-12/ 2018
Construction	0.7	-1.4	0.9	-2.5
Investments	-	-	-	-
Group	-9.1	-1.0	-21.6	0.5

Operating profit (EUR million)	1-12/ 2019	1-12/ 2018	change	10-12/ 2019	10-12/ 2018
Construction*)	7.0	-13.4	20.4	3.6	-7.5
Investments*)	-92.5	-17.5	-75.0	-87.5	-5.4
Other operations and eliminations	-7.6	11.1	-18.7	-2.9	
Group, total*)	-93.0	-19.8	-73.3	-86.8	0.1
*) effect of currency exchange fluctuations	3.8	-9.8	13.5	0.4	-1.4

Operating profit (%)	1-12/ 2019	1-12/ 2018	10-12/ 2019	10-12/ 2018
Construction	0.7	-1.4	0.9	-2.5
Investments	-	-	-	-
Group	-8.8	-2.1	-21.5	0.0

Capital employed ¹⁾ (EUR million)	1-12/ 2019	1-12/ 2018	change	change, %
Construction	372.9	212.8	160.0	75.2
Investments	245.7	337.8	-92.1	-27.3
Other operations and eliminations	6.7	60.3	-53.6	-88.9
Group	625.3	611.0	14.4	2.4

Return on investment (%) ¹⁾	1-12/ 2019	1-12/ 2018
Construction	3.0	-4.6
Investments	-32.6	-5.2
Group	-15.2	-2.9

1) The figures for 2019 are not comparable with the figures for 2018, as the 2019 figures include the impact of IFRS 16. The company changed how it allocates deferred tax assets and liabilities; they are now fully allocated to the Other operations and eliminations unit. Comparative data has also been adjusted. The key figure also includes assets designated as held for sale in the balance sheet.

Construction

The Construction segment focuses on implementation services for demand-driven, high-quality and efficient building projects, for both the company's own sites and those for external developers. This segment is also responsible for the development of SRV's own residential sites, including housing sales and services for residents, and for the lifecycle maintenance of commercial properties.

Construction's main objective is to harness its specialist expertise in order to provide an excellent customer experience in project management and production, and to help improve the profitability of SRV's business. It takes the SRV Approach, which is based on understanding customer needs and the effective

implementation of projects in collaboration with our extensive network of professional partners. This segment focuses on housing, business and infrastructure construction in selected urban growth centres, as per the company's strategy.

Construction (EUR million)	1–12/ 2019	1–12/ 2018	change	change, %	10–12/ 2019	10–12/ 2018
Revenue	1,057.7	955.4	102.3	10.7	403.1	298.4
- business construction	679.7	666.2	13.5	2.0	200.5	183.9
- housing construction	377.9	289.1	88.8	30.7	202.6	114.6
Operating profit	7.0	-13.4	20.4		3.6	-7.5
Operating profit, %	0.7	-1.4			0.9	-2.5
Capital employed ²⁾	372.9	212.8	160.0	75.2		
Return on investment, % ²⁾	3.0	-4.6	7.6			
Order backlog ¹⁾	1,344.2	1,816.0	-471.8	-26.0		
- business construction	861.5	1,233.3	-371.8	-30.1		
- housing construction	482.7	582.7	-100.0	-17.2		
Group, total ¹⁾	1,344	1,816	-472	-26.0		
- sold order backlog	1,094	1,612	-517	-32.1		
- unsold order backlog	250	204	45	22.2		
- sold order backlog, %	81.4	88.7				
- unsold order backlog, %	18.6	11.3				

- 1) The Group's order backlog consists of the Construction business. The unrecognised margin corresponding to the holding is no longer included in the order backlog comparison figures.
- 2) The company changed how it allocates deferred tax assets and liabilities; they are now fully allocated to the Other operations and eliminations unit. Comparative data has also been adjusted. The key figure also includes assets designated as held for sale in the balance sheet.

January–December 2019

Revenue from Construction rose to EUR 1,057.7 million (955.4 1–12/2018) in the January–December period. Revenue was up in both business construction and housing construction. Revenue from housing construction was up 30.7 per cent because more housing units were recognised as income than in the comparison period. Revenue from business construction was up 2.0 per cent.

Construction's **operating profit** rose to EUR 7.0 (-13.4) million. Operating profit was positively impacted by the completion of the REDI shopping centre contract, but was reduced particularly by the weakening of the margins of two projects by a total of EUR 11.0 million. The result also includes EUR 6.0 million in expense entries due to water damage at REDI Majakka and a EUR 1.9 million loss on the sale of a plot in Estonia.

Operating profit was also burdened by impairments of the following plots:

- EUR 6.7 million impairment of the Papula plot in Vyborg, Russia (Q4/2019)
- EUR 0.8 million impairment of two already sold plots in Estonia (Q1/2019)
- **Total impairments of EUR 7.5 million in operative operating profit**

Construction's **order backlog** stood at EUR 1,344.2 (1,816.0) million. Although the order backlog has declined, it remains at a good level, and 81 per cent of the order backlog has been sold. New agreements valued at EUR 487.6 (1,133.0) million were recognised in January–December. The most significant

agreements were for REDI Loisto in the first quarter, the Finnish-Russian School in the second quarter, Wallesmanni and Opaali in Tampere and the Raisio production facility in the third quarter, and Siltasaari 10 and the Kirkkonummi wellbeing centre in the fourth quarter.

Construction's **capital employed** totalled EUR 372.9 (212.8) million. IFRS 16 had an accounting effect of EUR 133.3 million on this growth in capital employed.

October-December 2019

Revenue from Construction totalled EUR 403.1 (298.4 10–12/2018) million in the October–December period. **Operating profit** totalled EUR 3.6 (-7.5) million. New agreements entered into the **order backlog** in October-December amounted to EUR 142.9 (438.0) million.

Housing construction

January-December 2019

SRV's **revenue** from housing construction rose to EUR 377.9 (289.1 1–12/2018) million in the January–December period. 833 housing units were recognised as income in January-December, more than in the corresponding period of the previous year (537). The **order backlog** for housing construction was EUR 482.7 (582.7) million.

October-December 2019

SRV's **revenue** from housing construction rose to EUR 202.6 (114.6 10–12/2018) million in the October–December period. 532 housing units were recognised as income in October-December, more than in the corresponding period of the previous year (284). Revenue grew because more units were completed and recognised as income than in the comparison period.

■ Housing under construction

SRV's strategic target has been to increase developer-contracted housing production in urban growth centres in the vicinity of good transport connections. For some time now, SRV has been one of the largest housing constructors in the Helsinki metropolitan area. At the end of December, SRV had a total of 2,142 (December 2018: 2,759) housing units under construction in Finland, mostly in growth centres. No housing units were under construction in Russia during the year.

SRV is currently building housing as developer-contracted, development, and contracted projects. A developer-contracted residential project is a project that is developed by SRV and which has not been sold when construction begins. SRV bears the risks involved in both the sale and construction of such projects, which are recognised as income when the project has been completed and as the units are sold. A residential development project is a project that is developed by SRV, but which is sold to an investor before construction begins. SRV bears the construction risks in such projects, which are recognised as income according to the percentage of completion. Construction contracts are construction projects that are launched by other parties but implemented by SRV. They are recognised as revenue on the basis of the percentage of completion or as set out in the agreement.

A total of 835 (863) developer-contracted housing units were under construction at the end of December. The number of developer-contracted units currently under construction will affect SRV's result in the future when the units are sold. The average construction period is about 18 months.

The Kalasatama Towers in Kalasatama, Helsinki are the largest construction project in SRV's history. By the end of December, 275 of the 282 units in the first residential tower (Majakka) had been sold. Majakka's completion was delayed by the water damage that occurred in February 2019. Some of the apartments had to be dried, and their floor and wall materials replaced. SRV incurred additional costs of about EUR 10 million from this water damage. However, insurance will cover almost all of the direct repair costs. Due to delays, the indirect costs that are not covered by insurance will be substantial. To date, expense entries totalling EUR 6.0 million have been made for the estimated indirect costs. The residents moved in during November and December 2019.

SRV began sales of Kalasatama's second residential tower (Loisto) in February 2019. By the end of December, 127 apartments had been sold or reserved. Loisto will rise to a height of 124 metres above sea level. Its 249 apartments are located on top of the REDI shopping centre, on floors 6–32. Construction is proceeding according to plan and will be completed in autumn 2021.

The developer-contracted housing project Tampereen Pyynikin Pyhäranta (65 units) was recorded in the order backlog during the fourth quarter. Construction has been started. The apartments will be recognised as income according to level of sales completion in 2020. A total of 780 new developer-contracted housing units targeted at consumers went on sale in January–December.

At the end of December, a total of 1,032 (1,329) units were under construction for investors, mainly in Helsinki, Espoo, Vantaa and Kerava. During the fourth quarter, the construction of Tammelan Kustaa (62 units) in Tampere for OP was recorded in the order backlog. In the third quarter, Opaali, which will be built on the Tampere Central Deck for Tampereen Tornit Ky and will include 150 housing units and both office and retail premises, was recognised in the order backlog. In August, SRV and Kojamo Oyj signed a cooperation agreement valued at about EUR 120 million to implement rental housing in Helsinki, Espoo, Vantaa and Kerava. The agreement is for six housing sites built as development projects with a total of 527 units. The units are primarily studio flats and one-room flats with a living room. The realisation of the individual projects included in the agreement requires the fulfilment of customary contractual terms and conditions. The first project was completed during the review period. In the first half of the year, Aalto and Tysky in Oulu (a total of 66 housing units) were sold to TA. In addition, negotiations on several investor sales packages are under way.

■ Completed housing units

A total of 808 (526) developer-contracted housing units were completed during January–December. The number of unsold housing units has remained low. At the end of December, there were 87 (116) unsold completed housing units, 76 (71) in Finland and 11 (45) in Russia. Although housing sales are going moderately well, a slight slowdown has been observed, particularly outside the capital city region and Tampere. Demand from private housing investors has declined compared with the previous year. Demand is currently focusing on small apartments in good locations. A total of 649 (494) developer-contracted housing units were sold during January–December.

■ Housing units recognised as income

In January–December, 833 (537) developer-contracted housing units were recognised as income, generating total revenue of EUR 225.4 million. A developer-contracted residential project is a project that is developed by SRV and which has not been sold when construction begins. SRV bears the risks involved in both the sale and construction of such projects, which are recognised as income when the project has been completed and as the units are sold.

Housing construction, Group units	1-12/ 2019	1-12/ 2018	change, units	10-12/ 2019	10-12/ 2018
Units sold, total	937	1,400	-463	269	346
- developer contracting	649	494	155	207	156
- investor sales	288	906	-618	62	190
Developer contracting					
- start-ups	780	317	463	65	0
- completed	808	526	282	539	298
- recognised as income	833	537	296	532	284
- completed and unsold	87	116	-29		
Under construction, total	2,142	2,759	-617		
- contracts	80	80	0		
- negotiated contracts	195	487	-292		
- sold to investors	1,032	1,329	-297		
- developer contracting	835	863	-28		
- sold	371	559	-188		
- unsold	464	304	160		
- sold, %	44	65			
- unsold, %	56	35			

Order backlog, housing construction (EUR million)	12/2019	12/2018	change
Contracts and negotiated contracts	154	213	-59
Under construction, sold developer contracting	79	169	-91
Under construction, unsold developer contracting	220	180	39
Completed and unsold developer contracting	30	20	11
Housing construction, total	483	583	-100

The Group's largest developer-contracted housing projects under construction in Finland

Project name	Location	SRV, contract value, EUR million	Completion date (estimated)*	Units	Sold*	For sale*
REDI Loisto	Helsinki	105	Q4/2021	249	62	187
Wallemanni	Tampere	42	Q4/2020	217	85	132
Neulansilmä	Vantaa	23	Q2/2020	103	60	43
Väinämöisenrinne	Helsinki	22	Q4/2020	66	26	40
Fyyri	Oulu	10	Q2/2020	96	96	0

Total value of projects approx. EUR 220 million

* Situation at 31 December 2019.

The largest ongoing housing projects in Finland, investor projects and housing contracting

Project name	Location	Developer	Completion level, %*	Completion date (estimated)*
Punanotko	Helsinki	Ilmarinen	52	Q2/2020
Espanranta	Tampere	Tampereen Tornit	57	Q2/2020
Espanhovi	Tampere	Tampereen Tornit	24	Q3/2020
Ilveshovi	Helsinki	LocalTapiola	55	Q4/2020
Aalto and Tysky	Oulu	TA	46	Q4/2020
Tikkurilan KK	Vantaa	NREP	28	Q1/2021
Louhenlinna	Helsinki	LocalTapiola	43	Q1/2021
Kannen Opaali	Tampere	Tampereen Tornit	5	Q1/2022
Tammelan Kustaa	Tampere	OP	14	Q1/2021

Total value of projects approx. EUR 206 million

*Situation at 31 December 2019.

Business and infrastructure construction

January-December 2019

SRV's **revenue** from business construction rose slightly to EUR 679.7 million (666.2 1–12/2018) and the **order backlog** contracted by 30.1 per cent to EUR 861.5 (1,233.3) million.

SRV is currently building several public construction projects, such as hospitals and schools, and underground premises, such as the Espoonlahti Metro Station. These are primarily implemented as alliance projects or project management contracts. Alliance projects offer the potential for extra earnings in addition to the basic profit margin if the project is completed under budget or ahead of schedule, or if the quality criteria are met. Project management contracts are based either on a target price and guaranteed maximum price or a target budget. Like alliance projects, they offer the potential for extra earnings.

October-December 2019

SRV's **revenue** from business construction amounted to EUR 200.5 million (183.9 10-12/2018) in the fourth quarter.

Major ongoing business and infrastructure construction projects

■ Basic renovation and modernisation of Siltasaari 10

In the fourth quarter, SRV and real estate investment company Antilooppi signed a project management contract for the basic renovation and modernisation of historical properties in Hakaniemi, Helsinki: Siltasaarenkatu 6 and 8–10 as well as Paasivuorenkatu 4. The Siltasaari 10 project will combine three properties with a total of 36,075 gross m² into a unique complex to serve urban residents and employees.

■ Expansion of Helsinki Airport and renovation of Terminal 2

Helsinki Airport's Terminal 2 extension project involves building a new section for check-in, security control, baggage drop and greeting passengers, plus a travel centre combining different forms of transport. The current departure and arrival halls of Terminal 2 will be transformed into a gate area.

The Terminal 2 extension project was entered into SRV's order backlog in November 2018 and the total cost of the first phase is estimated to be around EUR 260 million. The actual implementation phase agreement for the project was signed in June 2019, under which SRV will continue as the prime contractor of the project.

■ Espoonlahti Metro Station

Construction of the Espoonlahti Metro Station and bus terminal is progressing as planned. The project was recognised in SRV's order backlog in November 2018 and it is valued at around EUR 48 million. The station will be implemented as a project management contract. Work on the Espoonlahti Metro Station started in December 2018. Construction will end and commissioning begin in summer 2022.

■ Tampere Central Deck and Arena

The Central Deck and Arena project will be built in the heart of Tampere on top of the railway station. It includes a multipurpose arena, residential towers, office and business premises, and a hotel. Topaasi ja Kruunu – to be built on the Tampere Central Deck – is a hybrid building. A tower section with 105 housing units will be built on top of its office section. The sale of Topaasi apartments is under way. At the end of December, 65 per cent of the apartments had been either reserved or sold. The project also includes apartment buildings in Ranta-Tampella, which will be built separately. Construction of the first two sites, Espanranta and Espanhovi, has already begun.

The total value of the project is about EUR 550 million. The share of Phase 1 agreements recognised in SRV's order backlog in 2017-2019 amounts to about EUR 317 million. In addition, about EUR 40 million will be recognised in the order backlog from Phase 1 of the project when the final contractor agreements are signed. Revenue will be recognised for the construction of Phase I during the period from 2018 to 2022. The remainder of the project will be recognised as income when the Phase 2 contractor agreements are signed in 2020–2023. A proportion equivalent to SRV's holding has been eliminated from the profit margin of construction. The deck's frame structures are currently being built. During the summer, construction of the arena and the first hybrid building on top of the deck was started up. The construction of Tampere Deck is running slightly behind the preliminary schedule, but the delay is not expected to have a significant impact on the completion schedule.

On 6 February 2020, the company published a separate release in which it announced that it had agreed to sell about 75 per cent of its holding in the Central Deck and Arena project to its co-investors. In addition, co-investors will buy five-sixths of Ranta-Tampella residential project. The transaction will reduce SRV's holding in the project but will not affect the company's role as its contractor. The share of the holding that the company plans to sell has been transferred to assets held for sale in the financial statements.

■ Wood City

For many years, SRV has been developing Wood City in the Jätkäsaari neighbourhood of Helsinki. Wood City will comprise an office building, hotel, and two apartment buildings for Helsinki Housing Production Department (ATT). This wooden quarter will also include a multi-storey car park. ATT's apartments were completed in February 2019. According to current estimates, the Wood City quarter is scheduled for completion in stages during 2020-2021. The total value of the Wood City quarter is about EUR 100 million.

SRV is building an office building and parking facility for Supercell in this quarter. Investor and operator negotiations are still ongoing for the hotel planned for the Wood City quarter.

■ New projects

The most significant new contracts in business construction that were entered in the order backlog in October-December were Siltasaari 10 and the Kirkkonummi wellness centre. A production facility for Raisio was recorded in the order backlog in July-September. Projects carried out earlier this year included the Urhea hall earthworks contract in Helsinki, construction of a sewer tunnel for the Blominmäki wastewater treatment plant in Espoo, the construction of the Finnish-Russian School and the extension of the Music Campus in Jyväskylä. In addition, SRV was selected to complete the construction of the Kirkkonummi Library. SRV will implement the project as a project management contract. Construction work was relaunched in summer and the library is scheduled to be opened in 2020.

The largest ongoing business construction projects

Project	Location	SRV total contract value, EUR million	Project type	Completion level, %	Completion (estimate)
DEVELOPMENT PROJECTS					
Deck, southern deck and infra**	Tampere	*	Infra	75	Q3/2021
Deck, multipurpose arena**	Tampere	*	Retail	16	Q3/2021
Deck, arena hotel**	Tampere	*	Retail	0	Q3/2021
Topaasi ja Kruunu**	Tampere	*	Office	22	Q3/2021
BUSINESS PREMISES					
Central Finland Hospital Nova	Jyväskylä	325	Public	86	Q3/2020
Expansion of Helsinki Airport	Vantaa	260	Retail	27	Q1/2022
HUS Siltasairaala	Helsinki	243	Public	35	Q4/2022
Tapiola city centre (Phase 2)	Espoo	100 +	Retail	93	Q1/2020
Jokirinne Learning Centre	Kirkkonummi	33	Public	38	Q4/2020
Hämeenlinna Women's Prison	Hämeenlinna	30	Public	48	Q4/2020
Wood City, office	Helsinki	*	Office	56	Q3/2020
Finnish-Russian School	Helsinki	23	Public	18	Q3/2021
Espoonlahti Metro Station	Espoo	48	Public	30	Q3/2021
Monikko school centre	Espoo	39	Public	32	Q2/2021
Siltasaari 10	Helsinki	51	Retail	0	Q3/2021

Situation at 31 December 2019.

*The value of individual contracts has not been made public.

**The total value of the Tampere Deck and Arena project is EUR 550 million.

■ Hanhikivi-1 nuclear power plant

In 2015, SRV announced its participation in the Hanhikivi-1 nuclear power plant construction project as both an investor and project manager. SRV has made a financing commitment equating to a 1.8 per cent holding in the project to Fennovoima's main owner, Voimaosakeyhtiö SF. SRV will have the same rights and obligations as other Voimaosakeyhtiö SF shareholders. SRV has also signed a cooperation agreement with

Rusatom Group and the main contractor Titan-2. SRV will act as the project manager, and the exact nature of its activities will be confirmed at a later date. The related negotiations on SRV's role are ongoing, and their content and schedule will be specified later. In December 2018, Fennovoima announced that construction will start in 2021.

Investments

The Investments segment focuses on the management and realisation of the Group's real estate investments; the creation and ownership of new joint investment structures; and the operation of selected properties. Investments' key objectives are to increase SRV's financing capacity with the aid of joint financing structures; harness the value chains created by projects more extensively through longer-term ownership; diversify capital risk; and generate positive cash flow. SRV's investment strategy revolves around the Group's strategy of building urban centres and harnessing the key megatrends that are affecting the built environment. "Building urban centres" primarily means the construction and ownership of central urban premises, such as housing, offices and retail premises.

Investments segment (EUR million)	1-12/2019	1-12/2018	change	change, %	10-12/2019	10-12/2018
Revenue	5.9	4.6	1.3	27.8	1.7	1.0
Percentage of associated companies' profits	2.8	-13.1	15.8		-0.7	-3.3
- of which exchange rate gains/losses	7.6	-10.3	17.9		0.8	-2.4
Hedging expenses	-3.8	0.6	-4.4		-0.5	0.9
Operative operating profit	-96.3	-7.8	-88.5		-87.9	-4.0
Operating profit *)	-92.5	-17.5	-75.0		-87.5	-5.4
Capital employed	245.7	337.8	-92.1	-27.3		
Return on investment, %	-32.6	-5.2	-27.4			
*) net effect of currency exchange fluctuations	3.8	-9.8	13.5		0.4	-1.4

January-December 2019

Investments' **revenue** totalled EUR 5.9 million in the January–December period (4.6 1–12/2018). It mainly consists of revenue from shopping centre management. The startup of shopping centre management at REDI increased revenue. In accordance with SRV's operating model, revenue from associated companies' projects and joint ventures is reported under the Construction segment; one example is the Tampere Central Deck and Arena project.

The **operative operating profit** totalled EUR -96.3 (-7.8) million. The shares of associated companies' results included in SRV's result include not only the projects' EBITDA, but also depreciation, financial expenses and taxes. The occupancy rates and rental income of the shopping centres owned by associated companies improved, but earnings were burdened by the fact that the management and financing expenses of recently opened shopping centres were higher than income. In the fourth quarter, the company concluded that it does not have the financial prerequisites to develop all its assets. Due to the planned sale of the REDI shopping centre, the asset was designated as an asset held for sale and measured at impairment. Measurement at impairment weakened operative operating profit substantially.

In addition, the company noted that the financial figures of some of its projects had weakened, particularly due to the poor situation in Russia.

The following impairments were allocated to assets in the Investments segment:

- EUR 71.5 million impairment of the investment in the REDI joint venture (Q4/2019)
- EUR 6.9 million impairment of the investment in the associated company Pearl Plaza (Q4/2019)
- EUR 5.9 million impairment of the Eurograd plot in Russia (Q4/2019)
- EUR 1.0 million impairment of the Mytishchi plot in Russia (Q4/2019)
- EUR 1.0 million impairment of the Kuninkaanportti commercial property in Finland (Q4/2019)
- EUR 2.3 million impairment of the Etmia office property (Q3/2019)
- EUR 0.6 million impairment related to the dissolution of the VTBC fund (Q1/2019)
- **Impairments totalling EUR 89.2 million in operative operating profit.** The impairments of investments in Pearl Plaza and REDI relate to their assumed or known selling price.

Investments' **operating profit** was EUR -92.5 (-17.5) million. The net effect of currency exchange fluctuations was EUR 3.8 (-9.8) million, which arose from valuation of the euro-denominated loans of associated companies in roubles. Exchange rate differences with no impact on cash flow vary in each interim report in line with fluctuations in the exchange rate of the rouble.

Capital employed totalled EUR 245.7 (337.8) million. Capital employed was reduced by the EUR 89.2 million in impairments listed above and EUR 10.8 million in impairments and extraordinary expense items of financial receivables recognised in financial expenses. Capital employed was impacted by additional capital invested in the Tampere Central Deck and Arena project and the Okhta Mall car park during the financial year. The strengthening of the rouble exchange rate also affected capital employed. Total capital employed decreased by about EUR 92.1 million. The majority of SRV's capital employed consists of investments in associated companies.

The **return on investment** was -32.6 (-5.2) per cent. When calculating the return on investment, the income from interest on loans granted to associated companies and changes in the value of loans are also taken into consideration.

SRV is a co-investor in four shopping centre projects through its associated companies. SRV is also responsible for leasing, marketing and managing premises in completed shopping centres. SRV intends to sell its holdings once stable rental income has been achieved or the market situation allows. Stable rental income is usually reached 3–4 years after opening. For instance, the rental income of Pearl Plaza in St Petersburg, which was opened in 2013, is now stable.

October–December 2019

Investments' **revenue** totalled EUR 1.7 million in the October–December period (1.0 10–12/2018). Revenue was generated by shopping centre management. **Operative operating profit** amounted to EUR -87.9 (-4.0) million.

Capital employed

Capital employed (EUR million)	31 Dec. 2019	31 Dec. 2018
REDI, shopping centre and parking facility	24.6	118.4
Okhta Mall, shopping centre	88.6	78.4
Pearl Plaza, shopping centre	25.3	25.3
Tampere Central Deck and Arena	25.8	13.8
4Daily, shopping centre	7.0	10.9
Plots to be developed and other holdings	74.4	91.0
Total	245.7	337.8

Capital employed largely consists of investments in subsidiaries, joint ventures and associated companies; loans issued; accrued income from associated companies; and their impairment and expense entries. Capital employed includes assets held for sale. Fluctuations in the rouble exchange rate also affect the amount of capital employed.

Shopping centres

■ REDI, Helsinki

The REDI Shopping Centre in Kalasatama, Helsinki opened its doors in September 2018. By the end of December, about 88 per cent of the shopping centre's premises were leased and about 86 per cent of its 200 stores were open. The major new tenants in the shopping centre are XXL, which opened in April, and Terveystalo, which opened in August. A new shopping centre management team started work in February. Visitor numbers and sales improved as a result of marketing and a variety of events.

Although SRV has a 40 per cent holding in the project, the terms and conditions for profit sharing contained in the REDI shareholder's agreement state that SRV's final share of the project's income may vary between 10 and 50 per cent (including cash flow from the ownership period and income from the realisation of assets.) The final division of profit will only be known when the site has been fully developed and sold, and the overall profit has been determined (estimate: in the first half of 2023 at the earliest).

On 6 February, SRV announced its plans to sell its holding to co-investors. SRV will divest its holding in REDI prematurely and before a stable level of rental income has been achieved. For this reason, the selling price reflects the value at the time of premature exit. The selling price of the REDI holding is lower than the original acquisition cost.

In the financial statements, the REDI holding has been classified as an asset held for sale in accordance with IFRS 5 and measured at probable selling price less costs of sale. The estimated probable selling price includes a possible additional transaction price that is valued at the company's best estimate of its probable value.

■ Pearl Plaza, St Petersburg

This shopping and entertainment centre in St Petersburg is still fully leased. Visitor numbers rose by 5 per cent on the comparison period in January–December. Sales in roubles saw growth of about 5 per cent compared with the corresponding period of the previous year. More of the Pearl Plaza loans were converted to roubles in February 2018 and now only about a third are euro-based.

Pearl Plaza's sales process has progressed. On 12 April 2019, SRV announced that negotiations had been launched on the sale of Pearl Plaza to a Russian fund managed by Sberbank Asset Management JSC. At the St. Petersburg International Economic Forum on 7 June 2019, the parties signed a cooperation agreement on the sale. The agreement confirms their commitment to carrying out the sale of Pearl Plaza. If realised, the sale will not have a significant impact on the company's earnings, but the capital freed up by the transaction will reduce SRV's tied-up capital.

On 31 December 2019, SRV's holding in the Pearl Plaza shopping centre was designated as an asset held for sale and measured at its probable selling price less costs of sale, as its sale during the next 12 months is considered likely. If the sale is carried out, the elimination of the construction profit margin corresponding to the holding would be recognised as income and this would have a positive impact on the company's result.

■ Okhta Mall, St Petersburg

The Okhta Mall in downtown St Petersburg opened its doors in August 2016. SRV owns 45 per cent of the Okhta Mall directly, and another 15 per cent indirectly through the property investment company Russia Invest. Leasing has progressed according to plan. By the end of December, the shopping centre's occupancy rate had risen to about 97 per cent. 93 per cent of its stores were open at the end of December. In the January–December period, sales rose by 19 per cent and visitor numbers by 10 per cent. All of the Okhta Mall loans were converted to roubles in May 2018. This reduces SRV's rouble-related exchange rate risks.

The construction of the Okhta Mall multi-storey car park was started up in the fourth quarter. Its construction is valued at about EUR 20 million. The construction contract was added to the order backlog of SRV's Construction segment during the last quarter of 2019.

SRV also owns the Okhta City plot next to the Okhta Mall. This will be a major development project in the future. The majority of the Okhta City plot is currently being used as a car park for the Okhta Mall, but the construction of the multi-storey car park will free up the plot for further development.

■ 4Daily, Moscow

The 4Daily shopping centre opened its doors in Moscow in April 2017. SRV owns 19 per cent of the shopping centre. By the end of December, about 83 per cent of the centre's premises were leased. At the end of December, 76 per cent of its stores were open. During the review period, one grocery store agreement was terminated and new agreements were made for two smaller grocery and home appliance stores. This change seeks to better meet customer demand. Interest among potential new tenants has risen significantly. In the January–December period, sales rose by 17 per cent and visitor numbers by 35 per cent on the comparison period.

Although the shopping centre's occupancy rate, and therefore its profitability, are still at an insufficient level, the change in the tenant structure and growing visitor numbers are creating a foundation for increasing the occupancy rate. SRV also owns the Mira-II plots next to 4Daily, which will enable further development in the area when premises demand permits. In the second quarter, an agreement was signed with the international sports store giant Decathlon for the construction of a store building and the sale of part of the Mira-II plot. A building permit is required to start up construction; it is forecast that work will begin in 2020. The value of the contract will be recognised in SRV's order backlog when the startup of construction has been confirmed.

4Daily was subject to EUR 5.9 million in impairment of financial receivables in financial expenses during the fourth quarter.

■ Other projects

SRV is a co-investor in the Tampere Central Deck and Arena project. SRV has a 20 per cent holding in the Arena and a 33.3 per cent holding in the other Tampere Deck sites. After the end of the review period, the company announced its plans to sell 75 per cent of its holding to co-investors; this part of the asset has been designated as an asset held for sale and measured at probable selling price in the financial statements.

SRV owns 50 per cent of the Etmia II office project in downtown Moscow. 81 per cent of Etmia had been leased by the end of December. Due to the low occupancy rate, Etmia is in a weak position to manage its loans. Recovery measures did not yield results during the year. SRV wrote down the value of its investment, EUR 2.3 million, the value of its financial receivables, EUR 1.5 million, and the agreed additional payment obligation, EUR 2.4 million. No solutions to revitalise the operations of the company were found in the fourth quarter. Bankruptcy proceedings have been started for the company. The financing bank will realise the property held as collateral for its loan receivables.

SRV had a 20 per cent holding valued at about EUR 6 million in the VTBC fund, which invests in real estate properties. The investment period was extended to the end of 2019. The fund sold its investments in April 2019. The fund was dissolved at the end of the year and SRV received an approximately EUR 6 million share in the dissolution of the fund during the second quarter. Impairment of about EUR 0.6 million was recognised in the balance sheet value of the investment in the first quarter.

Plots held for future development in Russia include the previously mentioned Okhta City plot next to the Okhta Mall in St Petersburg, the Mira-II plots in Mytishchi, and a 51 per cent holding in the Eurograd plot in St Petersburg.

In addition, SRV owns a commercial property in Porvoo (Ratsumestarinkatu 6), and has a 1.8 per cent holding in Voimaoiskeyhtiö SF and a 6.4 per cent holding in Vicus Oy.

Most significant completed investment projects, 31 Dec. 2019

Project	Holding, %	Opened	Floor area (m ²)	Occupancy rate 12/2019, %	Target sales date
Pearl Plaza, shopping centre, St Petersburg	SRV 50 Shanghai Industrial Investment Company 50	August 2013	Gross floor area 96,000 Leasable area 48,000	Binding lease agreements 100	2019 –
Okhta Mall, shopping centre, St Petersburg	SRV 45 Russia Invest 55 *	August 2016	Gross floor area 144,000 Leasable area 78,000	Binding lease agreements 97	2021 –
4Daily, shopping centre, Moscow	Vicus 26 SRV 19 Blagosostoyanie 55	April 2017	Gross floor area 52,000 Leasable area 25,500	Binding lease agreements 83	2022 –
REDI, shopping centre, Helsinki	SRV 40 Ilmarinen 32 LocalTapiola 15 OP Group 13	September 2018	Gross floor area 110,650 Leasable area 64,000	Binding lease agreements 88	– **

*Russia Invest's shareholders are Finnish institutional investors. Ilmarinen owns a 40 per cent stake in Russia Invest, Sponda and SRV have 27 per cent holdings, and Conficap owns six per cent.

** SRV plans to sell its holding to co-investors in 2020, as described earlier in this release.

Group project development

In accordance with its strategy, SRV is focusing on improving profitability. Development and developer-contracted projects are by far the best way to improve the profitability of operations, as the target margin is generally better than in traditional contracting. Projects based on SRV's own development efforts target growth centres and, in the Greater Helsinki Area, particularly locations close to rail transport.

Projects close to rail transport

The Greater Helsinki Area metro has been expanded to run from Ruoholahti to Espoo via Lauttasaari. In the first phase of the Western Metro, a 14-km rail line was completed from Ruoholahti to Matinkylä, with eight new stations. SRV has numerous projects along the route of this metro line. For example, SRV has built the Koivusaari metro station and excavated both the Otaniemi metro tunnel and the Kaitaa station and rail line. SRV is currently building the underground metro station in Espoonlahti. In addition, SRV is building and planning many projects around the stations.

■ Kivenlahti

In January 2016, the Trade and Competitiveness Division of the Espoo City Board reserved an area for SRV and VVO Group Plc, the current Kojamo Oy, to design the Kivenlahti Metro Centre. The plans for the area comprise about 1,300 housing units and about 35,000 m² of commercial, office and service premises, and park-and-ride spaces. The Espoo City Council approved the city plan for the area on 29 April 2019, but a complaint has been lodged against it. Construction will begin once the complaint has been resolved –

current estimate 2020–2021 – and the Metro Centre is scheduled for completion at the time the Western Metro extension is opened.

■ Espoonlahti

Apartments covering approximately 100,000 square metres of floor area will be built next to the future Espoonlahti metro station (Espoonlahden keskus/Mårtensbro).

SRV is seeking a holding of around 30 per cent. The plan for the Espoonlahti Centre came into force in March 2017.

The City of Espoo has leased the plot to serve as provisional premises for the Lippulaiva shopping centre until 2020, which means construction can begin only when Lippulaiva has moved.

■ Keilaniemi

SRV is forging ahead with its residential tower project in Keilaniemi, Espoo. Four towers and a parking facility are planned for Keilaniemi. The area's city plan is in force, and progress now hinges on tunnelling and traffic arrangements for Ring Road I. The tunnel was opened to traffic in June, and the finishing works on the park deck were completed in the fourth quarter.

As part of the overall implementation of the project, SRV bought the plots for two residential towers from the City of Espoo on 29 October 2019. SRV has not as yet made a final decision on the construction of the towers. Construction may begin no earlier than in 2020. The final construction decision will be based on the market situation. If realised, the Keilaniemi residential towers would be the tallest residential buildings in Finland, with the tallest soaring to a height of almost 145 metres.

■ Raide-Jokeri Vermonniitty

Raide-Jokeri is a rapid tramline that will link Itäkeskus in Helsinki to Keilaniemi in Espoo. It will also enable numerous residential sites to be built along the line. For instance, SRV is planning to build housing in the vicinity of the future Vermonniitty station in cooperation with SATO and Ilmarinen. It will have a total of almost 2,000 housing units. SRV also has a planning reservation for the Säterintorni plot, where the company plans to build housing and an office building. Processing of the city plan proposal for Säterinkallionkulma in Leppävaara is still in progress. The city is planning housing for about 800 people in Säterinkulma.

Other projects

■ Lapinmäentie

The Lapinmäentie project in Munkkivuori, Helsinki, is progressing well. SRV is continuing to develop the area in accordance with the city plan approved in August 2016. Seven new residential towers are planned for the area in addition to the existing Tower A, which will remain. Different concepts are currently being considered for Tower A, and it may contain shops, services and office space. In December 2019, the project was granted a deviation decision, which permits care and assisted living facilities to be located in Tower A. The decision is not yet in legal force.

Demolition of the Pohjola Building has been completed and the construction of the first two apartment buildings sold to LocalTapiola is in progress. It is planned that the area will have 800 apartments.

■ Bunkkeri in Jätkäsaari

SRV is highly involved in revitalising the Jätkäsaari district of Helsinki. It is intended that Bunkkeri will be a 13-storey landmark in Jätkäsaari, featuring a wide range of fitness facilities, a swimming hall, and about 300 housing units. The development of Bunkkeri was delayed in autumn 2017, when the Administrative Court

of Helsinki overturned an acquisition decision that had been made in April 2016 concerning the sale of Bunkkeri to SRV. The Administrative Court held that the deal did not constitute a public procurement, but a real estate transaction. After this ruling, the City of Helsinki resumed its preparatory work. On 11 April 2018, the Helsinki City Council decided to sell the plot to SRV.

A complaint has been lodged with the Administrative Court of Helsinki on the decision of the City Council to sell Plot 5 in Block 20811 in District 20 (Länsisatama) of the City of Helsinki and the Bunkkeri building located there as well as the related implementation of the decision. With its decision on 15 June 2018, the Administrative Court rejected the complainant's demand to forbid and halt the execution of the sale decision. With its decision on 5 October 2018, the Supreme Administrative Court upheld the decision of the Administrative Court and did not forbid the execution of the sale decision. The complaint on the sale decision of the City Council is still under review at the Administrative Court.

SRV and the City of Helsinki signed the implementation agreement in October 2018.

Land reserves 31 Dec. 2019	Business construction	Housing construction	Investments	Total
Unbuilt land areas, land acquisition commitments and rented plots				
Building rights ¹⁾ , 1,000 m ²	135	308	522	965
Land development agreements				
Building rights ¹⁾ , 1,000 m ²	61	251	0	312

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.

Financing and financial position

IFRS, EUR million	31 Dec. 2019	31 Dec. 2018	Change, %
Equity ratio, %	21.2	28.5	-25.7
Equity ratio, %, excl. IFRS 16 ¹⁾	26.4	28.5	-7.6
Net gearing ratio, %	240.3	121.1	98.5
Net gearing ratio, %, excl. IFRS 16 ^{*1)}	151.2	121.1	24.9
Shareholders' equity	175.6	233.6	-24.8
Capital employed	625.3	611.0	2.4
Net interest-bearing debt	422.0	282.8	49.2
Net interest-bearing debt, excl. IFRS 16 ¹⁾	271.9	282.8	-3.9
Interest-bearing debt	449.7	375.9	19.7
<i>- of which short-term</i>	25.6	91.8	-72.1
<i>- of which long-term</i>	424.1	284.1	49.3
Interest-bearing debt, excl. IFRS 16 ¹⁾	299.6	375.9	-20.3

Cash and cash equivalents	27.7	93.1	-70.2
Unused binding liquidity limits and account limit agreements	10.0	31.5	-68.3
Unused project loans that can be drawn immediately	2.3	15.2	-84.8

1) The impacts of IFRS 16 in 2019 have been removed from this figure. Due to this adjustment, the figure is comparable with the figures for 2018.

At the end of the period, the Group's financing reserves totalled EUR 40.0 million (139.7 12/2018), consisting of unused committed liquidity facilities and unused project loans (EUR 12.3 million) and cash and cash equivalents (EUR 27.7 million). In addition, the company has a TEL loan of about EUR 14 million at its disposal. SRV also has a EUR 100 million credit facility that matures on 16 June 2021 whose use includes certain restrictions due to an interest coverage ratio covenant. At the end of December, the company made an agreement with the bank syndicate to restrict the use of this credit facility and it can now only be used to refinance commercial papers worth up to EUR 70 million. Sums in excess of this cannot be withdrawn without the unanimous permission of the bank syndicate. At the end of December, EUR 60 million of the credit facility had been withdrawn.

In May, SRV issued EUR 58.4 million in capital notes that bear interest at a fixed interest rate of 12 per cent. EUR 20.5 million of the proceeds were used for early repayment of the EUR 45 million 8.750 per cent notes and EUR 37.9 million for early repayment of the EUR 100 million 6.875 per cent notes maturing on 23 March 2021. The capital notes do not have a specified maturity date, but SRV is entitled to redeem the capital notes for the first time on the fourth (4) anniversary of the issue date. The capital notes strengthened the company's capital structure and financial position as well as extended the maturity of loans.

SRV's financing agreements contain standard covenants. The financial covenants are equity ratio (also based on percentage of completion), net gearing, minimum liquidity, the interest coverage ratio and certain other restrictions. The interest coverage ratio is the ratio of the Group's operating margin (EBITDA) to its net financial expenses. The interest cover ratio is tested only if and when new loan financing is withdrawn; the covenant does not prevent the refinancing of existing sources of financing.

The covenant levels of these financing agreements are determined on the basis of the accounting principles in force when the loan agreements were signed. Therefore, although IFRS 16 has recently come into force, it will have no effect on the covenants for existing loan agreements.

At the end of December, the company made a standstill agreement with the bank syndicate that issued the credit facility, that is, the loan covenants will not be tested during the period specified. This arrangement will remain in force until a replacement loan agreement with a new credit limit has been signed. Syndicate banks have made credit decisions to grant a new loan. The loan agreement is being finalised and the company will announce the signing of the final loan agreement separately. All of the other covenant levels for the key loan agreements were met on 31 December 2019.

Net interest-bearing debt totalled EUR 422.0 (282.8) million at the end of the review period. Net interest-bearing debt rose by EUR 139.2 million on the comparison period. Lease liabilities arising from the adoption of IFRS 16 accounted for EUR 150.1 million. Excluding the impact of IFRS 16, net interest-bearing debt declined by EUR 10.9 million. Housing corporation loans account for EUR 50.4 (78.3) million of the interest-bearing debt. Cash flow from operating activities was EUR -10.7 (25.5) million and cash flow from investing activities was EUR -5.9 (-3.1) million. Cash flow from operating activities was weakened primarily by a decrease in non-interest-bearing debt. Cash flow from operating activities was favourably affected by the completion of 539 housing units in the last quarter. Most of these units have now been sold.

Net financial expenses since the beginning of the year totalled EUR -29.3 (-17.5) million. Net financial expenses were increased by EUR -3.7 million (-2.2) due to the negative impairment revaluation of a ten-year interest rate hedge and paid interest expenses. When the interest level rises from its current level, a positive change in the impairment of the interest rate hedge will be recognised in the income statement, and vice versa. EUR 0.7 (1.2) million in interest expenses have been capitalised in accordance with IAS 23 since the beginning of the year. Exchange rate gains in financial expenses totalled EUR 4.3 (-3.5) million. IFRS 16 had an impact of EUR -6.5 million on financial expenses. Net financial expenses were increased by an amount of EUR -0.7 (-1.9) million due to the early redemption of a bond.

Net financial expenses also include the following impairments made on Russian subsidiaries' loan receivables and extraordinary expense items:

- An impairment of EUR 1.7 million on the interest and loan receivables and additional financial commitment of EUR 2.4 million of MMSG, a Russian joint venture (Q4/2019)
- An impairment of EUR 5.9 million on the interest and loan receivables of Promenad, a Russian associated company (Q4/2019)
- An impairment of EUR 0.8 million on the loan receivables of the Finnish joint venture REDI (Q2/2019)
- **Impairments on interest and loan receivables** and extraordinary expense items **total EUR 10.8 million in financial expenses**

SRV's investment commitments totalled EUR 51.7 (67.5) million at the end of September, and mainly consisted of investments in Fennovoima's Hanhikivi-1 nuclear project and the Tampere Central Deck and Arena project.

SRV is exposed to changes in the exchange rate of the rouble through its Russian subsidiaries. The strengthening rouble led to translation differences of EUR 11.5 (-12.8) million, which impacted both shareholders' equity and the comprehensive result for the period. In addition to currency exchange rate gains of EUR 4.3 (-3.5) million in financial income and expenses, the Group also entered similarly derived currency exchange rate gains of EUR 7.6 (-10.3) million (with no cash flow impact) under the profit accounted for by associated companies. These are primarily due to the conversion of currency-denominated loans to rubles. Currency exchange rate gains were reduced by EUR -3.8 (0.6) million in hedging expenses.

On 6 February 2020, the company issued a separate release about significant transactions, preliminary financing agreements and its intention to ask the Annual General Meeting for the authorisation to implement two separate share issues during spring 2020. The company has agreed on the replacement of its current EUR 100 million credit facility with two separate credit facilities, one of EUR 60 million and one of EUR 40 million. The company's current EUR 60 million credit facility will be replaced with a new credit facility of equal amount, of which EUR 20 million will be repaid in January 2021 and the remaining EUR 40 million in January 2022. The undrawn credit facility of EUR 40 million will be used to finance future construction projects and its due date is in January 2022 or otherwise specified date for separate construction project.

In addition, the Board of Directors will request the Annual General Meeting for authorisation to convert the current hybrid bonds into equity and to carry out a separate increase in share capital amounting to about EUR 50 million. Shareholders representing at least 60 per cent of the company's shares and voting rights have committed to supporting the granting of share issue authorisations at the Annual General Meeting. The company has also secured the commitment of holders of hybrid bonds valued at a total of EUR 51 million to participate in the conversion of the bonds into equity and EUR 40 million in advance commitments to participate in a separate share issue.

If the measures described in this release are carried out according to plan, it is expected that the company's balance sheet, liquidity and financial position will improve significantly by the end of the second quarter. The company's equity ratio (excluding the impact of IFRS 16) would then improve to about 35–38 per cent from its current level and gearing to about 75–85 per cent (excluding the impact of IFRS 16), and the measures would have a positive cash flow impact of around EUR 95 million. After these measures, the company would be able to continue to develop its operations with a view to the long term.

Personnel

Personnel by segment at end of period	31 Dec. 2019	Percentage of Group personnel, 31 Dec. 2019	
		31 Dec. 2018	Dec. 2019
Construction	836	906	80
Investments	132	85	13
Other operations	76	66	7
Group, total	1,044	1,057	100

SRV employed 1,080 people on average in January–December 2019 (1,129 1–12/2018). On average, 867 (915) people worked in Construction and 139 (145) people worked in Investments. 74 (68) people worked in Group operations.

The operations of SRV Keski-Suomi and SRV Pirkanmaa were merged as from 1 May 2019 to form SRV Sisä-Suomi. The new regional unit still has offices in both Jyväskylä and Tampere. Construction projects will continue unchanged. Thanks to this organisational change, SRV is more competitive and can develop new projects and acquire construction projects in a wider area.

Changes in the Corporate Executive Team

On 25 June 2019, SRV Group Plc's Board of Directors appointed Saku Sipola, M.Sc. (Tech), 50 years old, as President and CEO of SRV Group Plc. He started in his position on 1 September 2019. Sipola joined SRV from SATO Corporation, where he worked as the President and CEO in 2015–2019.

SRV Group Plc overhauled its organisational structure and Corporate Executive Team effective 1 January 2020. This change is part of the recovery programme announced on 31 October 2019. The new organisation structure has four business units, supported by Group Services. The business units are: Business Premises, Regional Units and Infrastructure; Housing; Investments; and Operations in Russia and Estonia.

The members of SRV's Corporate Executive Team as from 1 January 2020 are:

- Saku Sipola, President & CEO
- Timo Nieminen, Executive Vice President, Deputy CEO, Senior Vice President, Strategic Project Development
- Juha Toimela, Executive Vice President, Business Premises, Regional Units and Infrastructure
- Kim Jolkkonen, Senior Vice President, Housing
- Jarkko Rantala, Senior Vice President, Investments
- Jussi Tuisku, Senior Vice President, Russia and Estonia
- Ilkka Pitkänen, CFO
- Johanna Metsä-Tokila, Senior Vice President, General Counsel
- Maija Karhusaari, Senior Vice President, Communications and Marketing
- Antti Nummi, Senior Vice President, Business Development

- Kimmo Kurki, Senior Vice President, Internal Services

Risks, risk management and corporate governance

SRV has published a separate Corporate Governance Statement in its Annual Report and on the company's website. More detailed information about the company's business risks and risk management has been provided in the 2018 Notes to the Financial Statements and Annual Report, and is also available on the company's website. Corresponding reports for 2019 will be provided on 2 March 2020 when the company publishes its 2019 Financial Statements.

The most significant operational risks relate to capital tied up in major business construction projects, SRV's earnings trend, the availability of project financing, ensuring sufficient short-term liquidity, the development of the situation in Russia, and the rouble exchange rate.

According to the latest forecasts, the strong growth that the construction industry has experienced in recent years is now levelling off, or there may even be a downswing in production. This is expected to generate a slow improvement in subcontractor availability and to relieve cost pressures in materials and subcontracting. Coupled with the prudent selection of new projects, it is also expected to improve SRV's cost-competitiveness. Due to long-term procurement agreements, the decline in input prices may have a delayed effect on SRV's earnings improvement.

SRV's ongoing major projects and completed shopping centre projects are tying up a great deal of capital, as does developer-contracted construction. The availability and price of financing are critical to the company's business. Combined with the company's weakening earnings performance, SRV has faced difficulties in issuing commercial paper, due to which it has had to draw EUR 60 million from its existing EUR 100 million credit facility. For the same reason, the amount available from the credit facility and certain financing and guarantee facilities has decreased or become subject to limitations. SRV's financing agreements contain standard covenants. At the end of December, the company made a standstill agreement with the bank syndicate that issued the credit facility, that is, the loan covenants will not be tested during the period specified. These factors have reduced the company's financial reserves and hindered the availability of financing. In addition, the company expects that only a small amount of new RS loans will be drawn in 2020. The company will seek to ensure financing for new projects by employing its general financing reserves and selling project-specific receivables to financial institutions. Receivables can be sold to manage liquidity only within the limits permitted, which on the closing date was practically in full.

If the company receives funding for planned construction projects, SRV's financial position is expected to improve slightly due to positive cash flow and a decrease in tied-up capital in the balance sheet. If the major sales and other measures to improve equity that have been announced today are carried out as planned, the company's balance sheet, liquidity and financial position will improve significantly by the end of the second quarter.

Net rental income from SRV's shopping centre investments typically reaches its target level about 3–5 years after opening. Once this occurs, it is SRV's strategy to sell the investment. Developments in rental income are impacted by factors such as general economic trends, consumer behaviour, successful shopping centre management, the shopping centre's reputation and, in Russia, also the rouble exchange rate. Weaker-than-planned developments in different factors and the assumptions made, both when starting up shopping centres and on the scheduled sale date, may result in a need to lower the shopping centre's acquisition-price-based value in the balance sheet. The company decided to divest its holding in the REDI shopping centre prematurely and before a stable level of rental income has been achieved. For this reason, the selling price reflects the impairments at the time of premature exit. The company recognised this difference as impairment in the 2019 financial statements.

In its Russian business, fluctuations in the rouble exchange rate expose SRV to translation and transaction risks. A ten per cent weakening of the rouble against the euro on the reporting date would have had an impact of about EUR -9.5 million on the Group's equity translation differences. A ten per cent weakening in the exchange rate would correspondingly have an impact of about EUR -6.2 million on SRV's earnings. The exact rouble hedging rate varies over time. SRV's transaction risk largely comprises the euro-denominated loans of associated companies that are partly owned by SRV. Some of the loans taken out by SRV's associated companies in Russia were converted to roubles during early 2018, thereby reducing SRV's exchange rate risk. The remaining exchange rate risk is hedged in accordance with the hedging policy approved by the Board of Directors.

To increase the comparability of operations, the company reports operative operating profit in addition to operating profit. Operative operating profit differs from the IFRS definition of operating profit in that it eliminates the calculated currency exchange differences included in financial items in Russian operations and their potential hedging impacts. In order to improve the comparability of the balance sheet structure, SRV will also report its 2019 key figures without the impact of IFRS 16.

Corporate governance and the decisions of the Annual General Meeting

SRV Group Plc's Annual General Meeting was held on 19 March 2019. SRV published stock exchange releases on the decisions of the Annual General Meeting and the organisation of the Board of Directors on 19 March 2019. The stock exchange releases and presentations of the members of the Board of Directors are available on the company's Internet site at www.srv.fi/en/investors.

Multi-year incentive scheme for the President and CEO

SRV Group Plc's Board of Directors resolved on a new share-based incentive scheme on 25 June 2019. The scheme applies to Saku Sipola, who became SRV Group Plc's President and CEO on 1 September 2019. The incentive effect of the scheme is based on the value increase of SRV Group Plc's shares. The stock exchange release and a description of the incentive scheme are available on the company's Internet site at www.srv.fi/en/investors.

Shares and shareholders

SRV Group Plc's share capital is EUR 3.1 million. The share has no nominal value and the number of shares outstanding is 60,499,575. The company has one class of shares.

The closing price at Nasdaq Helsinki on 31 December 2019 was EUR 1.36 (EUR 1.70 on 31 December 2018, change -20.0%). The highest share price during the reporting period was EUR 2.19 and the lowest EUR 1.25. At the end of the period, SRV's equity per share excluding the hybrid bond was EUR 1.59. On 31 December 2019, SRV had a market capitalisation of EUR 81.0 million, excluding the Group's treasury shares. 14.4 million shares were traded during the review period with a trade volume of EUR 22.0 million.

At the end of December, SRV Group Plc held 918,599 treasury shares (1.5 per cent of the total number of shares and combined number of votes).

Financial objectives

The company will update its strategy in 2020 and will publish its longer-term financial objectives by the end of the year.

Outlook for 2020

During 2020, SRV's revenue and result will be affected by several factors in addition to general economic trends, such as: the timing and amount of income recognition for SRV's own projects, which are recognised as income upon delivery; the part of the order backlog that is continuously recognised as income mainly consists of contracting; trends in the order backlog's profit margins; the start-up of new contracts and development projects; and the rouble exchange rate.

The largest ongoing projects are Tampere Central Deck and Arena, the extension of Helsinki Airport, and several hospital projects.

- The company's main focus in 2020 will be on major business premises contracts, hospital projects, and housing development projects for investors. Fewer developer-contracted housing units will be completed in 2020 than in the comparison period. It is estimated that a total of 586 developer-contracted housing units will be completed in 2020 (808 in 2019).
- Measures to boost operational efficiency and achieve savings in procurement are expected to improve the company's earnings performance. In addition, the recovery programme measures that were carried out in late 2019 are expected to improve the company's cost structure.
- Full-year consolidated revenue for 2020 is expected to fall in comparison with 2019 (revenue in 2019: EUR 1,060.9 million). Operative operating profit is expected to improve on 2019 and to be positive (operative operating profit EUR -96.8 million).

Proposal for the distribution of profits

The parent company's distributable funds on 31 December 2019 are EUR 149,250,195.52, of which net profit for the financial year is EUR -21,418,550.34. The Board of Directors proposes to the General Meeting that no dividend be paid for the 2019 financial year.

Espoo, 6 February 2020

Board of Directors

All forward-looking statements in this review are based on management's current expectations and beliefs about future events, and actual results may differ materially from the expectations and beliefs such statements contain.

About this interim report

This interim report has been prepared in accordance with IAS 34, and the disclosed information is unaudited. The figures in parentheses are the comparison figures for 2018.

Briefing, webcast and presentation materials

A briefing for analysts, fund managers, investors and media representatives will be held on 6 February 2020, starting at 8:45 EET as a webcast. The webcast can be followed live at www.srv.fi/en/investors. The recording will be available on the website after the presentation. The materials will also be made available on the website.

Next interim report

SRV Group Plc will publish its first-quarter results for 2020 on 29 April 2020. During the silent period (31 March–29 April), the company will not comment on anything relating to market outlooks, business or earnings trends.

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Q4

6. Feb 2020 at 8:30 AM

Key figures

EUR million	1-12/ 2019	1-12/ 2018	10-12/ 2019	10-12/ 2018
Revenue	1,060.9	959.7	403.8	299.8
Operative operating profit ¹⁾	-96.8	-10.0	-87.2	1.5
Operative operating profit, % revenue ¹⁾	-9.1	-1.0	-21.6	0.5
Operation profit	-93.0	-19.8	-86.8	0.1
Operation profit, % revenue	-8.8	-2.1	-21.5	0.0
Operation profit, excl. IFRS16 ²⁾	-94.3	-19.8	-84.6	0.1
Operation profit, % revenue excl. IFRS16 ²⁾	-8.9	-2.1	-21.0	0.0
Profit before taxes	-122.4	-37.3	-97.2	-6.2
Profit before taxes, % of revenue	-11.5	-3.9	-24.1	-2.1
Net profit attributable to equity holders of the parent company	-104.4	-30.1	-83.3	-3.7
Return on equity, %	-50.6	-12.1		
Return on investment, %	-15.2	-2.9		
Return on investment % excl. IFRS16 ^{2) 4)}	-17.5	-2.9		
Capital employed ⁴⁾	625.3	611.0		
Capital employed excl. IFRS16 ^{2) 4)}	479.4	611.0		
Equity ratio %	21.2	28.5		
Equity ratio excl. IFRS16, % ²⁾	26.4	28.5		
Net interest-bearing debt	422.0	282.8		
Net interest-bearing debt excl. IFRS16 ²⁾	271.9	282.8		
Net gearing ratio, %	240.3	121.1		
Net gearing ratio excl. IFRS16, % ²⁾	151.2	121.1		
Order backlog ³⁾	1,344.2	1,816.0		
New agreements	487.6	1,133.0	142.9	438.0
Personnel on average	1,080	1,129		
Earnings per share	-1.85	-0.56	-1.43	-0.08
Earnings per share (diluted)	-1.85	-0.56	-1.43	-0.08
Equity per share	2.98	3.97		
Equity per share (without hybrid bond), euros	1.59	3.21		
Dividend per share, euros	0.00	0.06		
Dividend payout ratio, %	0.0	neg.		
Dividend yield, %	0.0	3.5		
Price per earnings ratio	neg.	neg.		
Share price development:				
Share price at the end of the period, eur	1.36	1.70		
Average share price, eur	1.36	2.63		
Lowest share price, eur	1.25	1.66		
Highest share price, eur	2.19	4.12		
Market capitalisation at the end of the period	81.0	101.3		
Trading volume, 1 000 units	14,412	6,580		
Trading volume, %	24.2	11.0		
Weighted average number of shares outstanding during the period, 1 000 units	59,581	59,581		
Weighted average number of shares outstanding during the period (diluted) 1 000 units	59,581	59,581		
Number of shares outstanding at the end of the period, 1 000 units	59,581	59,581		

Q4

6. Feb 2020 at 8:30 AM

¹⁾ Operative operating profit is determined by deducting the calculated ruble currency exchange differences include financial items and their potential hedging impacts from operating profit. Exchange rate differences during the review amounted to EUR 3.8 (-9.8) million, of which EUR -3.7 (-2.2) million was accounted for by hedging.

²⁾ Restated IFRS 16 effects for the year 2019. As a result of the adjustment, the figure is comparable with the figures

³⁾ The Group's order backlog consists of the Construction business. The income statement, which corresponds to the construction business, is no longer included in the comparative figures for the order backlog.

⁴⁾ The company changed how it allocates deferred tax assets and liabilities; they are now fully allocated to the Other and eliminations unit. Comparative data has also been adjusted. The key figure also includes assets designated as held for sale in the balance sheet.

Alternative performance measures used in interim reporting

The company discloses certain other widely used performance measures that can for the most part be derived from the income statement and balance sheet. The formulas for these performance measures are provided in the next page. In the company's view, these measures clarify the result of operations and financial position based on the income statement and balance sheet.

SRV presents key figures for operative operating profit and operating profit margin in the interim report

The key figure for operative operating profit is considered to provide a better picture of the Group's operations when comparing the reported period to earlier periods. In accordance with IFRS, the currency exchange rate gains and losses of associated companies as well as income and expenses from hedging are eliminated from operating profit. The currency exchange rate gains and losses of associated companies are included above operating profit on the line "share of results of associated companies". Income and expenses from currency hedging are included above operating profit on the line "other operating expenses".

SRV presents key figures excluding effect of IFRS 16 standard

The company publishes alternative key figures, that is, IFRS 16 key figures that have been adjusted to exclude the impact of the IFRS 16 Leases standard on the balance sheet and result. SRV is applying a simplified approach to adopting this standard, which is why the figures for the comparison period have not been adjusted to comply with the standard. The figures are considered to provide a better comparability to previous year figures.

Q4

6. Feb 2020 at 8:30 AM

Calculation of key figures

Return on equity, %	=	$100 \times \frac{\text{Total comprehensive income for the period}}{\text{Total equity, average}}$
Capital employed	=	Total assets – non-interest bearing debt – deferred tax liabilities – provisions
Capital employed, excl. IFRS16	=	Total assets – non-interest bearing debt – deferred tax liabilities – provisions – property, plant and equipment, right -of-use asset – inventories, right -of-use asset
Return on investment, %	=	$100 \times \frac{\text{Operating profit} + \text{interest and other financial income (incl. exchange rate gains and losses)} + \text{Financial receivables write-down and sales loss}}{\text{Invested capital, average}}$
Return on investment, % excl. IFRS16	=	$100 \times \frac{\text{Operating profit} + \text{interest and other financial income (incl. exchange rate gains and losses)}}{\text{Capital employed excl. IFRS16, average}}$
Equity ratio, %	=	$100 \times \frac{\text{Total equity}}{\text{Total assets} - \text{advances received}}$
Equity ratio, % excl. IFRS16	=	$100 \times \frac{\text{Total equity} - \text{IFRS16 depreciations, leases and interest and financial expenses recognised in income statement}}{\text{Total assets} - \text{advances received} - \text{IFRS16 depreciations, leases and interest and financial expenses recognised in income statement}}$
Net interest-bearing debt	=	Interest-bearing debt – cash and cash equivalents
Net interest-bearing debt excl. IFRS16	=	Interest-bearing debt - interest-bearing lease liabilities – cash and cash equivalents
Net gearing ratio, %	=	$100 \times \frac{\text{Net interest-bearing debt}}{\text{Total equity}}$
Net gearing ratio, % excl. IFRS16	=	$100 \times \frac{\text{Interest-bearing debt} - \text{interest-bearing lease liabilities} - \text{cash and cash equivalents}}{\text{Total equity} - \text{IFRS16 depreciations, leases, interest and financial expenses recognised in income statement}}$
Earnings per share attributable to equity holders of the parent company	=	$\frac{\text{Result for the period} - \text{non-controlling interest} - \text{hybrid bond interest, tax adjusted}}{\text{Average number of shares}}$
Earnings per share attributable to equity holders of the parent company (diluted)	=	$\frac{\text{Result for the period} - \text{non-controlling interest} - \text{hybrid bond interest, tax adjusted}}{\text{Average number of shares (diluted)}}$
Equity per share	=	$\frac{\text{Shareholders' equity attributable to equity holders of the parent company}}{\text{Average number of shares at end of period}}$
Equity per share (without hybrid bond)	=	$\frac{\text{Shareholders' equity attributable to equity holders of the parent company} - \text{hybrid bond}}{\text{Average number of shares at end of period}}$
Price per earnings ratio (P/E-ratio)	=	$\frac{\text{Share price at end of period}}{\text{Earnings per share}}$
Dividend payout ratio, %	=	$100 \times \frac{\text{Dividend per share}}{\text{Earnings per share}}$
Dividend yield, %	=	$100 \times \frac{\text{Dividend per share}}{\text{Share price at end of period}}$
Average share price	=	$\frac{\text{Number of shares traded in euros during the period}}{\text{Number of shares traded during the period}}$
Market capitalisation at the end of the period	=	Number of shares outstanding at the end of the period x share price at the end of the period
Trading volume	=	Number of shares traded during the period and their percentage of the weighted average number of shares outstanding
Operative operating profit	=	Operating profit-/+ currency exchange rate gains and losses -/+ income and expenses from hedging

Q4

6. Feb 2020 at 8:30 AM

Group and Segment information by quarter

SRV Group EUR million	10-12/ 2019	7-9/ 2019	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018
Revenue	403.8	227.1	207.4	222.6	299.8	208.4	235.7	215.7
Operation profit	-86.8	-6.3	-3.2	3.3	0.1	-5.7	-5.4	-8.8
Financial income and expenses, total	-10.4	-7.6	-7.7	-3.6	-6.3	-3.5	-4.3	-3.4
Profit before taxes	-97.2	-14.0	-10.8	-0.3	-6.2	-9.1	-9.8	-12.2
Order backlog ¹⁾	1,344.2	1,592.6	1,667.2	1,782.5	1,816.0	1,661.5	1,716.7	1,634.0
New agreements	142.9	123.3	71.7	149.7	438.0	128.3	282.3	284.4
Earnings per share, eur	-1.43	-0.22	-0.18	-0.02	-0.08	-0.14	-0.15	-0.19
Equity per share, eur	1.59	2.97	3.15	3.28	3.21	3.32	3.52	3.72
Share closing price, eur	1.36	1.44	1.62	1.70	1.70	2.50	2.65	2.90
Equity ratio, %	21.2	27.2	28.5	24.4	28.5	28.0	29.7	32.5
Equity ratio, % excl. IFRS16 ²⁾	26.4	33.3	35.1	29.7	28.5	28.0	29.7	32.5
Net interest-bearing liabilities	422.0	513.2	480.2	490.8	282.8	346.5	355.7	355.4
Net interest-bearing liabilities excl. IFRS16 ²⁾	271.9	339.7	306.6	317.3	282.8	346.5	355.7	355.4
Net gearing, %	240.3	199.1	178.9	205.8	121.1	144.2	140.8	134.3
Net gearing, % excl. IFRS16 ²⁾	151.2	131.4	114.0	132.7	121.1	144.2	140.8	134.3
Revenue EUR million	10-12/ 2019	7-9/ 2019	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018
Construction	403.1	226.0	206.7	221.9	298.4	207.6	234.6	214.8
- business construction	200.5	171.2	163.1	144.9	183.9	160.2	166.7	155.5
- housing construction	202.6	54.7	43.6	77.0	114.6	47.4	67.8	59.3
Investments	1.7	1.4	1.5	1.3	1.0	1.2	1.2	1.2
Other operations and eliminations	-0.9	-0.3	-0.8	-0.6	0.3	-0.4	0.0	-0.3
Group, total	403.8	227.1	207.4	222.6	299.8	208.4	235.7	215.7
Operating profit EUR million	10-12/ 2019	7-9/ 2019	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018
Construction	3.6	-3.4	2.0	4.8	-7.5	-1.6	-1.1	-3.2
Investments	-87.5	-3.1	-1.9	0.1	-5.4	-3.7	-2.9	-5.6
Other operations and eliminations	-2.9	0.2	-3.2	-1.6	13.0	-0.4	-1.5	0.0
Group, total	-86.8	-6.3	-3.2	3.3	0.1	-5.7	-5.4	-8.8
Operating profit (%)	10-12/ 2019	7-9/ 2019	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018
Construction	0.9	-1.5	1.0	2.2	-2.5	-0.8	-0.5	-1.5
Investments	-	-	-	-	-	-	-	-
Group	-21.5	-2.8	-1.5	1.5	0.0	-2.7	-2.3	-4.1

¹⁾ The Group's order backlog consists of the Construction business. The income statement, which corresponds to the holding, is no longer included in the comparative figures for the order backlog.

²⁾ Restated IFRS 16 effects for the year 2019. As a result of the adjustment, the figure is comparable with the figures for 2018.

Q4

6. Feb 2020 at 8:30 AM

Order backlog, EUR million	31.12.19	30.9.19	30.6.19	31.3.19	31.12.18	30.9.18	30.6.18	31.3.18
- business construction	861.5	938.7	1,066.8	1,158.4	1,233.3	1,019.3	1,124.7	1,065.2
- housing construction	482.7	653.8	600.4	624.1	582.7	642.2	592.0	568.7
Group, total ¹⁾	1,344.2	1,592.6	1,667.2	1,782.5	1,816.0	1,661.5	1,716.7	1,634.0
- sold order backlog	1,094	1,311	1,402	1,496	1,612	1,409	1,480	1,384
- unsold order backlog	250	281	265	286	204	253	237	250

¹⁾ Group's order backlog consists only of construction segment.

The unrecognised margin corresponding to ownership are not anymore included in order backlog.

Order backlog, housing construction in Group EUR million	31.12.19	30.9.19	30.6.19	31.3.19	31.12.18	30.9.18	30.6.18	31.3.18
Negotiation and construction contracts	154	191	168	181	213	210	192	150
Under construction, sold	79	182	167	157	169	196	179	185
Under construction, unsold	220	261	244	253	180	220	199	214
Completed and unsold	30	21	22	33	20	17	22	20
Housing construction, total	483	654	600	624	583	642	592	569

Capital employed ¹⁾ EUR million	31.12.19	30.9.19	30.6.19	31.3.19	31.12.18	30.9.18	30.6.18	31.3.18
Construction	372.9	462.6	448.1	385.0	212.8	286.0	321.8	316.7
Investments	245.7	331.5	330.3	353.5	337.8	331.7	328.3	327.9
Other operations and eliminations	6.7	1.0	-4.6	53.4	60.3	46.3	14.9	5.5
Group, total	625.3	795.1	773.8	791.9	611.0	664.0	665.0	650.0

¹⁾ The company changed how it allocates deferred tax assets and liabilities; they are now fully allocated to the Other operations and eliminations unit. Comparative data has also been adjusted. The key figure also includes assets designated as held for sale in the balance sheet.

Housing production in Group (units)	10-12/ 2019	7-9/ 2019	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018
Housing sales, total	269	326	139	203	346	315	541	198
- sales, developer contracting	207	166	73	203	156	133	75	130
- sales, negotiation contracts	62	160	66	0	190	182	466	68
Developer contracting								
- start-ups	65	283	8	424	0	232	42	43
- completed	539	85	0	184	298	26	141	61
- recognized in revenue	532	98	42	161	284	49	133	71
- completed and unsold	87	84	97	139	116	102	126	117
Under construction, total	2,142	2,773	2,388	2,549	2,759	2,927	3,164	3,211
- construction contracts	80	80	80	80	80	80	504	504
- negotiation contracts	195	195	195	195	487	293	293	293
- negotiated contracts	1,032	1,189	1,002	1,171	1,329	1,393	1,412	1,360
- developer contracting	835	1,309	1,111	1,103	863	1,161	955	1,054
- of which sold	371	700	632	600	559	687	605	661
- of which unsold	464	609	479	503	304	474	350	393

Q4

6. Feb 2020 at 8:30 AM

SRV GROUP PLC THE FINANCIAL STATEMENTS, 1 JANUARY–31 DECEMBER 2019: TABLES

- 1) Accounting policies
- 2) Consolidated income statement and consolidated statement of comprehensive income
- 3) Consolidated balance sheet
- 4) Consolidated cash flow statement
- 5) Consolidated statement of changes in shareholder's equity
- 6) Group commitments and contingent liabilities
- 7) Segment information
- 8) Inventories
- 9) Insider events
- 10) Assets classified as held for sale

1) The Financial Statements Report 1 January – 31 December 2019

Accounting policies

This Financial statement has been prepared in accordance with IAS 34 Interim Financial Reporting. In preparing this Financial statements release, SRV has applied the same accounting policies as in its annual financial statements for 2018, however so that the Group has introduced as of 1 January 2019 the new or revised IFRS standards and IFRIC interpretations published by the IASB mentioned in the accounting policies of the annual financial statements for 2018.

Changes in accounting policies

New business areas

SRV introduced new business areas from 1 January 2019. SRV reports two segments: Construction and Investment, which appear in financial reporting from the first quarter. The adjusted comparative data can be found in the release published on 23 April 2019.

Cash flow statement

SRV changed the presentation of cash flow statement for advances received. Advances received are presented under cash receipts from sales instead of payments for operating expenses. In the Financial statement, cash flow statements for the comparison period have been adjusted to reflect the new presentation.

IFRS 16

SRV applies the IFRS16 Leases standard from 1 January 2019.

SRV as a lessee

With some exceptions, the IFRS 16 standard requires all leases to be presented in the lessee's balance sheet as an asset and a lease liability. At the commencement of the contract, the lease contract is valued at the present value of the lease payments that have not been settled on that date. Lease payments are discounted at the interest rate implicit for the lease if the interest rate is readily determinable, otherwise the interest rate on the lessee's incremental borrowing rate is used. The lessee's incremental borrowing rate is the rate of interest that the lessee would have to pay to borrow over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

In determining the present value of lease payments, an estimate of the lease term is required in some circumstances. Such situations, for example, relate to lease agreements with indefinite duration or contracts with options for continuation or termination.

Such an option is taken into account in determining the lease term if it is reasonably certain that the option will be exercised. Lease liability shall also include the amount to be paid on the basis of any residual value guarantee and the possible exercise price of a purchase option, if it is reasonably certain that the option will be exercised.

Q4

6. Feb 2020 at 8:30 AM

Acquisition cost of an asset consists of the amount initially recognized under the lease contract, any lease payments paid by the commencement date of the lease, any initial direct costs incurred by the lessee and the costs of restoration to the original condition. Any incentives received will be deducted from the acquisition cost of the underlying asset. Subsequent valuation of the asset item is based on the acquisition cost model, whereby the asset is valued at acquisition cost less depreciation and impairment. Depreciation is amortized over the lease period. If the lease transfers the ownership of the underlying asset to the lessee by the end of the lease term or if the acquisition cost of the underlying item takes into account that the lessee uses the option to purchase, the underlying asset is amortized over its useful life.

SRV Group uses exemptions related to short-term leases and leases where the underlying asset is of low value.

The rental agreements for site equipment are typically contracts with an indefinite lease term. Such leases generally entitle the SRV Group to decide to terminate contract for each leased asset at its chosen time. Site equipment rental agreements typically last for less than 12 months thus the exemption for short-term leases is applied.

Plot lease agreements

The SRV Group presents right-of-use assets related to leased plots as inventories, because the plots directly owned by the group are presented as inventories and the same principle is also applied in the presentation of the leased plots. From the beginning of construction, the depreciations of the leased plots is recognized as part of the cost of the construction. The borrowing cost of such leases is capitalized as part of the cost of the construction.

Use of estimates

The preparation of the Financial Statements in accordance with IFRS requires Group management to make estimates and assumptions that affect both the values of assets and liabilities on the balance sheet date, and income and expenditure for the financial period. Judgements also have to be made in applying the accounting principles. As these estimates and assumptions are based on current perceptions of the situation on the balance sheet date, they involve risks and uncertainties. Actual results may therefore differ from the estimates and assumptions. The key accounting estimates and judgement-based solutions are presented in greater detail in the accounting principles of the consolidated financial statements for 2018.

The information disclosed in this Financial Statement is unaudited. The figures in this Financial Statements have been rounded up to millions of euros, so the sum total of individual figures may deviate from the sum total presented.

Q4

6. Feb 2020 at 8:30 AM

2) Consolidated income statement and statement of comprehensive income

Consolidated income statement EUR million	1-12/ 2019	1-12/ 2018	change MEUR	change %	10-12/ 2019	10-12/ 2018	change %
Revenue	1,060.9	959.7	101.3	10.6	403.8	299.8	34.7
Other operating income	0.6	16.9	-16.3	-96.3	-0.3	15.2	
Change in inventories of finished goods and work in progress	-79.8	34.5	-114.3		-103.0	-26.1	295.0
Use of materials and services	-897.2	-919.3	22.1	-2.4	-282.5	-257.7	9.6
Employee benefit expenses	-73.1	-75.5	2.4	-3.2	-19.4	-20.1	-3.2
Share of profits of associated and joint venture companies	2.8	-13.1	15.8		-0.7	-3.3	
Depreciation and impairments ²⁾	-90.0	-5.3	-84.8	1,603.6	-80.5	-2.9	2,676.9
Other operating expenses	-17.3	-17.7	0.4	-2.5	-4.2	-4.9	-13.6
Operating profit ²⁾	-93.0	-19.8	-73.3		-86.8	0.1	
Financial income	8.4	5.5	2.9	52.3	1.2	0.8	
Financial expenses ¹⁾³⁾	-37.7	-23.0	-14.7	63.9	-11.5	-7.1	61.5
Financial income and expenses, total	-29.3	-17.5	-11.8	67.5	-10.4	-6.3	64.3
Profit before taxes	-122.4	-37.3	-85.1	228.2	-97.2	-6.2	1,463.6
Income taxes	18.7	6.1	12.7	209.5	13.8	2.3	515.0
Net profit for the period	-103.6	-31.2	-72.4	231.9	-83.4	-4.0	
Attributable to							
Equity holders of the parent company	-104.4	-30.1			-83.3	-3.7	
Non-Controlling interests	0.7	-1.1			-0.1	-0.3	
Earnings per share attributable to equity holders of the parent company	-1.85	-0.56			-1.43	-0.08	
Earnings per share attributable to equity holders of the parent company (diluted)	-1.85	-0.56			-1.43	-0.08	
¹⁾ of which derivative expenses fair value revaluation	-3.7	-2.2			1.6	-1.6	
²⁾ includes cost of IFRS16 lease agreements in depreciations and leases	-6.0	0.0	-6.0		-1.4	0.0	
³⁾ includes cost of IFRS16 lease agreements in interest and financial expenses	-6.5	0.0	-6.5		-1.5	0.0	
Statement of comprehensive income EUR million	1-12/ 2019	1-12/ 2018			10-12/ 2019	10-12/ 2018	
Net profit for the period	-103.6	-31.2			-83.4	-4.0	
Other comprehensive income							
Other comprehensive income to be reclassified to profit or loss in subsequent periods:							
Financial assets available for sale	0.0	0.0			0.0	0.0	
Income tax related to components of other comprehensive income	0.0	0.0			0.0	0.0	
Gains and losses arising from translating the financial statements of a foreign operation	2.4	-2.6			0.3	-0.7	
Share of other comprehensive income of associated companies and joint ventures	9.1	-10.2			0.9	-3.1	
Other comprehensive income for the period, net of tax	11.5	-12.8			1.2	-3.8	
Total comprehensive income for the period	-92.1	-44.0			-82.2	-7.8	
Attributable to							
Equity holders of the parent company	-92.9	-42.9			-82.1	-7.5	
Non-Controlling interests	0.7	-1.1			-0.1	-0.3	

Q4

6. Feb 2020 at 8:30 AM

3) Consolidated balance sheet

Consolidated balance sheet EUR million	31.12.19	31.12.18	change,%
ASSETS			
Non-current assets			
Property, plant and equipment	5.5	6.0	-9.5
Property, plant and equipment, right -of-use asset ¹⁾	12.0	0.0	
Goodwill	1.7	1.7	0.0
Other intangible assets	1.5	1.6	-3.4
Shares in associated companies and joint ventures	59.5	180.2	-67.0
Other financial assets	11.9	18.3	-35.3
Receivables	15.9	0.7	2,080.1
Loan receivables from associated companies and joint ventures	44.0	67.3	-34.6
Deferred tax assets	36.4	18.6	96.1
Non-current assets, total	188.3	294.4	-36.0
Current assets			
Inventories	372.1	438.2	-15.1
Inventories, right -of-use asset ¹⁾	136.9	0.0	
Trade and other receivables	118.7	116.8	1.6
Loan receivables from associated companies and joint ventures	0.1	4.6	-98.7
Current tax receivables (based on profit for the review period)	0.2	0.1	231.2
Cash and cash equivalents	27.7	93.1	-70.2
Assets classified as held for sale	69.3	0.0	
Current assets, total	725.0	652.7	11.1
ASSETS, TOTAL	913.3	947.0	-3.6
Consolidated balance sheet EUR million	31.12.19	31.12.18	change,%
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	3.1	3.1	0.0
Invested free equity fund	142.5	142.5	0.0
Translation differences	-1.4	-12.9	
Fair value reserve	0.0	0.0	
Hybrid bond	82.9	45.0	84.2
Retained earnings	-49.5	58.7	
Equity attributable to equity holders of the parent company, total	177.6	236.4	-24.9
Non-controlling interests	-2.0	-2.8	-27.2
Total equity	175.6	233.6	-24.8
Non-current liabilities			
Deferred tax liabilities	2.4	5.1	-51.9
Provisions	10.9	10.7	2.4
Interest-bearing liabilities excl. lease liabilities	276.5	284.1	-2.7
Interest-bearing lease liabilities ¹⁾	147.7	0.0	
Other liabilities	20.9	9.0	132.5
Non-current liabilities, total	458.3	308.8	48.4
Current liabilities			
Trade and other payables	244.3	303.9	-19.6
Current tax payables (based on profit for the review period)	0.7	0.1	1,128.0
Provisions	8.8	8.9	-1.0
Interest-bearing liabilities excl. lease liabilities	23.2	91.8	-74.8
Interest-bearing lease liabilities ¹⁾	2.5	0.0	
Current liabilities, total	279.4	404.6	-30.9
Liabilities, total	737.7	713.4	3.4
EQUITY AND LIABILITIES, total	913.3	947.0	-3.6

¹⁾ Items related to IFRS 16 standard

Q4

6. Feb 2020 at 8:30 AM

4) Consolidated cash flow statement EUR million	1-12/ 2019	1-12/ 2018
Cash flows from operating activities		
Cash receipts from customers ¹⁾	1 061,8	986,1
Cash receipts from other operating income	0,6	2,1
Cash paid to suppliers and employees ^{1) 2)}	-1 043,6	-946,0
Net cash before interests and taxes	18,8	42,1
Interests received and other financial income	0,3	0,1
Interests paid and other expenses from financial costs ²⁾	-29,3	-18,2
Income taxes paid	-0,5	1,5
Cash flows from operating activities	-10,7	25,5
Cash flow from investing activities		
Purchase of tangible and intangible assets	-2,0	-4,5
Purchase of investments	0,1	-1,9
Proceeds from sale of investments	0,0	0,0
Subsidiary shares bought	0,0	0,0
Subsidiary shares sold	5,5	18,6
Investments in associated companies and joint ventures	-16,0	-14,2
Associated companies and joint ventures sold	1,0	0,0
Increase in loan receivable from associated companies and joint ventures	-6,0	-5,8
Decrease in loan receivable from associated companies and joint ventures	26,5	4,6
Loans granted	-15,7	0,0
Proceeds from repayments of loans	0,7	0,0
Net cash used in investing activities	-5,9	-3,1
Cash flows from operating and investing activities in total	-16,7	22,4
Cash flow from financing activities		
Proceeds from loans	65,0	97,6
Repayment of loans	-41,7	-86,7
Proceeds from Hybrid bond	58,4	0,0
Repayment of hybrid bond	-20,5	0,0
Hybrid bond costs	-1,1	0,0
Hybrid bond interests	-4,2	-3,9
Change in housing corporation loans	-27,8	22,2
Net change in short-term loans	-73,3	22,0
Dividends paid	0,0	-3,6
Repayment of lease liabilities ²⁾	-3,9	0,0
Net cash flow from financing activities	-49,2	47,5
Net change in cash and cash equivalents	-65,9	69,9
Cash and cash equivalents at the beginning of period	93,1	23,5
Effect of exchange rate changes in cash and cash equivalents	0,6	-0,3
Cash and cash equivalents at the end of period	27,7	93,1

¹⁾ The presentation of comparative data for the year 2018 has been changed for 'cash receipts from customers' and 'cash paid for suppliers and employees'. Advances received will be presented under 'cash receipts from customers'.

²⁾ Because of the IFRS16 Leases standard, lease payments are from 1 January 2019 presented under the item 'Interest paid and other expenses from financial costs', and the items 'proceeds and repayment of lease liabilities' under cash flow from financing activities, instead of the item 'cash paid to suppliers and employees' under cash flow from operating activities. The comparison figures for 2018 have not been adjusted to conform to the IFRS16 standard.

Q4

6. Feb 2020 at 8:30 AM

5) Statement of changes in Group equity

Equity attributable to the equity holders of the parent company									
	Share Capital	Invested Free Equity Fund	Hybrid Bond	Trans- lation diffe- rences	Fair value reserve	Reitained earnings	Total	Non- cont- rolling interests	Total equity
1 January- 31 December 2019 (EUR million)									
Equity 1 January 2019	3.1	142.5	45.0	-12.9	0.0	58.7	236.4	-2.8	233.6
Comprehensive income for the review period	0.0	0.0	0.0	11.5	0.0	-104.4	-92.9	0.8	-92.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share-based incentive plan	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1
Purchase of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share issue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs related to share issue, tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid bond	0.0	0.0	-20.5	0.0	0.0	-3.4	-23.9	0.0	-23.9
Hybrid bond	0.0	0.0	58.4	0.0	0.0	-0.5	57.9	0.0	57.9
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity on 31 December 2019	3.1	142.5	82.9	-1.4	0.0	-49.5	177.6	-2.0	175.6
1 January- 31 December 2018 (EUR million)									
Equity 31 December 2017	3.1	141.5	45.0	-0.1	-1.1	96.6	285.0	-1.6	283.4
Change in accounting principles (IFRS 9)	0.0	0.0	0.0	0.0	1.1	-1.1	0.0	0.0	0.0
Equity 1 January 2018	3.1	141.5	45.0	-0.1	0.0	95.5	285.0	-1.6	283.4
Comprehensive income for the review period	0.0	0.0	0.0	-12.8	0.0	-30.1	-42.9	-1.1	-44.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	-3.6	-3.6	0.0	-3.6
Share-based incentive plan	0.0	1.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0
Purchase of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share issue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs related to share issue, tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid bond	0.0	0.0	0.0	0.0	0.0	-3.2	-3.2	0.0	-3.2
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity on 31 December 2018	3.1	142.5	45.0	-12.9	0.0	58.7	236.4	-2.8	233.6

Q4

6. Feb 2020 at 8:30 AM

6) Group commitments and contingent liabilities (EUR million)	change		
	31.12.19	31.12.18	%
Collateral given for own liabilities			
Real estate mortgages given ¹⁾	61.6	82.3	-25.1
Other commitments			
Investment commitments given	51.7	67.5	-23.4
Plots purchase commitments	47.3	47.8	-1.1

¹⁾ Real estate mortgages include the total amount of mortgages given as collateral for developer contracting housing production against the housing corporation loans of uncompleted and unsold completed projects.

Liability of derivative instruments (EUR million)	12/2019		12/2018	
	Fair value		Fair value	
	Posit.	Negat.	Posit.	Negat.
Hedge accounting not applied				
Currency option	0.0	0.4	1.4	0.0
Interest rate swaps	0.0	8.8	0.0	6.7
	12/2019		12/2018	
Nominal values of derivative instruments				
Currency option		50.0		83.0
Interest rate swaps		100.0		100.0

7) Group and Segment Information

SRV Group's segments are Construction, Investments and Other operations and elimination.

Group and Segment information

Revenue EUR million	1-12/ 2019	1-12/ 2018	change, MEUR	change %	10-12/ 2019	10-12/ 2018
Revenue recognition at a point in time						
Construction	214.6	139.2	75.4	54.2	139.9	76.3
Investments	0.0	0.0	0.0	0.0	0.0	0.0
Revenue recognition over time						
Construction	831.9	802.6	29.3	3.7	258.0	215.7
Investments	4.0	2.8	1.2	40.6	1.2	0.6
Other revenue						
Construction	11.2	13.6	-2.4	-17.6	5.2	6.4
Investments	1.9	1.8	0.1	7.0	0.5	0.5
Other operations and eliminations	-2.6	-0.3	-2.3		-0.9	0.3
Group, total	1,060.9	959.7	101.3	10.6	403.8	299.8
Operation profit EUR million	1-12/ 2019	1-12/ 2018	change, MEUR	change %	10-12/ 2019	10-12/ 2018
Construction	7.0	-13.4	20.4		3.6	-7.5
Investments	-92.5	-17.5	-75.0		-87.5	-5.4
Other operations and eliminations	-7.6	11.1	-18.7		-2.9	13.0
Group, total	-93.0	-19.8	-73.3		-86.8	0.1
Operating profit, %	1-12/ 2019	1-12/ 2018			10-12/ 2019	10-12/ 2018
Construction	0.7	-1.4			0.9	-2.5
Investments ²⁾	-	-			-	-
Group, total	-8.8	-2.1			-21.5	0.0

²⁾ It is not adequate to present operative profit margin in investments segment, as profit is not generally generated through revenue.

Q4

6. Feb 2020 at 8:30 AM

Assets ¹⁾ EUR million	31.12.2019	31.12.2018	change MEUR	change, %
Construction	622.2	508.7	113.5	22.3
Investments	252.2	343.6	-91.4	-26.6
Other operations and eliminations	38.9	94.8	-55.8	
Group, total	913.3	947.0	-33.7	-3.6
Non-interest-bearing liabilities ¹⁾ EUR million	31.12.2019	31.12.2018	change MEUR	change, %
Construction	248.7	295.8	-47.2	-15.9
Investments	6.2	5.8	0.5	8.4
Other operations and eliminations	32.2	34.5	-2.3	
Group, total	287.1	336.1	-49.0	-14.6
Capital Employed ¹⁾ EUR million	31.12.2019	31.12.2018	change MEUR	change, %
Construction	372.9	212.8	160.0	75.2
Investments	245.7	337.8	-92.1	-27.3
Other operations and eliminations	6.7	60.3	-53.6	
Group, total	625.3	611.0	14.4	2.4
Return on investment ¹⁾ EUR million	31.12.2019	31.12.2018	change MEUR	
Construction	8.9	-11.7	20.5	
Investments	-95.1	-17.6	-77.5	
Group	-94.0	-17.7	-76.3	
Return on investment % ¹⁾	31.12.2019	31.12.2018		
Construction	3.0	-4.6		
Investment	-32.6	-5.2		
Group	-15.2	-2.9		

¹⁾ The company changed how it allocates deferred tax assets and liabilities; they are now fully allocated to the Other operations and eliminations unit. Comparative data has also been adjusted. The key figure also includes assets designated as held for sale in the balance sheet.

8) Inventories EUR million	31.12.2019	31.12.2018	change MEUR
Land areas and plot-owning companies	147.1	145.3	1.8
Construction	86.1	82.1	4.0
Investments	61.0	63.2	-2.2
Work in progress	186.2	261.2	-75.0
Construction	190.2	261.2	-71.0
Construction, right -of-use asset ¹⁾	-4.0	0.0	-4.0
Shares in completed housing corporations and real estate companies	33.8	25.1	8.7
Construction	30.5	20.7	9.8
Investments	3.3	4.4	-1.1
Other inventories	142.0	6.6	135.4
Construction	1.1	6.6	-5.5
Construction, right -of-use asset ¹⁾	135.6	0.0	135.6
Investments	0.0	0.0	0.0
Investments, right -of-use asset ¹⁾	1.3	0.0	1.3
Inventories, total	509.0	438.2	70.8
Construction	307.8	370.6	-62.8
Construction, right -of-use asset ¹⁾	135.6	0.0	135.6
Investments	64.3	67.6	-3.3
Investments, right -of-use asset ¹⁾	1.3	0.0	1.3

Q4

6. Feb 2020 at 8:30 AM

9) Related party transactions

EUR million	Salaries and compensation	Sale of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities
31.12.19						
Management and the Board of						
Directors	2.4	0.0	0.0	0.0	0.0	0.0
Joint ventures	0.0	66.8	0.0	0.5	9.8	0.0
Associated companies	0.0	3.9	0.0	2.5	56.0	0.0
Other related parties	0.0	0.0	0.0	0.0	0.0	0.0
Total	2.4	70.7	0.0	3.0	65.8	0.0
31.12.18						
Management and the Board of						
Directors	2.5	0.0	0.0	0.0	0.0	0.0
Joint ventures	0.0	119.3	0.0	0.8	32.4	0.0
Associated companies	0.0	2.9	0.0	3.3	52.9	0.0
Other related parties	0.0	0.0	0.0	0.0	0.0	0.0
Total	2.5	122.2	0.0	4.1	85.3	0.0

10) Assets classified as held for sale

Assets classified as held for sale

EUR million	31.12.2019	31.12.2018
Shares in associated companies and joint ventures	66.8	0.0
Loan receivables from associated companies and joint ventures	2.5	0.0
Group, total	69.3	0.0

SRV has classified its holdings in REDI and Pearl Plaza Shopping Centres and Tampere Central Deck and Arena project as assets held for sale. These assets include shares and loan receivables from associated companies and joint ventures in total of EUR 69.3 million. Assets are valued at the probable selling prices deducted by the cost of sales. Therefore company has impaired the value of the assets by EUR 78.4 million. The impairments are included in the depreciation and impairments item in the Income Statement.