

SRV GROUP PLC INTERIM REPORT, 1 JANUARY–31 MARCH 2020

## SRV's recovery programme progresses – a clear earnings turnaround and strong order intake

### January–March 2020 in brief:

- **The coronavirus pandemic** did not substantially affect SRV's revenue and result for January–March. The implications of a more protracted situation will be described later.
- **Revenue** declined by 6.5 per cent to EUR 208.1 million (222.6 1–3/2019). Revenue increased in business construction but decreased in housing construction. Revenue from housing construction declined, as fewer developer-contracted housing units were recognised as income than in the comparison period, a total of 25 (161). Growth in business construction revenue mainly stemmed from increased volume in alliance contracts.
- **Operative operating profit** amounted to EUR 5.0 (0.5) million. The main factors that boosted operative operating profit were construction sites' favourable earnings trends and EUR 2.1 million from the recognition of construction profit margin eliminations arising from the sales of holdings in REDI and Tampere Deck and Arena. Far fewer apartments were completed and recognised as income than in the comparison period, which had a negative impact on operative operating profit.
- **Operating profit** was EUR 4.5 (3.3) million. Operating profit was influenced by the change in the exchange rate of the rouble, which had a net impact of EUR -0.4 (2.8) million. The exchange rate impact, which largely had no effect on cash flow, was caused by the valuation of the euro-denominated loans of associated companies in roubles, hedging expenses and changes in the market value of hedges.
- The **result before taxes** was EUR -6.6 (-0.3) million. This included EUR -0.8 (-2.0) million in changes in the fair value of derivatives and paid interest and EUR -6.5 (2.9) million in exchange rate differences arising from the conversion of subsidiary and associated company loans, which did not have an impact on cash flow.
- **Cash flow from business and investment activities** totalled EUR 19.6 (-29.9) million. This improvement in cash flow was largely due to the realisation of SRV's holdings in REDI and Tampere Deck and Arena.
- **Earnings per share** were EUR -0.13 (-0.02).
- At period-end, the **order backlog** stood at EUR 1,361.5 (1,782.5) million. The order backlog experienced a year-on-year decline of 23.6 per cent in January–March. The sold share of the order backlog stood at 84.7 (84.0) per cent. New agreements valued at EUR 198 (150) million were signed in January–March.
- The **equity ratio** was 20.4 (24.4) per cent and **gearing** was 260.2 (205.8) per cent. Excluding the impact of IFRS 16, equity ratio was 25.8 (29.7) per cent and gearing was 160.2 (132.7). The equity ratio calculated as per the bond covenants was 29.2 per cent, as the covenant calculation took into account the recognition of income from developer-contracted projects on the basis of percentage of completion, and also handled the EUR 9 million capital loan as shareholders' equity. Covenants other than bond covenants will only be tested at the end of the second quarter.
- On 7 February 2020, SRV divested its holding in the REDI project to its co-investors as part of its recovery programme. The company also sold parts of its holdings in Tampere Deck and Arena project to its co-investors.
- In February, as part of its recovery programme, the company agreed on the replacement of its EUR 100 million revolving credit facility with the banks that had granted it. The facility was replaced with two separate revolving credit facilities, one of EUR 60 million and one of EUR 40 million. The EUR 40 million revolving credit facility is used only to finance construction projects.

- The Annual General Meeting held on 26 March 2020 authorised the Board of Directors to decide on both a directed share issue for hybrid holders and a rights issue.
- At the end of March, the company raised a EUR 9 million capital loan to repay some of the EUR 60 million revolving credit facility. [in more detail in the Financing and financial position chapter]
- The company publishes alternative key figures that have been adjusted to remove the impact of IFRS 16 Leases on the balance sheet and result. 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

- On 27 April 2020, SRV announced discussions with the holders of its EUR 100 million (of which EUR 62,1 million is outstanding) senior unsecured callable fixed rate notes due 23 March 2021 and its EUR 75 million senior unsecured callable fixed rate notes due 27 March 2022 regarding potential amendments to the terms and conditions of the Senior Notes.
- On 21 April, SRV and Kojamo signed a contract for Kompassi in Helsinki Kalasatama. Construction of the third residential tower begins immediately.

## 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 on under Construction are: Business Premises, Regional Units and Infrastructure; Housing; and construction within Operations in Russia and Estonia. The business unit reported on under Investments is the Investments business unit, including holdings in shopping centres and the remaining investments in plots in Russia.

## Recovery programme measures Q1:

- On 31 October 2019, SRV announced the commencement of a recovery programme. The short-term target is to ensure that operative operating profit and cash flow in 2020 will be in the black and to return operative operating profit for 2021 to its 2017 level. The recovery programme focuses on renewing the organisation and operating culture, lightening the balance sheet, strengthening cash flow and achieving cost-savings.
- During the review period, SRV divested its holding in the REDI project to its co-investors as part of its recovery programme. The company also sold five-sixths of its holding in the Ranta-Tampella housing project (which is part of the Tampere Deck and Arena project), and three-fourths of its shares and partnership interests in the Tampere Deck and Arena project. After these transactions, SRV was left with an approximately 8.33 per cent holding in the Tampere Deck and Arena project.
- In February, as part of its recovery programme, the company agreed on the replacement of its EUR 100 million revolving credit facility with the banks that had granted it. The facility was replaced with two separate revolving credit facilities, one of EUR 60 million and one of EUR 40 million. The latter facility will be used to finance construction projects. At the end of March, EUR 51 million of the EUR 60 million revolving credit facility had been withdrawn, while the EUR 40 million facility remained unused.

- The Annual General Meeting held on 26 March 2020 authorised the Board of Directors to decide on both a directed share issue for hybrid holders and a rights issue. Both share issues are planned to be implemented by the end of June.
- At the end of March, the company raised a EUR 9 million capital loan to repay some of the EUR 60 million revolving credit facility.

## Outlook for 2020 (specified)

SRV specifies its guidance for 2020 in terms of the amount of completed developer contracted housing units: 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 520 developer-contracted housing units will be completed in 2020 (808 in 2019).

The earlier guidance was: 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).

## Overall review

| Group key figures<br>(IFRS, EUR million)                                     | 1-3/<br>2020   | 1-3/<br>2019 | change | change,<br>% | 1-12/<br>2019 | previous<br>12<br>months |
|--|----------------|--------------|--------|--------------|---------------|--------------------------|
| Revenue  | <b>208.1</b>   | 222.6        | -14.5  | -6.5         | 1,060.9       | 1,046.4                  |
| Operative operating<br>profit <sup>1)</sup>                                  | <b>5.0</b>     | 0.5          | 4.5    | 905.5        | -96.8         | -92.3                    |
| Operative operating<br>profit, %   | <b>2.4</b>     | 0.2          |        |              | -9.1          | -8.8                     |
| Operating profit <sup>*)</sup>   | <b>4.5</b>     | 3.3          | 1.2    | 37.3         | -93.0         | -91.8                    |
| Operating profit, %  | <b>2.2</b>     | 1.5          |        |              | -8.8          | -8.8                     |
| Operating profit, excl.<br>IFRS 16 <sup>2)</sup> <sup>*)</sup>               | <b>3.6</b>     | 2.2          | 1.4    |              | -94.3         | -93.0                    |
| Operating profit, %,<br>excl. IFRS 16 <sup>2)</sup>                          | <b>1.7</b>     | 1.0          |        |              | -8.9          | -8.9                     |
| Financial income and<br>expenses, total <sup>**)</sup>                       | <b>-11.1</b>   | -3.6         | -7.5   |              | -29.3         | -36.8                    |
| Profit before taxes  | <b>-6.6</b>    | -0.3         | -6.3   |              | -122.4        | -128.6                   |
| Net profit for the period  | <b>-7.6</b>    | 0.4          | -7.9   |              | -103.6        | -111.6                   |
| Net profit for the<br>period, %  | <b>-3.6</b>    | 0.2          |        |              | -9.8          | -10.7                    |
| Order backlog<br>(unrecognised) <sup>3)</sup>                                | <b>1,361.5</b> | 1,782.5      | -421.0 | -23.6        | 1,344.2       |                          |
| New agreements   | <b>198.2</b>   | 149.7        | 48.5   | 32.4         | 487.6         | 536.2                    |
| <sup>*)</sup> net effect of currency<br>exchange fluctuations                | <b>-0.4</b>    | 2.8          | -3.2   |              | 3.8           | 0.5                      |
| <sup>**) derivatives<br/>included in financial<br/>income and expenses</sup> | <b>-0.8</b>    | -2.0         | 1.2    |              | -3.7          | -2.5                     |

- 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 -0.4 (2.8) million, of which the effect of currency hedging was EUR 5.8 (-1.9) million.
- 2) The figure has been adjusted to remove the impacts of IFRS 16.
- 3) The Group's order backlog consists of the Construction business.

| Group key figures<br>(IFRS, EUR million)                | 1–3/<br>2020 | 1–3/<br>2019 | change | change,<br>% | 1–12/<br>2019 |
|---|--------------|--------------|--------|--------------|---------------|
| Equity ratio, %   | 20.4         | 24.4         |        |              | 21.2          |
| Equity ratio, %, excl. IFRS 16 <sup>1)</sup>            | 25.8         | 29.7         |        |              | 26.4          |
| Net interest-bearing debt                               | 400.4        | 490.8        | -90.4  | -18.4        | 422.0         |
| Net interest-bearing debt, excl. IFRS 16 <sup>1)</sup>  | 254.1        | 317.3        | -63.2  | -19.9        | 271.9         |
| Net gearing ratio, %                                    | 260.2        | 205.8        |        |              | 240.3         |
| Net gearing ratio, %, excl. IFRS 16 <sup>1)</sup>       | 160.2        | 132.7        |        |              | 151.2         |
| Return on investment, %                                 | -0.4         | 4.1          |        |              | -15.2         |
| Return on investment, %, excl. IFRS 16 <sup>1)</sup>    | -1.4         | 4.0          |        |              | -17.5         |
| Capital employed  | 593.7        | 791.9        | -198.2 | -25.0        | 625.3         |
| Capital employed, excl. IFRS 16 <sup>1)</sup>           | 452.0        | 618.9        | -166.9 | -27.0        | 479.4         |
| Return on equity, %                                     | -18.4        | 0.6          |        |              | -50.6         |
| Earnings per share, EUR                                 | -0.13        | -0.02        | -0.11  | 601.5        | -1.85         |
| Equity per share (without hybrid bond), EUR             | 1.25         | 3.28         | -2.03  | -61.9        | 1.59          |
| Share price at end of period, EUR                       | 0.94         | 1.70         | -0.76  | -44.7        | 1.36          |
| Weighted average number of shares outstanding, millions | 59.6         | 59.6         |        |              | 59.6          |

1) The figure has been adjusted to remove the impacts of IFRS 16.

## January–March 2020

The Group's **revenue** decreased by 6.5 per cent to EUR 208.1 (222.6 1–3/2019) million. Revenue increased in business construction but decreased in housing construction. Revenue from housing construction declined, as fewer developer-contracted housing units were recognised as income than in the comparison period, a total of 25 (161). Growth in business construction revenue mainly stemmed from increased volume in alliance contracts.

**The Group's operative operating profit** amounted to EUR 5.0 (0.5) million. The main factors contributing to improved operative operating profit were construction sites' favourable earnings trends and EUR 2.1 million from the recognition of construction profit margin eliminations arising from the sales of REDI and Tampere Deck and Arena. Far fewer apartments were completed and recognised as income than in the comparison period, which had a negative impact on operative operating profit. Fewer developer-contracted housing units were recognised as income than in the comparison period, a total of 25 (161). No new housing construction projects were completed.

The Group's **operating profit** was EUR 4.5 (3.3) million. Operating profit was influenced by the change in the exchange rate of the rouble, which had a net impact of EUR -0.4 (2.8) million. The exchange rate impact, which largely had no effect on cash flow, was caused by the valuation of the euro-denominated loans of associated companies in roubles, hedging expenses and changes in the market value of hedges.

Construction sites' favourable earnings trends contributed to the Construction business's operating profit of EUR 6.2 million. The change in the rouble exchange rate had the biggest impact on the operating profit of the Investments segment, which totalled EUR -1.4 million. The net effect of the change was EUR -0.4 (2.8) million. The exchange rate impact was caused by the conversion of euro-denominated loans to roubles and hedging expenses and changes in the market value of hedges. 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.

At period-end, the Group's **order backlog** stood at EUR 1,361.5 (1,782.5) million. The order backlog fell by 23.6 per cent year-on-year. The sold share of the order backlog was 84.7 (84) per cent.

New agreements valued at EUR 198 (150) million were signed in January–March, with some of the most significant being three housing projects for Kojamo and the renovation of the Finnish National Theatre. The most significant project that is expected to be included in the order backlog later in 2020 is the renovation of HUS Jorvi hospital's operating rooms. Agreements worth close to EUR 400 million were announced during the review period. They will be entered into the order backlog gradually when the final contracts are signed.

The Group's **profit before taxes** was EUR -6.6 (-0.3) million. This included EUR -0.6 (-1.8) million in changes in the fair value of interest rate swap derivatives and EUR -6.5 (2.9) million in exchange rate differences arising from the conversion of subsidiary and associated company loans, which did not have an impact on cash flow.

The Group's **earnings per share** were EUR -0.13 (EUR -0.02).

The Group's **equity ratio** stood at 20.4 (24.4) per cent and its **gearing** at 260.2 (205.8) per cent. Excluding the impact of IFRS 16, equity ratio was 25.8 (29.7) per cent and gearing was 160.2 (132.7). The equity ratio as per the bond covenants was 29.2 per cent. The covenant calculation took into account the recognition of income from developer-contracted projects on the basis of percentage of completion and handled the EUR 9 million capital loan as shareholders' equity. Covenants other than bond covenants will only be tested at the end of the second quarter.

## CEO's review

*SRV's positive turnaround was realised in early 2020 in all aspects of our recovery programme: we announced an extensive financing solution to improve our balance sheet structure, improved our operative earnings performance, while our ongoing projects progressed as planned, and received plenty of new orders. Although the coronavirus pandemic did not have a significant impact on revenue or earnings during the review period, it increases uncertainty in business operations.*

*The coronavirus pandemic has had only minor impacts on progress at our construction sites, but the housing trade has slowed. We are managing this developing situation daily with regard to both health and supply chain functionality, and are actively seeking solutions to any potential disturbances. Ensuring safe and healthy working conditions plays a key role in safeguarding both progress in our work and our personnel's and partners' health and safety. It is difficult to predict the longer-term effects of the coronavirus pandemic. The most significant variable is the duration of the pandemic, combined with society's ability to open up as quickly as possible and in a controlled manner after the crisis.*

*Many of the actions we have taken in line with the first part of the recovery programme that we announced in October 2019 and the favourable changes in the subcontracting market situation have strengthened the earnings performance of our construction sites, which is evident in the good operative operating result for the first quarter.*

*I am extremely pleased that the progress of our recovery programme has strengthened our customers' confidence in us, and that we have agreed on and launched several new construction sites this year. In March, we announced a EUR 197 million contract with Kojamo for the construction of rental housing in Helsinki and Espoo. We entered almost EUR 200 million in new projects into our order backlog, the most*

*significant of which were the renovation of the Finnish National Theatre, commercial premises for the Radiation and Nuclear Safety Authority (STUK), and a logistics centre for Sagax. These agreements are good examples of projects with solid customers that pay for construction work in accordance with its progress, and therefore do not tie up any of SRV's capital.*

*Our measures to develop our balance sheet structure as part of the recovery programme are ongoing in many areas. The Annual General Meeting authorised the Board of Directors to decide on two share issues in support of the recovery programme. In a directed share issue, SRV will offer hybrid bondholders the opportunity to convert their hybrids into shares. The directed share issue's subscription price will be paid by offsetting existing hybrid bonds and their accrued interest. We have received binding advance commitments worth EUR 57 million from hybrid bondholders. In addition, we will implement a maximum EUR 50 million rights issue for all existing and new shareholders. In this issue too, we already have binding advance commitments to subscribe for EUR 40 million worth of new SRV shares. We intend to implement both share issues by the end of the second quarter.*

*In addition, after the end of the review period, we agreed on changes to the payment schedule of the revolving credit facility agreed in February. We are making headway in the process of proposing changes to the payment schedule and certain terms and conditions to bond holders. These measures are intended to improve the repayment profile of our loan structure.*

*In spite of the coronavirus, our construction sites have managed to continue operating well thanks to the effective action taken by our personnel and partners. Progress in our recovery programme, a strengthened order backlog, our customers' confidence and our personnel's commitment have all given SRV a fresh new start and have created a firm foundation for developing the company. We will be reviewing our strategy and setting financial targets during 2020. We will build homes, schools, hospitals and business premises to meet the current and future needs of Finnish society.*

***Saku Sipola, President & CEO***

## Markets

Current macroeconomic forecasts are very uncertain and may change significantly during the spring and summer as the scale and economic impacts of the coronavirus pandemic become clearer.

In April 2020, the Bank of Finland made two alternative calculations for Finland's GDP, estimating that it would contract by either 5 or 13 per cent in 2020. Particularly, the decline is due to the various potential impacts of the coronavirus pandemic and weakened economic climate. The depth of the recession is currently extremely difficult to assess, as the future development of the coronavirus pandemic is still unknown, as are the measures that will be used to fight against the pandemic and the kind of economic policies that will be introduced to alleviate the impacts of the recession. The longer the restrictions must remain in place, the worse the recession will be. However, a relatively swift recovery is still possible. (Bank of Finland, Scenarios for trends in the Finnish economy over the coming years, 7 April 2020.)

Construction will continue to decline this year. The coronavirus pandemic might hinder the availability of labour and goods deliveries, which can make it more difficult to start up projects as planned. In addition, it might slow down progress on sites under construction. The pandemic is expected to impact on construction volume due to many different factors. However, it is as yet difficult to make more detailed estimates of its effects on the construction of housing and business premises.

Urbanisation and population shift are still the general drivers of construction and will maintain the need for both housing and business construction in growth centres, which are SRV's strategic focal points. According to VTT's forecast, urbanisation will continue, as Finland's urbanisation ratio is clearly lagging behind other industrialised nations, such as Sweden. (Source: Helsinki Region Trends 1/2019 & VTT).



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 estimated to decrease further this year from about 38,000 to around 32,000 units. (Business cycle review by the Confederation of Finnish Construction Industries RT, 2/2019.) However, the general uncertainty and difficulties in advance marketing arising from the coronavirus pandemic are slowing down trade and might cause housing production projects to be significantly postponed.

In the case of business construction, the construction of healthcare buildings and schools remains brisk due to ongoing projects. That said, the coronavirus pandemic will have a significant impact on the near-term development of business construction as a whole. However, price pressures on construction have decreased due to the trend in the general business climate. According to Statistics Finland, construction costs in February had risen by 0.2 per cent year-on-year. (Source: Business cycle review by the Confederation of Finnish Construction Industries RT, 2/2019, Statistics Finland, Building Cost Index.)

In the first months of the year, both Finnish and foreign investors maintained a good level of interest in projects in Finnish growth centres. Apartments have become an increasingly attractive class of property investment in recent years, and interest has remained high. However, many investors are currently taking a wait-and-see approach due to the prevailing situation.

The outlook for the Russian economy has deteriorated significantly as a result of measures taken to curb the collapse in oil prices and the interest rate of corona pandemic, and forecasts have been clearly lowered. The International Monetary Fund (IMF) forecasts that the country's GDP will shrink by as much as 5.5% this year and grow by only 3.5% next year. The IMF base scenario assumes that most restrictive measures will occur on the second quarter of the year that recovery from the pandemic will begin in the second half of 2020. In Russia's case, also assumptions about the development of oil price after the collapse at the beginning of the year have a huge impact on the growth outlook. (Source: The weekly review of Bank of Finland Institute for Economies in Transition (BOFIT) 24 April 2020).

## Earnings trends for the segments

**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, project development, technical units and procurement, as well as internal services in Finland and Russia. Operationally, Construction is divided into three business units: 1) Business Premises, Regional Units and Infrastructure, 2) Housing in the capital region, and 3) and construction within Operations in Russia and Estonia.

**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** includes the parent company's (SRV Group Plc) strategic project development, finance and financing, legal affairs, communications and marketing, information management, and business development units. Group eliminations are also included in this unit.



| Revenue<br>(EUR million)             | 1-3/<br>2020 | 1-3/<br>2019 | change | change,<br>% | 1-12/<br>2019 | Previous<br>12<br>months |
|--------------------------------------|--------------|--------------|--------|--------------|---------------|--------------------------|
| Construction                         | 204.9        | 221.9        | -17.1  | -7.7         | 1,057.7       | 1,040.6                  |
| Investments                          | 1.6          | 1.3          | 0.3    | 20.8         | 5.9           | 6.1                      |
| Other operations and<br>eliminations | 1.6          | -0.6         | 2.3    |              | -2.6          | -0.3                     |
| Group, total                         | 208.1        | 222.6        | -14.5  | -6.5         | 1,060.9       | 1,046.4                  |

| Operative operating<br>profit<br>(EUR million) | 1-3/<br>2020 | 1-3/<br>2019 | change | change,<br>% | 1-12/<br>2019 | Previous<br>12<br>months |
|--|--------------|--------------|--------|--------------|---------------|--------------------------|
| Construction                                   | 6.2          | 4.8          | 1.3    | 27.6         | 7.0           | 8.4                      |
| Investments                                    | -1.0         | -2.7         | 1.8    |              | -96.3         | -94.5                    |
| Other operations and<br>eliminations           | -0.2         | -1.6         | 1.4    |              | -7.6          | -6.2                     |
| Group, total                                   | 5.0          | 0.5          | 4.5    | 905.5        | -96.8         | -92.3                    |

| Operative operating<br>profit<br>(%) | 1-3/<br>2020 | 1-3/<br>2019 |  |  | 1-12/<br>2019 | Previous<br>12<br>months |
|--------------------------------------|--------------|--------------|--|--|---------------|--------------------------|
| Construction                         | 3.0          | 2.2          |  |  | 0.7           | 0.8                      |
| Investments                          | -            | -            |  |  | -             | -                        |
| Group                                | 2.4          | 0.2          |  |  | -9.1          | -8.8                     |

| Operating profit<br>(EUR million)    | 1-3/<br>2020 | 1-3/<br>2019 | change | change,<br>% | 1-12/<br>2019 | Previous<br>12<br>months |
|--------------------------------------|--------------|--------------|--------|--------------|---------------|--------------------------|
| Construction <sup>*)</sup>           | 6.2          | 4.8          | 1.3    | 27.6         | 7.0           | 8.4                      |
| Investments <sup>*)</sup>            | -1.4         | 0.1          | -1.5   |              | -92.5         | -94.0                    |
| Other operations and<br>eliminations | -0.2         | -1.6         | 1.4    |              | -7.6          | -6.2                     |
| Group, total <sup>*)</sup>           | 4.5          | 3.3          | 1.2    | 37.3         | -93.0         | -91.8                    |

<sup>\*)</sup> effect of currency  
exchange fluctuations

| Operating profit<br>(%) | 1-3/<br>2020 | 1-3/<br>2019 |  |  | 1-12/<br>2019 | Previous<br>12<br>months |
|-------------------------|--------------|--------------|--|--|---------------|--------------------------|
| Construction            | 3.0          | 2.2          |  |  | 0.7           | 0.8                      |
| Investments             | -            | -            |  |  | -             | -                        |
| Group                   | 2.2          | 1.5          |  |  | -8.8          | -8.8                     |

| <b>Capital employed<sup>1)</sup></b><br>(EUR million) | <b>1-3/<br/>2020</b> | 1-3/<br>2019 | change | change,<br>% | 1-12/<br>2019 |
|---|----------------------|--------------|--------|--------------|---------------|
| Construction  | <b>403.0</b>         | 385.0        | 18.0   | 4.7          | 372.9         |
| Investments   | <b>193.1</b>         | 353.5        | -160.4 | -45.4        | 245.7         |
| Other operations and<br>eliminations                  | <b>-2.3</b>          | 53.4         | -55.7  | -104.4       | 6.7           |
| Group   | <b>593.7</b>         | 791.9        | -198.2 | -25.0        | 625.3         |

| <b>Return on investment</b><br>(%) <sup>1)</sup> | <b>1-3/<br/>2020</b> | 1-3/<br>2019 | 1-12/<br>2019 |
|--|----------------------|--------------|---------------|
| Construction                                     | <b>7.2</b>           | 6.8          | 3.0           |
| Investments                                      | <b>-13.4</b>         | 4.5          | -32.6         |
| Group  | <b>-0.4</b>          | 4.1          | -15.2         |

- 1) In 2019, the company changed how it allocates deferred tax assets and liabilities. They are now fully allocated to the Other operations and eliminations unit. The key figure also includes assets designated as held for sale in the balance sheet.

## Construction

SRV provides efficient, top-quality and end-to-end project management contracting and construction services for both its own and its customers' development projects. This segment focuses on housing, business and infrastructure construction in selected urban growth centres, as per the company's strategy. It is also responsible for housing sales, services for residents, and the lifecycle maintenance of commercial properties.

One of Construction's main objectives is to enhance the profitability of SRV's business and provide an excellent customer experience as a professional in project management and production implementation. 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.

| Construction<br>(EUR million)         | 1–3/<br>2020 | 1–3/<br>2019 | change | change,<br>% | 1–12/<br>2019 | Previous<br>12<br>months |
|---------------------------------------|--------------|--------------|--------|--------------|---------------|--------------------------|
| Revenue                               | 204.9        | 221.9        | -17.1  | -7.7         | 1,057.7       | 1,040.6                  |
| - business construction               | 154.0        | 144.9        | 9.1    | 6.3          | 679.7         | 688.9                    |
| - housing construction                | 50.8         | 77.0         | -26.2  | -34.0        | 377.9         | 351.8                    |
| Operating profit                      | 6.2          | 4.8          | 1.3    | 27.6         | 7.0           | 8.4                      |
| Operating profit, %                   | 3.0          | 2.2          |        |              | 0.7           | 0.8                      |
| Capital employed <sup>2)</sup>        | 403.0        | 385.0        | 18.0   | 4.7          | 372.9         | 391.5                    |
| Return on investment, % <sup>2)</sup> | 7.2          | 6.8          | 0.4    | 5.5          | 3.0           | 3.4                      |
| Order backlog <sup>1)</sup>           | 1,361.5      | 1,782.5      | -421.0 | -23.6        | 1,344.2       |                          |
| - business construction               | 858.4        | 1,158.4      | -300.0 | -25.9        | 861.5         |                          |
| - housing construction                | 503.1        | 624.1        | -121.0 | -19.4        | 482.7         |                          |
| Group, total <sup>1)</sup>            | 1,361        | 1,782        | -421   | -23.6        | 1,344         |                          |
| - sold order backlog                  | 1,153        | 1,496        | -343   | -22.9        | 1,082         |                          |
| - unsold order backlog                | 208          | 286          | -78    | -27.2        | 263           |                          |
| - sold order backlog, %               | 84.7         | 84.0         |        |              | 80.5          |                          |
| - unsold order backlog, %             | 15.3         | 16.0         |        |              | 19.5          |                          |

1) The Group's order backlog consists of the Construction business.

2) Deferred tax assets and liabilities are allocated to the Other operations and eliminations unit. The key figure also includes assets designated as held for sale in the balance sheet.

## January–March 2020

Revenue **from Construction** declined to EUR 204.9 million (221.9 1–3/2019) in the January–March period. Revenue increased in business construction but decreased in housing construction. Revenue from housing construction was down 34.0 per cent, as fewer housing units were recognised as income than in the comparison period. Revenue from business construction was up 6.3 per cent. Growth in business construction revenue mainly stemmed from increased volume in alliance contracts.

Construction's **operating profit** rose to EUR 6.2 (4.8) million. This improvement in operating profit was mainly due to construction sites' favourable earnings trends, particularly in business construction. On the other hand, far fewer apartments were completed and recognised as income than in the comparison period, which had a negative impact on operating profit.

Construction's **order backlog** stood at EUR 1,361.5 (1,782.5) million. Several of the new projects entered into the order backlog during the first quarter were for clients of good financial standing, and none of SRV's capital will be tied up in these projects. The company has enhanced its project selection process in the manner described in the recovery programme. Although the order backlog has declined, it remains at a good level, and 84.7 (84.0) per cent of the order backlog has been sold. New agreements valued at EUR 198 (150) million were signed in January–March. The most significant were the renovation of the Finnish National Theatre in the first quarter and the construction of 256 housing units for Kojamo.

Construction's **capital employed** totalled EUR 403.0 (385.0) million.

## Housing construction

### January–March 2020

SRV's **revenue** from housing construction declined to EUR 50.8 (77.0 1–3/2019) million in the January–March period. 25 housing units were recognised as income in January–March, fewer than in the corresponding period of the previous year (161). The **order backlog** for housing construction was EUR 503.1 (624.1) million.

### Housing under construction

SRV's strategic focus in housing production has shifted from developer contracting projects to development projects in growth centres with 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 March, SRV had a total of 2,168 (March 2019: 2,549) housing units under construction in Finland, mostly in growth centres. No housing units were under construction in Russia.

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.

There were 835 (1,103) developer-contracted housing units under construction at the end of March. 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. No developer-contracted housing construction projects were launched in January–March.

The Kalasatama Towers in Kalasatama, Helsinki are the largest construction project in SRV's history. 122 apartments had been sold or reserved in the second tower, Loisto, by the end of March. 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 Loisto is scheduled for completion in autumn 2021. Residents moved into the first tower, Majakka, during November and December 2019.

At the end of March, a total of 1,006 (1,171) units were under construction for investors, mainly in Helsinki, Espoo, Vantaa and Tampere.

In March 2020, SRV and Kojamo Oyj signed a cooperation agreement valued at about EUR 197 million to build rental housing in Helsinki and Espoo. The agreement is for six housing construction projects with a total of 676 units, to be built as development projects. The units are primarily studio flats and one-room flats with a living room. The construction of 256 of the units for three sites has begun. The projects were entered into the order backlog in March.

The agreement signed in March is a continuation to the cooperation agreement signed in August 2019, which is valued at about EUR 120 million and covers the construction of rental housing in Helsinki, Espoo, Vantaa and Kerava. The agreement is for six housing construction projects with a total of 527 units, to be built as development projects. 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 in autumn 2019.

### **The most significant housing construction projects under development**

#### ■ 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 m<sup>2</sup> of commercial, office and service premises, plus park-and-ride spaces. Espoo City Council approved the city plan for the area on 29 April 2019, but a complaint has been lodged against the area's parking solutions. Construction will begin once the complaint has been resolved and the plot conveyance has been completed (current estimate 2021). The Metro Centre is scheduled for completion in conjunction with the opening of the Western Metro extension.

#### ■ 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 2022, which means construction can begin only when Pikkulaiva has been moved out of the way.

#### ■ 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 2019, 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 together with Hypo 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 begins no earlier than in 2021. 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 and Säteri

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.

Processing of the city plan proposal for Säterinkallionkulma in Leppävaara is in progress. The city is planning housing for about 800 people in Säterinkulma.

#### ■ 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 negotiations with the tenant are under way. Tower A may contain shops, care

services, premises for other services, and office space. In December 2019, the project was granted a deviation decision in the city plan, which permits care and assisted living facilities to be located in Tower A.

The demolition of the Pohjola Building has been completed and the construction of the first two apartment buildings sold to LocalTapiola is now underway. Construction of the third apartment building for Kojamo was launched in March. 800 apartments have been planned for the area.

### Completed housing units

No developer-contracted housing units were completed during January–March 2020 (184 in January–March 2019). The number of unsold housing units has remained low. At the end of March, there were 60 (139) unsold completed housing units, 52 (99) in Finland and 8 (40) in Russia. Housing sales were moderate in January–March. The sales agreed on for the review period were completed in spite of the state of emergency declared over the coronavirus pandemic. Housing sales have slowed as a result of the pandemic-related restrictions placed on meetings and public viewings. 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 108 (203) developer-contracted housing units were sold during January–March.

### Housing units recognised as income

In January–March, 25 (161) developer-contracted housing units were recognised as income, generating total revenue of EUR 12.5 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 | 1–3/<br>2020 | 1–3/<br>2019 | change,<br>units | 1–12/<br>2019 |
|-----------------------------------|--------------|--------------|------------------|---------------|
| Units sold, total                 | 364          | 203          | 161              | 937           |
| - developer contracting           | 108          | 203          | -95              | 649           |
| - investor sales                  | 256          | 0            | 256              | 288           |
| Developer contracting             |              |              |                  |               |
| - start-ups                       | 0            | 424          | -424             | 780           |
| - completed                       | 0            | 184          | -184             | 808           |
| - recognised as income            | 25           | 161          | -137             | 833           |
| - completed and unsold            | 60           | 139          | -79              | 87            |
| Under construction, total         | 2,168        | 2,549        | -381             | 2,142         |
| - contracts                       | 80           | 80           | 247              | 80            |
| - negotiated contracts            | 247          | 195          | -195             | 195           |
| - sold to investors               | 1,006        | 1,171        | -165             | 1,032         |
| - developer contracting           | 835          | 1,103        | -268             | 835           |
| - sold                            | 454          | 600          | -146             | 371           |
| - unsold                          | 381          | 503          | -122             | 464           |
| - sold, %                         | 54           | 54           |                  | 44            |
| - unsold, %                       | 46           | 46           |                  | 56            |

| <b>Order backlog, housing construction</b><br>(EUR million) | <b>03/2020</b> | 03/2019 | change |
|---|----------------|---------|--------|
| Contracts and negotiated contracts                          | <b>191</b>     | 181     | 10     |
| Under construction, sold developer contracting              | <b>104</b>     | 157     | -53    |
| Under construction, unsold developer contracting            | <b>183</b>     | 253     | -70    |
| Completed and unsold developer contracting                  | <b>25</b>      | 33      | -8     |
| Housing construction, total                                 | <b>503</b>     | 624     | -121   |

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

| <b>Project name</b> | <b>Location</b> | <b>SRV,<br/>contract<br/>value,<br/>EUR million</b> | <b>Completion<br/>date<br/>(estimated)*</b> | <b>Units</b> | <b>Sold*</b> | <b>For sale*</b> |
|---------------------|-----------------|---|---|--------------|--------------|------------------|
| REDI Loisto         | Helsinki        | 105   | Q4/2021                                     | 249          | 82           | 167              |
| Wallesmanni         | Tampere         | 42  | Q4/2020                                     | 217          | 101          | 116              |
| Neulansilmä         | Vantaa          | 23  | Q2/2020                                     | 103          | 74           | 29               |
| Väinämöisenrinne    | Helsinki        | 22  | Q1/2021                                     | 66           | 47           | 19               |
| Pyhäranta           | Tampere         | 18  | Q4/2020                                     | 65           | 26           | 39               |
| Fyyri               | Oulu            | 10  | Q3/2020                                     | 96           | 96           | 0                |

**Total value of projects approx. EUR 220 million**

\* Situation at 31 March 2020.



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

| Project name      | Location | Developer        | Completion level, %* | Completion date (estimated)* |
|-------------------|----------|------------------|----------------------|------------------------------|
| Punantoko         | Helsinki | Ilmarinen        | 66                   | Q4/2020                      |
| Espanranta        | Tampere  | Tampereen Tornit | 68                   | Q2/2020                      |
| Espanhovi         | Tampere  | Tampereen Tornit | 43                   | Q3/2020                      |
| Ilveshovi         | Helsinki | LocalTapiola     | 71                   | Q3/2020                      |
| Aalto and Tyrsky  | Oulu     | TA               | 62                   | Q4/2020                      |
| Tikkurilan KK     | Vantaa   | NREP             | 46                   | Q1/2021                      |
| Louhenlinna       | Helsinki | LocalTapiola     | 56                   | Q1/2021                      |
| Tammelan Kustaa   | Tampere  | OP               | 29                   | Q1/2021                      |
| Kullervonkoti     | Helsinki | Kojamo           | 7                    | Q3/2021                      |
| Runoratsunkatu 11 | Espoo    | Kojamo           | 9                    | Q4/2022                      |
| Joukahaisenpiha   | Helsinki | Kojamo           | 8                    | Q4/2021                      |
| Kannen Opaali     | Tampere  | Tampereen Tornit | 7                    | Q3/2022                      |

**Total value of projects approx. EUR 267 million**

\* Situation at 31 March 2020.

## Business and infrastructure construction

### January–March 2020

SRV's **revenue** from business construction rose slightly to EUR 154.0 million (144.9 1–3/2019) and the **order backlog** contracted by 25.9 per cent to EUR 858.4 (1,158.4) 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.

### Major ongoing business and infrastructure construction projects

#### ■ Basic renovation and modernisation of Siltasaari 10

Real estate investment company Antilooppi Oy's development project, Siltasaari 10, will combine three properties with a total of 36,075 gross m<sup>2</sup> into a unique complex to serve urban residents and employees. SRV will be the main contractor in accordance with the project management contract signed with Antilooppi. The project was entered into SRV's order backlog in November 2019.

## ■ 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. The terminal extension section has progressed to the framework stage, and the first section – a new parking facility adjoining the existing P5 facility – is scheduled for completion in summer 2020.

## ■ 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 Espoonlahti Metro Station began in December 2018 and will continue as per the schedule agreed on with the client, the Western Metro. Construction will end and commissioning begin in summer 2022.

## ■ Tampere Deck and Arena

In February, SRV sold approximately 75 per cent of its holding in the Deck and Arena to its co-investors. These co-investors also acquired five-sixths of the Ranta-Tampella housing project. The transaction decreased SRV's holding in the project, but will not change the company's role as project contractor. SRV recognised an earlier profit margin elimination equivalent to this holding during the review period, and from now on the construction project margin will be recognised as income as the project is completed.

The 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 Deck – is a hybrid building. A residential tower 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 March, 57 per cent of the apartments had been either reserved or sold.

The total value of the project is approximately EUR 550 million, and the Phase I agreements recognised in SRV's order backlog in 2017–2019 amount to about EUR 317 million of this.

## ■ 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. Currently SRV is building an office building and parking facility for Supercell in this quarter, and they are scheduled for completion in autumn 2020. Investor negotiations for the hotel planned for the quarter are still on going. 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.

## The most significant business and infrastructure construction projects under development

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

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.

## New projects

The most significant new business construction projects entered into the order backlog in January–March were the renovation of the Finnish National Theatre, new the Radiation and Nuclear Safety Authority (STUK) commercial premises being built for Senate Properties, and the Lumijälki 2 logistics premises for Sagax in Vantaa.

## The largest ongoing business construction projects

| Project                         | Location    | SRV total contract value, EUR million | Project type   | Completion level, % | Completion (estimate) |
|---------------------------------|-------------|---------------------------------------|----------------|---------------------|-----------------------|
| <b>DEVELOPMENT PROJECTS</b>     |             |                                       |                |                     |                       |
| Deck, southern deck and infra** | Tampere     | *                                     | Infrastructure | 81                  | Q3/2021               |
| Deck, multipurpose arena**      | Tampere     | *                                     | Retail         | 27                  | Q3/2021               |
| Deck, arena hotel**             | Tampere     | *                                     | Retail         | 20                  | Q3/2021               |
| Topaasi ja Kruunu**             | Tampere     | *                                     | Office         | 34                  | Q3/2021               |
| Vantaan Lumijälki               | Vantaa      | *                                     | Logistics      | 8                   | Q4/2021               |
| <b>BUSINESS PREMISES</b>        |             |                                       |                |                     |                       |
| Central Finland Hospital Nova   | Jyväskylä   | 325                                   | Public sector  | 90                  | Q3/2020               |
| Expansion of Helsinki Airport   | Vantaa      | 260                                   | Retail         | 37                  | Q1/2022               |
| HUS Siltasairaala               | Helsinki    | 243                                   | Public sector  | 45                  | Q4/2022               |
| Kirkkonummi Wellbeing Centre    | Kirkkonummi | 32                                    | Public sector  | 3                   | Q2/2022               |
| Jokirinne Learning Centre       | Kirkkonummi | 33                                    | Public sector  | 51                  | Q4/2020               |
| Hämeenlinna Women's Prison      | Hämeenlinna | 30                                    | Public sector  | 61                  | Q4/2020               |
| Wood City, office               | Helsinki    | *                                     | Office         | 69                  | Q3/2020               |
| Finnish-Russian School          | Helsinki    | 23                                    | Public sector  | 31                  | Q3/2021               |

|  |          |    |               |    |         |
|--|----------|----|---------------|----|---------|
| Espoonlahti Metro Station                  | Espoo    | 48 | Public sector | 38 | Q3/2021 |
| Monikko school centre                      | Espoo    | 44 | Public sector | 44 | Q2/2021 |
| Siltasaari 10                              | Helsinki | 51 | Retail        | 2  | Q3/2021 |
| STUK commercial premises                   | Vantaa   | 46 | Special       | 2  | Q4/2022 |
| Renovation of the Finnish National Theatre | Helsinki | 40 | Public sector | 0  | Q2/2023 |

Situation at 31 March 2020.

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

\*\*The total value of the Tampere Deck and Arena project is EUR 550 million, of which EUR 317 million has been entered into SRV's order backlog to date.

### ■ 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 April 2020, Fennovoima announced that construction will start in 2021.

## Investments

SRV's investments focus 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 city centres primarily means the construction and ownership of central urban premises, such as housing, offices and retail premises.

| Investments<br>segment (EUR million)               | 1-3/<br>2020 | 1-3/<br>2019 | change | change,<br>% | 1-12/<br>2019 | Previous<br>12<br>months |
|--|--------------|--------------|--------|--------------|---------------|--------------------------|
| Revenue  | 1.6          | 1.3          | 0.3    | 20.8         | 5.9           | 6.1                      |
| Percentage of associated<br>companies' profits     | -6.9         | 3.6          | -10.5  |              | 2.8           | -7.7                     |
| - of which exchange rate<br>gains/losses           | -6.3         | 4.7          | -11.0  |              | 7.6           | -3.4                     |
| Currency hedging, net                              | 5.8          | -1.9         | 7.8    |              | -3.8          | 3.9                      |
| Operative operating profit                         | -1.0         | -2.7         | 1.8    |              | -96.3         | -94.5                    |
| Operating profit *)                                | -1.4         | 0.1          | -1.5   |              | -92.5         | -94.0                    |
| Capital employed                                   | 193.1        | 353.5        | -160.4 | -45.4        | 245.7         |                          |
| Return on investment, %                            | -13.4        | 4.5          | -17.9  |              | -32.6         |                          |
| *) net effect of currency<br>exchange fluctuations | -0.4         | 2.8          | -3.2   |              | 3.8           | 0.5                      |

## January–March 2019

Investments' **revenue** totalled EUR 1.6 million in the January–March period (1.3 1–3/2019). It mainly consists of revenue from shopping centre management. In accordance with SRV's operating model, revenue from associated companies' projects and joint ventures is reported under the Construction segment.

The **operative operating profit** totalled EUR -1.0 (-2.7) million. The result for the comparison period included costs related to the dissolution of the VTBC fund. The result for 2019 also included a loss corresponding to SRV's combined holdings in the associated companies that own the REDI shopping centre and parking facility. SRV divested its holding during the review period and this result will no longer be consolidated with SRV's result. SRV's result contains a share of the result of the associated company that owns the Okhta Mall, including not only the mall's operating margin, but also depreciation, financial expenses and taxes. On 31 December 2019, the Pearl Plaza shopping centre was designated as an asset held for sale, and the proportion of the result equivalent to SRV's holding will therefore no longer be consolidated with SRV's result.

Investments' **operating profit** was EUR -1.4 (0.1) million. The net effect of currency exchange fluctuations was EUR -0.4 (2.8) million, which arose from valuation of the euro-denominated loans of associated companies in roubles and the net impact of currency hedging. 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 193.1 (245.7 12/2019) million. The divestment of SRV's holding in REDI and the reduction of its holding in the Tampere Deck and Arena decreased the amount of capital employed. The owners of the Pearl Plaza project also had their investments returned, which reduced the capital invested in the project to EUR 7.0 million. The weakening of the rouble exchange rate also affected capital employed. The exchange rate impact entered into the cash flow statement was EUR -6.9 million, and the total impact of translation differences on capital employed was EUR -14.2 million. Total capital employed decreased by about EUR 52.6 million.

**The return on investment** was -13.4 (4.5) 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 three 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. The coronavirus pandemic that began during the first quarter of 2020 has negatively impacted shopping centre operations by undermining tenants' ability to do business. This is expected to have a temporary negative impact on shopping centres' rental income. However, as mentioned in the risk section, due to the coronavirus situation and economic uncertainty in Russia, it is possible that the sale of Russian shopping centres may be postponed.

## Capital employed

| Capital employed<br>(EUR million)             | 31 March 2020 | 31 March 2019 | 31 December<br>2019 |
|---|---------------|---------------|---------------------|
| Okhta Mall, shopping centre                   | 74.5          | 84.2          | 88.6                |
| Pearl Plaza, shopping centre                  | 14.7          | 28.8          | 25.3                |
| Tampere Deck and Arena                        | 6.0           | 18.6          | 25.8                |
| 4Daily, shopping centre                       | 5.7           | 10.6          | 7.0                 |
| REDI, shopping centre and<br>parking facility | 0.0           | 120.4         | 24.6                |
| Plots to be developed and<br>other holdings   | 92.2          | 90.7          | 74.4                |
| <b>Total</b>                                  | <b>193.1</b>  | <b>353.3</b>  | <b>245.7</b>        |

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 also includes assets designated as held for sale. Fluctuations in the rouble exchange rate also affect the amount of capital employed.

## Shopping centres

## ■ REDI, Helsinki

On 7 February, SRV sold 40 per cent of its holding in REDI to its co-investors. SRV divested its holding in REDI prematurely and before a stable level of rental income had been achieved. For this reason, the selling price reflects its lower value at the time of premature exit. The transaction includes the option for SRV to gain an additional price of a maximum of EUR 50 million, depending on how REDI's value develops over the next seven years. This receivable is measured at fair value and was valued at EUR 13.5 million.

## ■ Pearl Plaza, St Petersburg

This shopping and entertainment centre in St Petersburg is still fully leased. Visitor numbers fell by one per cent during the January–March period as a result of the coronavirus pandemic that began in March. Sales in roubles remained largely on par 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.

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 the March, the centre's occupancy rate had risen to about 98.5 per cent and about 94 per cent of its stores were open during the month. Sales rose by 5 per cent in January–March, although visitor numbers fell by one per cent as a result of the coronavirus pandemic that began in March. All of the Okhta Mall loans were converted to roubles in May 2018. This reduces SRV's rouble-related exchange rate risks.

Okhta Mall's parking facility is now under construction and is valued at about EUR 20 million. 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 March, about 83 per cent of the centre's premises were leased and 77 per cent of its stores were open. In the January–March period, sales rose by 38 per cent and visitor numbers by 21 per cent on the comparison period. The coronavirus pandemic began to have an impact in March.

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. SRV has an agreement 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.

#### ■ Other projects

On 7 February, SRV sold five-sixths of its holding in the Ranta-Tampella housing project (which is part of the Tampere Deck and Arena project) to its co-investors, as well as three-fourths of its shares and partnership interests in the Tampere Deck and Arena project. After these transactions, SRV was left with an approximately 8.33 per cent holding in the Tampere Deck and Arena project.

SRV owns 50 per cent of the Etmia II office project in downtown Moscow. Bankruptcy proceedings have been started for the company. The financing bank will realise the property held as collateral for its loan receivables. The bankruptcy proceedings will not have an impact on SRV's result.

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 Voimaosakeyhtiö SF and a 6.4 per cent holding in Vicus Oy.



## Most significant completed investment projects, 31 March 2020

| Project                                     | Holding, %  | Opened      | Floor area (m <sup>2</sup> )                     | Occupancy rate 03/2020, %     | Target sales date |
|---|---|-------------|--|-------------------------------|-------------------|
| Pearl Plaza, shopping centre, St Petersburg | SRV 50<br>Shanghai Industrial Investment Company 50 | August 2013 | Gross floor area 96,000<br>Leasable area 48,000  | Binding lease agreements 100  | 2020 –            |
| Okhta Mall, shopping centre, St Petersburg  | SRV 45<br>Russia Invest 55 *                        | August 2016 | Gross floor area 144,000<br>Leasable area 78,000 | Binding lease agreements 98.5 | 2021 –            |
| 4Daily, shopping centre, Moscow             | Vicus 26<br>SRV 19<br>Blagosostoyanie 55            | April 2017  | Gross floor area 52,000<br>Leasable area 25,500  | Binding lease agreements 83   | 2022 –            |

\*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.

| Land reserves<br>31 March 2020   | Business<br>construction | Housing<br>construction | Investments | Total |
|--|--------------------------|-------------------------|-------------|-------|
| <b>Unbuilt land areas,<br/>land acquisition commitments<br/>and rented plots</b> |                          |                         |             |       |
| Building rights <sup>1)</sup> , 1,000 m <sup>2</sup>                             | 131                      | 311                     | 522         | 964   |
| <b>Land development<br/>agreements</b>   |                          |                         |             |       |
| Building rights <sup>1)</sup> , 1,000 m <sup>2</sup>                             | 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,<br>EUR million                               | 31 March<br>2020 | 31 March<br>2019 | Change, % | 31<br>December<br>2019 |
|--|------------------|------------------|-----------|------------------------|
| Equity ratio, %                                    | 20.4             | 24.4             | -16.6     | 21.2                   |
| Equity ratio, %, excl. IFRS 16 <sup>1)</sup>       | 25.8             | 29.7             | -13.2     | 26.4                   |
| Net gearing ratio, %                               | 260.2            | 205.8            | 26.4      | 240.3                  |
| Net gearing ratio, %, excl. IFRS 16 <sup>*1)</sup> | 160.2            | 132.7            | 20.7      | 151.2                  |

|  |              |       |       |       |
|--|--------------|-------|-------|-------|
| Shareholders' equity   | <b>153.9</b> | 238.5 | -35.5 | 175.6 |
| Capital employed   | <b>593.7</b> | 791.9 | -25.0 | 625.3 |
| Net interest-bearing debt                                    | <b>400.4</b> | 490.8 | -18.4 | 422.0 |
| Net interest-bearing debt, excl. IFRS 16 <sup>1)</sup>       | <b>254.1</b> | 317.3 | -19.9 | 271.9 |
| Interest-bearing debt  | <b>439.8</b> | 552.0 | -20.3 | 449.7 |
| - of which short-term  | <b>86.8</b>  | 98.0  | -11.4 | 25.6  |
| - of which long-term   | <b>353.1</b> | 454.0 | -22.2 | 424.1 |
| Interest-bearing debt, excl. IFRS 16 <sup>1)</sup>           | <b>293.5</b> | 378.4 | -22.4 | 299.6 |
| Cash and cash equivalents                                    | <b>39.4</b>  | 61.1  | -35.5 | 27.7  |
| Unused binding liquidity limits and account limit agreements | <b>0.0</b>   | 24.5  |       | 10.0  |
| Unused project loans that can be drawn immediately           | <b>1.7</b>   | 10.9  | -84.7 | 2.3   |

- 1) The figure has been adjusted to remove the impacts of IFRS 16. At the end of the period, the Group's financing reserves totalled EUR 41.1 million (96.5 03/2019), consisting of unused project loans (EUR 1.7 million) and cash and cash equivalents (EUR 39.4 million).

In February, the company agreed on the replacement of its EUR 100 million revolving credit facility with the banks that had granted it; the facility was replaced with two separate revolving credit facilities, one of EUR 60 million and one of EUR 40 million. The company's current EUR 60 million revolving credit facility was replaced with a new revolving 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 revolving credit facility of EUR 40 million will be used to finance future construction projects. It falls due in January 2022 or within another repayment period agreed for separate construction projects. On 31 December 2019, the company had a total of EUR 18.5 million in commercial papers drawn under the revolving credit facility arrangement, all of which were repaid during the review period.

After the review period, on 17 April 2020, the company made an agreement with the bank syndicate to alter the repayment schedule for the aforementioned EUR 20 million. EUR 5 million will be repaid according to the original schedule in January 2021 and the remaining EUR 15 million will only be repaid in December 2021. At the same time, the company also agreed to halve the minimum operating margin levels contained in its revolving credit facility agreements, as a precautionary measure against potentially weakened profit margins resulting from the coronavirus.

As part of the recovery programme, published on 6 February 2020, SRV announced new measures. SRV will defer payment of interest on its hybrid bonds and repayment of principal on the hybrid bonds and offer the conversion of hybrid bonds into new shares. In March, the Annual General Meeting granted authorisation to convert the current hybrid bonds into equity and to organise a separate share issue amounting to about EUR 50 million. The company has 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.

At the end of March, the company drew down a capital loan of EUR 9 million, which is subject to the provisions of Chapter 12 of the Finnish Companies Act. The purpose of the capital loan, already before the contemplated rights issue announced by SRV on 6 February 2020, is to strengthen SRV's capital structure and to facilitate ensuring compliance in the prevailing uncertain economic situation in these exceptional times with the covenants contained in SRV's financing agreements. The lenders are OP Life Assurance Company Ltd, Pohjola Insurance Ltd and AS Pontos Baltic, a subsidiary of Pontos Ltd, which may pay for new shares subscribed for in the contemplated rights issue announced by SRV on 6 February 2020 by

setting off the principal amount of the capital loan. The capital loan was raised in full to repay some of the EUR 60 million revolving credit facility, which may be re-withdrawn once the rights issue has been completed.

The financial covenants of SRV's financing agreements are equity ratio, net gearing, minimum operating margin, minimum cash, 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, IFRS 16 has had no effect on the covenants for existing loan agreements. Recognition of income on the basis of percentage of completion in developer contracting projects and the inclusion of capital loans into equity are taken into consideration in the calculation of the equity ratio covenant. The loan agreements also contain some other deviations from traditional covenant calculation methods, and these are explained in the Notes to this interim report.

The company made a standstill agreement with the bank syndicate that issued the new EUR 60 million and EUR 40 million revolving credit facilities, that is, the loan covenants will not be tested in all respects until 30 June 2020. Insofar as the loan covenants were tested on 31 March 2020, the covenant levels of all loan agreements were met on that date.

Net interest-bearing debt totalled EUR 400.4 (490.8) million at the end of the review period. Net interest-bearing debt saw a year-on-year decrease of EUR 90.4 million. Excluding the impact of IFRS 16, net interest-bearing debt totalled EUR 254.1 million, representing a fall of EUR 63.2 million on the comparison period. Housing corporation loans account for EUR 64.9 (77.1) million of the interest-bearing debt. Cash flow from operating activities was EUR -17.3 (-20.4) million and cash flow from investing activities was EUR 36.9 (-9.4) million. The negative cash flow from operations was mainly due to the fact that no founder contracting projects were completed during the period and the construction of projects under construction proceeded as planned. Cash flow from operating activities was also affected by the fact that the annual interest payment on bonds calculated by the company took place in the first quarter. The cash flow from investments was positively affected by the sales of RED1's and Tampere Deck and Arena's holdings.

Net financial expenses since the beginning of the year totalled EUR -11.1 (-3.6) million. Net financial expenses were increased by the EUR -0.8 (-2.0) million earnings impact of ten-year interest rate derivatives, which included the change in their market value and interest expenses paid. When the interest level rises from its current level, a positive change in the fair value of the interest rate derivatives will be recognised in the income statement, and vice versa. EUR 0.2 (0.2) million in interest expenses have been capitalised in accordance with IAS 23 since the beginning of the year. Exchange rate losses in financial expenses totalled EUR -6.5 (2.9) million. IFRS 16 had an impact of EUR -1.5 million on financial expenses.

SRV's investment commitments totalled EUR 33.5 (58.0) million at the end of March, and mainly consisted of investments in Fennovoima's Hanhikivi-1 nuclear project and the Tampere Deck and Arena project.

SRV is exposed to changes in the exchange rate of the rouble through its Russian subsidiaries. The weakening rouble led to translation differences of EUR -14.3 (7.6) million, which impacted both shareholders' equity and the comprehensive result for the period. In addition to currency exchange rate losses of EUR -6.5 (2.9) million in financial income and expenses, the Group also entered similarly derived currency exchange rate losses of EUR -6.3 (4.7) million with no cash flow impact under the profit accounted for by associated companies, which are due primarily to the conversion of currency-denominated loans to roubles. Currency exchange rate losses were reduced by EUR 5.8 (-1.9) million in net hedging returns. The total impact on shareholders' equity was EUR -21.3 million.

The company's balance sheet, liquidity and financial position are expected to improve significantly by the end of the second quarter thanks to the share issues. The company's equity ratio (excluding the impact of IFRS 16) would then improve to more than 30–33 per cent from its current level and gearing to about 70–

85 per cent (excluding the impact of IFRS 16). The company has updated its forecast given in the financial statements for the year 2019 with regard to the equity ratio due to the change in rouble exchange rate, and secondly due to changes in the payment schedule plans of interest-bearing debt. Further, estimated cash flow impact has been updated to approximately EUR 85–95 million, to take into account that the contemplated rights issue would be subscribed for in the aggregate amount of the subscription commitments received (EUR 40 million).

## Personnel

| Personnel by segment at end of period | 31 March 2020 | 31 March 2019 | Percentage of Group personnel, 31 Dec. 2019 |
|---------------------------------------|---------------|---------------|---|
| Construction                          | 793           | 849           | 81  |
| Investments                           | 134           | 135           | 14  |
| Other operations                      | 58            | 68            | 6   |
| Group, total                          | 985           | 1,052         | 100   |

SRV employed an average of 997 (1,051 1–3/2019) people in January–March. On average, 804 (849) people worked in Construction and 134 (135) people worked in Investments. 59 (67) people worked in Group operations.

## 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 2019 Notes to the Financial Statements and Annual Report, which was published on 2 March 2020, and is also available on the company's website.

The most significant risks concern negative changes in SRV's and its customers' operating environment and currently the coronavirus pandemic in particular, capital employed in major business construction projects, SRV's earnings trend, availability of financing for projects, adequacy of short-term liquidity, the development of the situation in Russia, the rouble exchange rate and key project implementation risks.

Demand for SRV's products and services might be weakened by negative changes in, for instance, general economic development, the business environment of SRV and its customers, the functionality of financial markets and the political operating environment. SRV's business opportunities would be weakened by the deterioration of the operating conditions of business premises customers, the weakening of corporate and consumer confidence and purchasing power, an increase in interest rates, more difficult availability of financing or financial problems in public administration. In particular, a decline in the need for business premises, growth in the yield requirements of investors, tighter investment criteria, a decrease in the demand for and prices of apartments, and the weakening of investment opportunities in public administration may pose a substantial risk to the company's financial position and profitability.

The main risk is currently posed by the coronavirus pandemic and its impact not only on the operating conditions and business of SRV, its customers and other partners, but also its broader effects on general economic development. Illness, quarantines and the restrictions imposed by countries have a negative impact on the business performance of various parties because they weaken or prevent access to personnel resources and materials. The uncertainty caused by this situation also weakens the confidence of

companies and private individuals and their outlook for the future. This reduces investments and consumption, and slows down economic development – or even temporarily puts it in reverse.

However, the extent and duration of these problems is as yet difficult to estimate. At least in the short term, SRV's development projects will be pushed back, housing and property deals will be slowed down and the financial situation will be tighter. In addition, ongoing work at construction sites may be slowed down or even halted temporarily. SRV is closely assessing the developing impacts of the pandemic and is proactively taking the necessary measures to maintain health and wellbeing, prevent the spread of the pandemic and ensure business continuity. However, over the longer term, the population shift into SRV's main business areas in Finland's growth centres will continue, laying down a good foundation for operations when the situation returns to normal. The aforementioned risks have been addressed in the accounting principles for this interim report.

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. On 6 February 2020, SRV announced new actions under the recovery programme that included the sale of assets and the signing of financing agreements, and these were implemented in February–March. The final stage – the conversion of hybrid bonds into equity and a rights issue of maximum EUR 50 million – is intended to be completed for May–June, so that the company's balance sheet and financial position will have significantly improved by the end of the second quarter. These share issues, combined with the realisation of assets, will improve both the company's liquidity and its finance ability.

The company forecasts that very few projects requiring new RS loans will be launched during 2020. The implementation of the orders announced by the company in early 2020, which are valued at close to EUR 400 million, will not require any financing from SRV. The company will only consider launching other new projects if there is sufficient demand and the necessary financing can be assured with the aid of the company's general financial reserves and the sale of project-specific receivables to financial institutions. Receivables can be sold to manage liquidity only within the limits permitted, which at the end of the review period was practically in full. After the review period, the company entered into agreement to open a new limit with another financial institution providing short-term receivable financing.

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. Due to the coronavirus situation and economic uncertainty in Russia, it is possible that the sale of Russian shopping centres may be postponed.

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 -6.3 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 -5.0 million on SRV's earnings if the effect of currency hedging were not taken into account. At the time of reporting, a large part of the rouble position was hedged and the effect of the hedge on the result would have been EUR +6.9 million, in which case the total effect of a 10 per cent weakening of the rouble on equity would have been EUR -4.5 million. 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. 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. SRV also reports certain key figures without the impact of IFRS 16.

Competitive project operations with products and services comprise a critical success factor for SRV's business and may be subject to significant risks. SRV seeks to implement profitable contracting projects for developer customers and to develop profitable developer contracting projects and property projects together with its partners. A key challenge is to ensure that the portfolio consists of viable projects in each economic cycle and market situation.

The company continuously monitors the needs of customers and the market situation, and seeks to react rapidly to changes. Large development projects that tie up a great amount of capital are especially vulnerable to fluctuations and risks. At present, the company is reducing risks by increasingly shifting the focus of its own development projects from developer contracting projects to self-developed projects and by seeking more target price and alliance model projects in its contracting operations. The company might also lose markets to new or growing competitors or business models. SRV seeks to manage these risks by retaining its position as one of the top companies in its field by investing in the development of its systems and own customer-focused, flexible and networked operating model (SRV Approach).

Retention of skilled employees, hiring of competent new employees and maintaining a partner network for professional implementation also pose risks to operations. Although SRV's financial challenges have recently been in the public eye, there is continued confidence in the company and the high quality of its operations. SRV is taking effective steps to improve its financial position with its ongoing recovery programme, and takes care of the health and safety of the people working on its projects through systematic guidelines and control measures. In addition, the company continuously offers its own personnel opportunities to engage in training, development and communal activities. Efficient and committed action to achieve the company's objectives also reduces the likelihood that various risks will materialise.

Success in project planning and implementation and the management of the partner network also involve risks related to issues such as operational quality, costs, scheduling, safety and the environment. The operations system that guides SRV's functions incorporates ISO-certified quality, environmental, occupational health and safety systems as well as a procurement system and the SRV Network Register. Project operations are developed proactively. The key perspectives include not only costs, quality and customer service, but also responsibility and harnessing digitalisation.

## Corporate governance and the decisions of the Annual General Meeting

SRV Group Plc's Annual General Meeting (AGM) was held on 26 March 2020. The meeting adopted the 2019 financial statements and discharged the Board of Directors and the President & CEO from liability for the financial period 1 January–31 December 2019.

### Dividend paid

Based on the adopted balance sheet and the Board of Directors' proposal, the Annual General Meeting decided that no dividend will be distributed for the financial year ending 31 December 2019.

### The Members and Chair of the Board of Directors and remuneration

The number of members of the Board of Directors was confirmed to be six (6). Minna Alitalo M.Sc. (Econ.), Olli-Pekka Kallasvuo Master of Laws, LL.D.h.c., Timo Kokkila M.Sc.(Eng.) and Tomi Yli-Kyyny M.Sc.(Eng.) were re-elected to the Board of Directors. Hannu Leinonen M.Sc.(Eng.) and Heikki Leppänen Lic.Sc. (Tech.)



were elected as new members to the Board of Directors. Tomi Yli-Kyyny was elected as the Chairman of the Board of Directors. The term of office of members of the Board of Directors will end at the close of the Annual General Meeting held in 2021.

The Annual General Meeting resolved that the remuneration for the members of the board of Directors shall be EUR 5,000 per month for the Chairman, EUR 4,000 per month for the Vice Chairman and EUR 3,000 per month per member as well as a EUR 700 fee per member per meeting. In addition, travel expenses arising from work for the Board of Directors shall be reimbursed in accordance with the company's travel policy.

#### **Auditor and remuneration**

PricewaterhouseCoopers Oy, a firm of authorised public accountants, was elected as auditor of the company for a term until the close of the Annual General Meeting of 2021. PricewaterhouseCoopers Oy has announced that Samuli Perälä, Authorised Public Accountant, will serve as the responsible auditor. The auditors' remuneration was confirmed as payable on the basis an approved invoice.

#### **Amendment of the Articles of Association**

The Board of Directors resolved that article 4 of the Articles of Association is amended as follows:

4 § The Board of Directors of the company consists of the minimum of five (5) and the maximum of eight (8) ordinary members. The Board of Directors shall elect a vice chairman from among its members. The term of office of the Board members expires upon the closing of the first Annual General Meeting of Shareholders following the election.

The General Meeting of Shareholders shall elect a chairman for the same term of office.

#### **Planned financing arrangement and related authorisations to issue shares**

Relating to the planned financing arrangement, Annual General Meeting resolved on authorisation to issue shares as proposed by the Board of Directors.

#### ***Authorisation for directed share issue***

Annual General Meeting authorised the Board of Directors to resolve on a directed share issue as follows:

The shares to be issued under the authorisation are new shares. Under the authorisation, a maximum of 100,000,000 shares can be issued.

Under the authorisation, new shares would be issued in a directed share issue, i.e. in deviation from the shareholders' pre-emptive rights, to the holders of the hybrid notes issued by the company on 22 March 2016 (ISIN code FI4000198114) and holders of the hybrid notes issued by the company on 23 May 2019 (ISIN code FI4000384185). Subscriptions would be paid by setting off hybrid bonds against their nominal value and accrued interest. A directed share issue always requires a weighty financial reason for the company.

The Board of Directors was authorised to resolve on all other terms and conditions of the share issue.

The authorisation is valid until 30 September 2020.

The authorisation revokes prior unused authorisations granted by the General Meeting to the Board of Directors to resolve on share issues, transfers of shares held by the company and/or to grant special rights entitling to shares as referred to in the Chapter 10, Section 1 of the Finnish Companies Act (in Finnish: *osakeyhtiölaki*). The authorisation shall not, however, revoke any other share issue authorisations to be passed at the same General Meeting.

#### ***Authorisation for rights issue***

Annual General Meeting authorised the Board of Directors to resolve on a share issue as follows:



The shares to be issued under the authorisation are new shares. Under the authorisation, a maximum of 500,000,000 shares can be issued.

The shareholders have a pre-emptive right to the new shares in the same proportion as they already hold shares in the company. However, shares not subscribed by shareholders may be offered on a secondary basis for subscription by other shareholders or by other persons. The Board of Directors is entitled to decide to whom the shares that remain unsubscribed will be offered. Subscriptions would be paid in cash.

The Board of Directors was authorised to resolve on all other terms and conditions of the share issue.

The authorisation is valid until 30 September 2020.

The authorisation revokes prior unused authorisations granted by the General Meeting to the Board of Directors to resolve on share issues, transfers of shares held by the Company and/or to grant special rights entitling to shares as referred to in the Chapter 10, Section 1 of the Finnish Companies Act. The authorisation shall not, however, revoke any other share issue authorisations to be passed at the same General Meeting.

#### **Authorisation to decide on the acquisition of the company's own shares**

Annual General Meeting authorised the Board of Directors to resolve on the acquisition of the company's own shares using the company's unrestricted equity as follows:

The Board of Directors is authorised to acquire a maximum of 5,000,000 shares in the company so that the number of shares acquired on the basis of the authorisation, when combined with the shares already owned by the company and its subsidiaries, does not at any given time exceed a total of 10 percent of all shares in the company.

Shares may be acquired in public trading arranged by Nasdaq Helsinki Ltd at the market price at the moment of acquisition. Own shares may be acquired otherwise than in proportion to the existing holdings of the shareholders. Shares may be acquired in one or several instalments.

The company's own shares may be acquired inter alia for use as payment in corporate acquisitions, when the company acquires assets relating to its business, as part of the company's incentive programmes, as a part of the management's incentive scheme or to be otherwise conveyed, held or cancelled.

The Board of Directors is authorised to resolve on all other terms and conditions of the acquisition of the shares.

The authorisation is valid for 18 months from the date of the decision of the General Meeting. It revokes the authorisation granted to the Board of Directors at the Annual General Meeting on 19 March 2019 to decide on the repurchase of the company's own shares.

#### **Authorisation to decide on a share issue and on the issue of special rights**

Annual General Meeting authorised the Board of Directors to resolve on a share issue and granting of special rights as follows:

The Board of Directors may decide on the issuance of new shares or the reissuance of shares held by the company and/or granting of other special rights entitling to shares as referred to in Chapter 10, Section 1 of the Finnish Companies Act either for consideration or free of consideration in one or several instalments.

Under the authorisation, the number of shares to be issued or the number of reissued shares held by the company, including the shares issued on the basis of the special rights, shall not exceed 12,000,000 shares. Any shares issued on the basis of special rights entitling to shares are included in the aforementioned aggregate amount.

New shares may be issued, the company's own shares held by the company reissued and/or other special rights entitling to shares pursuant to Chapter 10, Section 1 of the Finnish Companies Act may be granted in deviation from the pre-emption rights of shareholders only if there exists a weighty financial reason for the

company. A directed share issue may be free of consideration only if there exists, for the company and taking into account the interests of all its shareholders, a particularly weighty financial reason.

The authorisation may be used inter alia when issuing new shares or conveying shares as consideration in corporate acquisitions, when the company acquires assets relating to its business, in order to strengthen the company's capital structure and for implementing incentive schemes. However, the authorisation may not be used in connection with the financing arrangement pursuant to Section 17 of the notice to the Annual General Meeting ("*Approval of a planned financing arrangement and related authorisations to issue shares*").

The Board of Directors was authorised to resolve on all other terms and conditions of the share issue.

The authorisation shall be in force for 18 months from the decision of General Meeting. The authorisation revokes prior unused authorisations granted by the General Meeting to the Board of Directors to resolve on share issues, transfers of shares held by the Company and/or to grant special rights entitling to shares as referred to in the Chapter 10, Section 1 of the Finnish Companies Act. The authorisation shall not, however, revoke any other share issue authorisations to be passed at the same General Meeting.

### **Establishment of a Shareholders' Nomination Board**

Annual General Meeting resolved to establish a Shareholders' Nomination Board whose task is to prepare proposals concerning the composition and remuneration of the Board of Directors to the Annual General Meeting.

The Shareholders' Nomination Board comprises of four (4) members appointed by the three largest shareholders of the company. The Chairman of the Board of Directors shall act as the fourth member of the Board.

The right to appoint a member lies with those three shareholders whose share of the votes of all shares in the company is largest, based on the company's shareholders' register held by Euroclear Finland Ltd as of August 31 of the preceding calendar year of the Annual General Meeting.

In the event that a shareholder who has an obligation in accordance with Securities Market Act to take such ownership into account when making notifications regarding changes in ownership (shareholder subject to flagging notification) notifies the Chairman of the Board of Directors thereof in writing at the latest on August 30 of the preceding calendar year of the Annual General Meeting, the shareholding of such shareholder divided between several funds or registers shall be counted as one. In the event that a shareholder does not wish to use his/her right to appoint a member the right to appoint shall be transferred to the next largest shareholder.

Annual General Meeting confirmed the Charter for the Shareholders' Nomination Board. The Company's Charter for the Shareholders' Nomination Board is available on SRV Group Plc's website at [www.srv.fi/amg](http://www.srv.fi/amg).

## **The organisation of SRV Group Plc's Board of Directors and the composition of its Committees**

SRV Group Plc's Board of Directors held its organisational meeting on 26 March 2020. The Board of Directors elected a Vice Chair and the members of its Board Committees for a term ending at the closing of the Annual General Meeting in 2021. Olli-Pekka Kallasvuori was selected as Vice Chair of the Board of Directors.

Minna Alitalo was elected as Chair and Hannu Leinonen and Timo Kokkila as members of the Audit Committee. Tomi Yli-Kyyny was elected as Chair and Olli-Pekka Kallasvuori and Heikki Leppänen as members of the HR and Nomination Committee.

## 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 March 2020 was EUR 0.94 (EUR 1.36 on 31 December 2019, change -30.9%). The highest share price during the reporting period was EUR 1.50 and the lowest EUR 0.82. At the end of the period, SRV's equity per share excluding the hybrid bond was EUR 1.25. On 31 March 2020, SRV had a market capitalisation of EUR 56.0 million, excluding the Group's treasury shares. 4.2 million shares were traded during the review period with a trade volume of EUR 5.1 million.

At the end of March, 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 Deck and Arena, the extension of Helsinki Airport, and several hospital projects.

*SRV specifies its guidance for 2020 in terms of the amount of completed developer-contracted housing units:*

- 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 520 developer-contracted housing units will be completed in 2020 (808 in 2019).

*The earlier guidance was:*

- 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. The recovery programme measures that were carried out in late 2019 are also 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).

Espoo, 29 April 2020

Board of Directors

All forward-looking statements in this review are based on management's current expectations and beliefs about future events. The company's actual results and financial position may differ materially from the expectations and beliefs such statements contain due to a number of factors that have been presented in this interim report, and in particular the ongoing coronavirus pandemic.

**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 2019.*

**Briefing, webcast and presentation materials**

*A briefing for analysts, fund managers, investors and media representatives will be held on 29 April 2020, starting at 12:00 EET as an audiocast. The audiocast can be followed live at [www.srv.fi/sijoittajat](http://www.srv.fi/sijoittajat). 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 half-year report for 2020 on 21 July 2020. During the silent period (21 June–21 July), the company will not comment on anything relating to market outlooks, business or earnings trends.*

**For further information, please contact:**

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## Key figures

| EUR million   | 1-3/<br>2020 | 1-3/<br>2019 | 1-12/<br>2019 | Last 12<br>Months |
|---|--------------|--------------|---------------|-------------------|
| Revenue   | 208.1        | 222.6        | 1,060.9       | 1,046.4           |
| Operative operating profit <sup>1)</sup>  | 5.0          | 0.5          | -96.8         | -92.3             |
| Operative operating profit, % revenue <sup>1)</sup>                                   | 2.4          | 0.2          | -9.1          |                   |
| Operation profit  | 4.5          | 3.3          | -93.0         | -91.8             |
| Operation profit, % revenue   | 2.2          | 1.5          | -8.8          |                   |
| Operation profit, excl. IFRS16 <sup>2)</sup>  | 3.6          | 2.2          | -94.3         | -93.0             |
| Operation profit, % revenue excl. IFRS16 <sup>2)</sup>                                | 1.7          | 1.0          | -8.9          |                   |
| Profit before taxes   | -6.6         | -0.3         | -122.4        | -128.6            |
| Profit before taxes, % of revenue   | -3.2         | -0.2         | -11.5         |                   |
| Net profit attributable to equity holders of the parent company                       | -6.1         | -0.4         | -104.4        | -110.1            |
| Return on equity, %   | -18.4        | 0.6          | -50.6         |                   |
| Return on investment, %   | -0.4         | 4.1          | -15.2         |                   |
| Return on investment % excl. IFRS16 <sup>2) 4)</sup>                                  | -1.4         | 4.0          | -17.5         |                   |
| Capital employed <sup>4)</sup>  | 593.7        | 791.9        | 625.3         |                   |
| Capital employed excl. IFRS16 <sup>2) 4)</sup>  | 452.0        | 618.9        | 479.4         |                   |
| Equity ratio %  | 20.4         | 24.4         | 21.2          |                   |
| Equity ratio excl. IFRS16, % <sup>2)</sup>  | 25.8         | 29.7         | 26.4          |                   |
| Net interest-bearing debt   | 400.4        | 490.8        | 422.0         |                   |
| Net interest-bearing debt excl. IFRS16 <sup>2)</sup>                                  | 254.1        | 317.3        | 271.9         |                   |
| Net gearing ratio, %  | 260.2        | 205.8        | 240.3         |                   |
| Net gearing ratio excl. IFRS16, % <sup>2)</sup>                                       | 160.2        | 132.7        | 151.2         |                   |
| Order backlog <sup>3)</sup>   | 1,361.5      | 1,782.5      | 1,344.2       |                   |
| New agreements  | 198.2        | 149.7        | 487.6         |                   |
| Personnel on average  | 997          | 1,051        | 1,080         |                   |
| Earnings per share  | -0.13        | -0.02        | -1.85         | -1.96             |
| Earnings per share (diluted)  | -0.13        | -0.02        | -1.85         | -1.96             |
| Equity per share  | 2.64         | 4.04         | 2.98          |                   |
| Equity per share (without hybrid bond), euros   | 1.25         | 3.28         | 1.59          |                   |
| Dividend per share, euros   | 0.00         | 0.00         | 0.00          |                   |
| Dividend payout ratio, %  | 0.0          | 0.0          | 0.0           |                   |
| Dividend yield, %   | 0.0          | 0.0          | 0.0           |                   |
| Price per earnings ratio  | neg.         | neg.         | neg.          |                   |
| Share price development:  |              |              |               |                   |
| Share price at the end of the period, eur   | 0.94         | 1.70         | 1.36          |                   |
| Average share price, eur  | 1.22         | 1.76         | 1.36          |                   |
| Lowest share price, eur   | 0.82         | 1.68         | 1.25          |                   |
| Highest share price, eur  | 1.50         | 1.79         | 2.19          |                   |
| Market capitalisation at the end of the period  | 56.0         | 101.3        | 81.0          |                   |
| Trading volume, 1 000 units   | 4,219        | 1,780        | 14,412        |                   |
| Trading volume, %   | 7.1          | 3.0          | 24.2          |                   |
| Weighted average number of shares outstanding during the period, 1 000 units          | 59,581       | 59,581       | 59,581        |                   |
| Weighted average number of shares outstanding during the period (diluted) 1 000 units | 59,581       | 59,581       | 59,581        |                   |
| Number of shares outstanding at the end of the period, 1 000 units                    | 59,581       | 59,581       | 59,581        |                   |

<sup>1)</sup> Operative operating profit is determined by deducting the calculated ruble currency exchange differences included in financial items and their potential hedging impacts from operating profit. Exchange rate differences during the reporting period amounted to EUR -0.4 (2.8) million, of which EUR 5.8 (-1.9) million was accounted for by hedging.

<sup>2)</sup> The effects of IFRS16 have been adjusted from the figure.

<sup>3)</sup> The Group's order backlog consists of the Construction business.

<sup>4)</sup> Deferred tax assets and liabilities are fully allocated to the Other operations and eliminations unit. 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 view 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 profits of associated and joint venture companies". Income and expenses from currency hedging are included above operating profit on the line "Income and expenses on currency derivatives".

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.

## Calculation of key figures

|   |   |  |
|---|---|--|
| Return on equity, %   | = | $100 \times \frac{\text{Net profit for the period}}{\text{Total equity, average}}$   |
| 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, %   | = | $100 \times \frac{\text{Operating profit + interest and other financial income (incl. exchange rate gains and losses) + Financial receivables write-down and sales loss}}{\text{Invested capital, average}}$   |
| Return on investment, % excl. IFRS16  | = | $100 \times \frac{\text{Operating profit excl. IFRS16 bookings + interest and other financial income (incl. exchange rate gains and losses) + Financial receivables write-down and sales loss}}{\text{Capital employed excl. IFRS16, average}}$                                      |
| Equity ratio, %   | = | $100 \times \frac{\text{Total equity}}{\text{Total assets – advances received}}$   |
| Equity ratio,% excl. IFRS16   | = | $100 \times \frac{\text{Total equity – IFRS16 depreciations, leases and interest and financial expenses recognised in income statement}}{\text{Total assets – advances received – IFRS16 depreciations, leases and interest and financial expenses recognised in income statement}}$ |
| 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  | = | $100 \times \frac{\text{Interest-bearing debt - interest-bearing lease liabilities – cash and cash equivalents}}{\text{Total equity – IFRS16 depreciations, leases, interest and financial expenses recognized in income statement}}$  |
| Earnings per share attributable to equity holders of the parent company           | = | $\frac{\text{Result for the period – non-controlling interest – hybrid bond interest, tax adjusted}}{\text{Average number of shares}}$   |
| Earnings per share attributable to equity holders of the parent company (diluted) | = | $\frac{\text{Result for the period – non-controlling interest – hybrid bond interest, tax adjusted}}{\text{Average number of shares (diluted)}}$   |
| Equity per share  | = | $\frac{\text{Shareholders' equity attributable to equity holders of the parent company}}{\text{Average number of shares at end of period}}$<br>Earnings per share  |
| Equity per share (without hybrid bond)  | = | $\frac{\text{Shareholders' equity attributable to equity holders of the parent company – hybrid bond}}{\text{Average number of shares at end of period}}$  |
| 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   |



## Group and Segment information by quarter

|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| SRV Group   | 1-3/    | 10-12/  | 7-9/    | 4-6/    | 1-3/    |
| EUR million   | 2020    | 2019    | 2019    | 2019    | 2019    |
| Revenue   | 208.1   | 403.8   | 227.1   | 207.4   | 222.6   |
| Operation profit  | 4.5     | -86.8   | -6.3    | -3.2    | 3.3     |
| Financial income and expenses, total                        | -11.1   | -10.4   | -7.6    | -7.7    | -3.6    |
| Profit before taxes   | -6.6    | -97.2   | -14.0   | -10.8   | -0.3    |
| Order backlog <sup>1)</sup>                                 | 1,361.5 | 1,344.2 | 1,592.6 | 1,667.2 | 1,782.5 |
| New agreements  | 198.2   | 142.9   | 123.3   | 71.7    | 149.7   |
| Earnings per share, eur                                     | -0.13   | -1.43   | -0.22   | -0.18   | -0.02   |
| Equity per share, eur                                       | 1.25    | 1.59    | 2.97    | 3.15    | 3.28    |
| Share closing price, eur                                    | 0.94    | 1.36    | 1.44    | 1.62    | 1.70    |
| Equity ratio, %   | 20.4    | 21.2    | 27.2    | 28.5    | 24.4    |
| Equity ratio, % excl. IFRS16 <sup>2)</sup>                  | 25.8    | 26.4    | 33.3    | 35.1    | 29.7    |
| Net interest-bearing liabilities                            | 400.4   | 422.0   | 513.2   | 480.2   | 490.8   |
| Net interest-bearing liabilities excl. IFRS16 <sup>2)</sup> | 254.1   | 271.9   | 339.7   | 306.6   | 317.3   |
| Net gearing, %  | 260.2   | 240.3   | 199.1   | 178.9   | 205.8   |
| Net gearing, % excl. IFRS16 <sup>2)</sup>                   | 160.2   | 151.2   | 131.4   | 114.0   | 132.7   |
| Revenue   | 1-3/    | 10-12/  | 7-9/    | 4-6/    | 1-3/    |
| EUR million   | 2020    | 2019    | 2019    | 2019    | 2019    |
| Construction  | 204.9   | 403.1   | 226.0   | 206.7   | 221.9   |
| - business construction                                     | 154.0   | 200.5   | 171.2   | 163.1   | 144.9   |
| - housing construction                                      | 50.8    | 202.6   | 54.7    | 43.6    | 77.0    |
| Investments   | 1.6     | 1.7     | 1.4     | 1.5     | 1.3     |
| Other operations and eliminations                           | 1.6     | -0.9    | -0.3    | -0.8    | -0.6    |
| Group, total  | 208.1   | 403.8   | 227.1   | 207.4   | 222.6   |
| Operating profit  | 1-3/    | 10-12/  | 7-9/    | 4-6/    | 1-3/    |
| EUR million   | 2020    | 2019    | 2019    | 2019    | 2019    |
| Construction  | 6.2     | 3.6     | -3.4    | 2.0     | 4.8     |
| Investments   | -1.4    | -87.5   | -3.1    | -1.9    | 0.1     |
| Other operations and eliminations                           | -0.2    | -2.9    | 0.2     | -3.2    | -1.6    |
| Group, total  | 4.5     | -86.8   | -6.3    | -3.2    | 3.3     |
| Operating profit (%)  | 1-3/    | 10-12/  | 7-9/    | 4-6/    | 1-3/    |
|   | 2020    | 2019    | 2019    | 2019    | 2019    |
| Construction  | 3.0     | 0.9     | -1.5    | 1.0     | 2.2     |
| Investments   | -       | -       | -       | -       | -       |
| Group   | 2.2     | -21.5   | -2.8    | -1.5    | 1.5     |

<sup>1)</sup> The Group's order backlog consists of the Construction business.

<sup>2)</sup> The effects of IFRS16 have been adjusted from the figure.

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|                            |         |          |         |         |         |
|----------------------------|---------|----------|---------|---------|---------|
| Order backlog EUR million  | 31.3.20 | 31.12.19 | 30.9.19 | 30.6.19 | 31.3.19 |
| - business construction    | 858.4   | 861.5    | 938.7   | 1,066.8 | 1,158.4 |
| - housing construction     | 503.1   | 482.7    | 653.8   | 600.4   | 624.1   |
| Group, total <sup>1)</sup> | 1,361.5 | 1,344.2  | 1,592.6 | 1,667.2 | 1,782.5 |
| - sold order backlog       | 1,153   | 1,082    | 1,311   | 1,402   | 1,496   |
| - unsold order backlog     | 208     | 263      | 281     | 265     | 286     |

<sup>1)</sup>Group's order backlog consists only of construction segment.

|  |         |          |         |         |         |
|--|---------|----------|---------|---------|---------|
| Order backlog, housing construction in Group EUR million | 31.3.20 | 31.12.19 | 30.9.19 | 30.6.19 | 31.3.19 |
| Negotiation and construction contracts                   | 191     | 141      | 191     | 168     | 181     |
| Under construction, sold                                 | 104     | 79       | 182     | 167     | 157     |
| Under construction, unsold                               | 183     | 232      | 261     | 244     | 253     |
| Completed and unsold                                     | 25      | 30       | 21      | 22      | 33      |
| Housing construction, total                              | 503     | 483      | 654     | 600     | 624     |

|  |         |          |         |         |         |
|--|---------|----------|---------|---------|---------|
| Capital employed <sup>1)</sup> EUR million | 31.3.20 | 31.12.19 | 30.9.19 | 30.6.19 | 31.3.19 |
| Construction                               | 403.0   | 372.9    | 462.6   | 448.1   | 385.0   |
| Investments                                | 193.1   | 245.7    | 331.5   | 330.3   | 353.5   |
| Other operations and eliminations          | -2.3    | 6.7      | 1.0     | -4.6    | 53.4    |
| Group, total                               | 593.7   | 625.3    | 795.1   | 773.8   | 791.9   |

<sup>1)</sup> Deferred tax assets and liabilities are fully allocated to the Other operations and eliminations unit. The key figure also includes assets designated as held for sale in the balance sheet.

|                                     |              |                |              |              |              |
|-------------------------------------|--------------|----------------|--------------|--------------|--------------|
| Housing production in Group (units) | 1-3/<br>2020 | 10-12/<br>2019 | 7-9/<br>2019 | 4-6/<br>2019 | 1-3/<br>2019 |
| Housing sales, total                | 364          | 269            | 326          | 139          | 203          |
| - sales, developer contracting      | 108          | 207            | 166          | 73           | 203          |
| - sales, negotiation contracts      | 256          | 62             | 160          | 66           | 0            |
| Developer contracting               |              |                |              |              |              |
| - start-ups                         | 0            | 65             | 283          | 8            | 424          |
| - completed                         | 0            | 539            | 85           | 0            | 184          |
| - recognized in revenue             | 25           | 532            | 98           | 42           | 161          |
| - completed and unsold              | 60           | 87             | 84           | 97           | 139          |
| Under construction, total           | 2,168        | 2,142          | 2,773        | 2,388        | 2,549        |
| - construction contracts            | 80           | 80             | 80           | 80           | 80           |
| - negotiation contracts             | 247          | 195            | 195          | 195          | 195          |
| - negotiated contracts              | 1,006        | 1,032          | 1,189        | 1,002        | 1,171        |
| - developer contracting             | 835          | 835            | 1,309        | 1,111        | 1,103        |
| - of which sold                     | 454          | 371            | 700          | 632          | 600          |
| - of which unsold                   | 381          | 464            | 609          | 479          | 503          |

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SRV GROUP PLC THE FINANCIAL STATEMENTS, 1 JANUARY–31 MARCH 2020: TABLES

- 1) Accounting policies
- 2) Consolidated income statement and consolidated statement of comprehensive income
- 3) Consolidated balance sheet
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- 5) Statement of changes in Group equity
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- 11) Changes in financial position
- 12) Related party transactions
- 13) Assets designated as held for sale and sales made during the period
- 14) Events after the reporting period

## 1) The Financial Statements Report 1 January – 31 March 2020

### Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. In preparing this interim report release, SRV has applied the same accounting policies as in its annual financial statements for 2019, however so that the Group has introduced as of 1 January 2020 the new or revised IFRS standards and IFRIC interpretations published by the IASB mentioned in the accounting policies of the annual financial statements for 2019. These do not have a material impact on the interim report.

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.

### Impacts of the coronavirus on SRV's financial reporting

The coronavirus pandemic has had limited impacts on SRV's business, result and balance sheet position during the review period. SRV is closely assessing the developing impacts of the pandemic and is proactively taking the necessary measures to maintain health and wellbeing, prevent the spread of the pandemic and ensure business continuity. As part of management's precautionary measures against the impacts of the coronavirus pandemic, on 17 April 2020 the company received concessions on its minimum operating margin covenants from its credit facility providers. The repayment of EUR 20 million originally scheduled for 2020 and January 2021 will now be repaid in two instalments: EUR 5 million in January 2021 and EUR 15 million in December 2021.

SRV is looking to propose an extension of the tenor of its Senior Notes as well as certain other amendments to the terms and conditions. The proposed amendments are part of prudent measures initiated by SRV to further improve its balance sheet and available liquidity in response to the outbreak of possible unpredictable market disruption due to the coronavirus pandemic (COVID-19).

The potential risks arising from the coronavirus pandemic that, if realised, could impact the company's result, balance sheet and cash flows are described below. (These risks had not yet been realised to a significant extent by the end of the review period). Other potential coronavirus-related risks to SRV's business have been described in the section of the interim report titled 'Risks, risk management and corporate governance'.

### Potential financial risks associated with the coronavirus pandemic

It is difficult to forecast the impacts of the coronavirus pandemic (including the timing, duration and extent of these impacts) on the global economy, on the economy in SRV's operating countries, and on SRV's business and that of its subcontractors and customers, particularly as both the situation and resulting government measures are changing very rapidly.

The pandemic and its associated restrictions are affecting both the company's subcontractors and employees. Impacts on subcontractors may lead to a rise in material prices and increased problems and disruptions in material delivery logistics. Combined with sickness absences and restrictions on the movement of SRV personnel, they could lead to delays or the suspension of work on

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construction sites. This could in turn have a negative impact on the amount of revenue that can be recognised from projects and when it can be recognised, and also on project profit margins and the profitability of SRV's business.

An epidemic or pandemic may significantly impact the financial position and financing of SRV's customers, which can in turn lead to development projects being delayed, temporary shutdowns of construction sites, cancellations of agreed orders, and the postponement of start-ups. A deterioration in customers' financial positions may also lead to an increase in SRV's credit losses as trade receivables decrease in value.

The coronavirus-related restrictions placed on the business activities of shopping centre tenants, including any potential rent reductions for tenants, are expected to result in lower income from the shopping centres operated by SRV in Russia. They may have an impact on the value of loan receivables, either those from the associated companies that own the Russian shopping centres or those of SRV's holdings in associated companies. Lower-than-expected rental income could also affect the additional sale price that may potentially be obtained from the sale of the REDI Shopping Centre.

The pandemic could also affect demand for SRV's projects and services, such as commercial premises and housing. Reduced demand could have a negative impact on SRV's future revenue, cash flow, liquidity and, for example, whether SRV will be able to meet the covenants for its financing agreements. The pandemic may also affect the availability of project and working capital financing. A protracted pandemic could also lead to a reduction in the value of SRV's financial assets, deferred tax assets, unbuilt plots, and any development projects classified as inventories. In addition, the progress of the pandemic in Russia may affect the exchange rate of the rouble and, consequently, the valuation of SRV's assets located in Russia.

## 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 2019.

This interim report has been prepared on a going concern basis, as SRV's management considers that there are no material uncertainties concerning the ability to continue as a going concern. In addition to the coronavirus-related risks detailed above, the future development of the Group's operations will be affected by factors such as its earnings trend, availability of financing for projects that tie up capital, sufficiency of liquidity, and the development of the situation in Russia and the rouble exchange rate. The Group's management has made estimates of the future revenues, operating margins, investments, financial position and working capital requirements of the companies, taking into consideration the recovery programme that was started up in 2019, the financial arrangements made during the review period, and the rights issue subscription commitments and hybrid conversion that will be implemented after the end of the review period. Further information can be found in Note 11 Changes in financial position to this interim report.

## 2) Consolidated income statement and statement of comprehensive income

| Consolidated income statement<br>EUR million  | 1-3/<br>2020 | 1-3/<br>2019 | change<br>MEUR | change<br>% | 1-12/<br>2019 | Last 12<br>Months |
|---|--------------|--------------|----------------|-------------|---------------|-------------------|
| Revenue   | 208.1        | 222.6        | -14.5          | -6.5        | 1,060.9       | 1,046.4           |
| Other operating income  | 0.2          | 0.2          | 0.0            | -15.3       | 0.6           | 0.6               |
| Change in inventories of finished goods and work in progress  | 8.9          | -9.2         | 18.0           |             | -79.8         | -61.8             |
| Use of materials and services <sup>1)</sup>   | -186.9       | -186.8       | 0.0            | 0.0         | -897.2        | -897.3            |
| Employee benefit expenses   | -19.3        | -18.4        | -0.9           | 5.1         | -73.1         | -74.0             |
| Share of profits of associated and joint venture companies  | -6.9         | 3.6          | -10.5          |             | 2.8           | -7.7              |
| Depreciation  | -2.0         | -2.2         | 0.3            | -12.3       | -8.7          | -8.4              |
| Impairments   | 0.0          | -0.6         | 0.6            |             | -81.3         | -80.8             |
| Other operating expenses <sup>1)</sup>  | -3.3         | -3.9         | 0.6            | -15.3       | -13.4         | -12.8             |
| Income and expenses on currency derivatives <sup>2)</sup>   | 5.8          | -1.9         | 7.8            |             | -3.8          | 3.9               |
| Operating profit  | 4.5          | 3.3          | 1.2            | 37.3        | -93.0         | -91.8             |
| Financial income  | 1.3          | 4.0          | -2.6           | -66.6       | 8.4           | 5.8               |
| Financial expenses  | -12.4        | -7.6         | -4.8           | 63.8        | -37.7         | -42.6             |
| Financial income and expenses, total  | -11.1        | -3.6         | -7.5           | 206.0       | -29.3         | -36.8             |
| Profit before taxes   | -6.6         | -0.3         | -6.3           |             | -122.4        | -128.6            |
| Income taxes  | -1.0         | 0.7          | -1.7           |             | 18.7          | 17.1              |
| Net profit for the period   | -7.6         | 0.4          | -7.9           |             | -103.6        | -111.6            |
| Attributable to   |              |              |                |             |               |                   |
| Equity holders of the parent company  | -6.1         | -0.4         |                |             | -104.4        | -110.1            |
| Non-Controlling interests   | -1.4         | 0.7          |                |             | 0.7           | -1.4              |
| Earnings per share attributable to equity holders of the parent company   | -0.13        | -0.02        |                |             | -1.85         | -1.96             |
| Earnings per share attributable to equity holders of the parent company (diluted)   | -0.13        | -0.02        |                |             | -1.85         | -1.96             |
| <sup>1)</sup> The company has clarified the presentation between the lines  |              |              |                |             |               |                   |
| <sup>2)</sup> The company has separated income and expenses on currency derivatives on its own row from 1.1.2020 and restated the presentation for the year 2019. |              |              |                |             |               |                   |
| Statement of comprehensive income<br>EUR million  | 1-3/<br>2020 | 1-3/<br>2019 |                |             | 1-12/<br>2019 | Last 12<br>Months |
| Net profit for the period   | -7.6         | 0.4          |                |             | -103.6        | -111.6            |
| Other comprehensive income  |              |              |                |             |               |                   |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods:  |              |              |                |             |               |                   |
| 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   | -3.0         | 1.5          |                |             | 2.4           | -2.2              |
| Share of other comprehensive income of associated and joint ventures companies  | -11.2        | 6.1          |                |             | 9.1           | -8.2              |
| Other comprehensive income for the period, net of tax   | -14.3        | 7.6          |                |             | 11.5          | -10.4             |
| Total comprehensive income for the period   | -21.8        | 8.0          |                |             | -92.1         | -122.0            |
| Attributable to   |              |              |                |             |               |                   |
| Equity holders of the parent company  | -20.4        | 7.3          |                |             | -92.9         | -120.5            |
| Non-Controlling interests   | -1.4         | 0.7          |                |             | 0.7           | -1.4              |

## 3) Consolidated balance sheet

| Consolidated balance sheet EUR million                             | 31.3.20        | 31.3.19        | change,% <sup>2)</sup>       | 31.12.19        |
|--|----------------|----------------|------------------------------|-----------------|
| <b>ASSETS</b>  |                |                |                              |                 |
| Non-current assets   |                |                |                              |                 |
| Property, plant and equipment                                      | 4.9            | 6.1            | -19.9                        | 5.5             |
| Property, plant and equipment, right -of-use asset <sup>1)</sup>   | 11.5           | 12.3           | -7.1                         | 12.0            |
| Goodwill   | 1.7            | 1.7            | 0.0                          | 1.7             |
| Other intangible assets  | 1.4            | 1.6            | -7.6                         | 1.5             |
| Shares in associated companies and joint ventures                  | 38.8           | 193.9          | -80.0                        | 59.5            |
| Other financial assets   | 18.7           | 17.7           | 5.7                          | 11.9            |
| Receivables  | 29.6           | 0.7            |                              | 15.9            |
| Loan receivables from associated companies and joint ventures      | 43.1           | 72.8           | -40.9                        | 44.0            |
| Deferred tax assets  | 34.8           | 21.0           | 65.4                         | 36.4            |
| Non-current assets, total  | 184.6          | 328.0          | -43.7                        | 188.3           |
| Current assets   |                |                |                              |                 |
| Inventories  | 374.6          | 438.0          | -14.5                        | 376.1           |
| Inventories, right -of-use asset <sup>1)</sup>                     | 129.1          | 160.7          | -19.7                        | 132.9           |
| Trade and other receivables  | 108.2          | 106.1          | 1.9                          | 118.7           |
| Loan receivables from associated companies and joint ventures      | 0.0            | 5.0            | -100.0                       | 0.1             |
| Current tax receivables (based on profit for the review period)    | 0.6            | 0.2            | 244.1                        | 0.2             |
| Cash and cash equivalents  | 39.4           | 61.1           | -35.5                        | 27.7            |
| Assets classified as held for sale                                 | 14.7           | 0.0            |                              | 69.3            |
| Current assets, total  | 666.6          | 771.1          | -13.5                        | 725.0           |
| <b>ASSETS, TOTAL</b>   | <b>851.2</b>   | <b>1,099.1</b> | <b>-22.6</b>                 | <b>913.3</b>    |
| <b>Consolidated balance sheet EUR million</b>                      | <b>31.3.20</b> | <b>31.3.19</b> | <b>change,%<sup>2)</sup></b> | <b>31.12.19</b> |
| <b>EQUITY AND LIABILITIES</b>                                      |                |                |                              |                 |
| Equity attributable to equity holders of the parent company        |                |                |                              |                 |
| Share capital  | 3.1            | 3.1            | 0.0                          | 3.1             |
| Invested free equity fund  | 142.5          | 142.5          | 0.0                          | 142.5           |
| Translation differences  | -15.7          | -5.2           |                              | -1.4            |
| Fair value reserve   | 0.0            | 0.0            |                              | 0.0             |
| Hybrid bond  | 82.9           | 45.0           | 84.2                         | 82.9            |
| Retained earnings  | -55.4          | 55.1           |                              | -49.5           |
| Equity attributable to equity holders of the parent company, total | 157.5          | 240.5          | -34.5                        | 177.6           |
| Non-controlling interests  | -3.6           | -2.0           | 81.2                         | -2.0            |
| Total equity   | 153.9          | 238.5          | -35.5                        | 175.6           |
| Non-current liabilities  |                |                |                              |                 |
| Deferred tax liabilities   | 2.4            | 5.6            | -56.6                        | 2.4             |
| Provisions   | 10.1           | 10.6           | -4.6                         | 10.9            |
| Interest-bearing liabilities excl. lease liabilities               | 200.2          | 282.5          | -29.1                        | 276.5           |
| Subordinated loan  | 9.0            | -              | -                            | -               |
| Interest-bearing lease liabilities <sup>1)</sup>                   | 143.9          | 171.5          | -16.1                        | 147.7           |
| Other liabilities  | 21.6           | 10.1           | 114.2                        | 20.9            |
| Non-current liabilities, total                                     | 387.2          | 480.2          | -19.4                        | 458.3           |
| Current liabilities  |                |                |                              |                 |
| Trade and other payables   | 215.0          | 273.6          | -21.4                        | 244.3           |
| Current tax payables (based on profit for the review period)       | 0.0            | 0.2            | -79.1                        | 0.7             |
| Provisions   | 8.4            | 8.5            | -1.8                         | 8.8             |
| Interest-bearing liabilities excl. lease liabilities               | 84.3           | 95.9           | -12.1                        | 23.2            |
| Interest-bearing lease liabilities <sup>1)</sup>                   | 2.5            | 2.1            | 18.7                         | 2.5             |
| Current liabilities, total   | 310.1          | 380.3          | -18.5                        | 279.4           |
| Liabilities, total   | 697.3          | 860.6          | -19.0                        | 737.7           |
| <b>EQUITY AND LIABILITIES, total</b>                               | <b>851.2</b>   | <b>1,099.1</b> | <b>-22.6</b>                 | <b>913.3</b>    |

<sup>1)</sup> Items related to IFRS 16 standard<sup>2)</sup> The change percentage has been calculated compared to the situation on March 31, 2019

| 4) Consolidated cash flow statement<br>EUR million                       | 1-3/<br>2020 | 1-3/<br>2019 | 1-12/<br>2019 | Last 12<br>Months |
|--|--------------|--------------|---------------|-------------------|
| Cash flows from operating activities                                     |              |              |               |                   |
| Cash receipts from customers   | 220.1        | 232.1        | 1,061.8       | 1,049.7           |
| Cash receipts from other operating income                                | 0.0          | 0.2          | 0.6           | 0.4               |
| Cash paid to suppliers and employees                                     | -223.7       | -238.7       | -1,043.6      | -1,028.6          |
| Net cash before interests and taxes                                      | -3.7         | -6.4         | 18.8          | 21.6              |
| Interests received and other financial income                            | 0.5          | 0.1          | 0.3           | 0.8               |
| Interests paid and other expenses from financial costs                   | -14.1        | -13.6        | -29.3         | -29.8             |
| Income taxes paid  | 0.0          | -0.5         | -0.5          | -0.1              |
| Cash flows from operating activities                                     | -17.3        | -20.4        | -10.7         | -7.6              |
| Cash flow from investing activities                                      |              |              |               |                   |
| Purchase of tangible and intangible assets                               | -0.1         | -0.8         | -2.0          | -1.3              |
| Sale of tangible and intangible assets                                   | 0.2          | 0.0          | 0.0           | 0.2               |
| Purchase of investments  | -0.9         | 0.0          | 0.0           | -0.9              |
| Proceeds from sale of investments  | 11.0         | 0.0          | 5.5           | 16.5              |
| Subsidiary shares bought   | 0.0          | 0.0          | 0.0           | 0.0               |
| Subsidiary shares sold   | 0.0          | 0.0          | 0.0           | 0.0               |
| Investments in associated companies and joint ventures                   | -3.9         | -5.1         | -16.0         | -14.8             |
| Associated companies and joint ventures sold                             | 28.0         | 1.0          | 1.0           | 28.0              |
| Increase in loan receivable from associated companies and joint ventures | 0.0          | -4.6         | -6.0          | -1.4              |
| Decrease in loan receivable from associated companies and joint ventures | 2.5          | 0.0          | 26.5          | 29.0              |
| Loans granted  | 0.0          | 0.0          | -15.7         | -15.8             |
| Proceeds from repayments of loans  | 0.0          | 0.0          | 0.7           | 0.7               |
| Net cash used in investing activities                                    | 36.9         | -9.4         | -5.9          | 40.4              |
| Cash flows from operating and investing activities in total              | 19.6         | -29.9        | -16.7         | 32.8              |
| Cash flow from financing activities                                      |              |              |               |                   |
| Proceeds from loans  | 9.0          | 2.2          | 65.0          | 71.8              |
| Repayment of loans   | -11.2        | -0.6         | -41.7         | -52.4             |
| Proceeds from Hybrid bond  | 0.0          | 0.0          | 58.4          | 58.4              |
| Repayment of hybrid bond   | 0.0          | 0.0          | -20.5         | -20.5             |
| Hybrid bond costs  | 0.0          | 0.0          | -1.1          | -1.1              |
| Hybrid bond interests  | 0.0          | -3.9         | -4.2          | -0.3              |
| Change in housing corporation loans                                      | 14.5         | -1.2         | -27.8         | -12.2             |
| Net change in short-term loans   | -18.5        | 2.0          | -73.3         | -93.8             |
| Dividends paid   | 0.0          | 0.0          | 0.0           | 0.0               |
| Repayment of lease liabilities   | -1.0         | -1.0         | -3.9          | -3.9              |
| Net cash flow from financing activities                                  | -7.2         | -2.5         | -49.2         | -54.0             |
| Net change in cash and cash equivalents                                  | 12.4         | -32.3        | -65.9         | -21.2             |
| Cash and cash equivalents at the beginning of period                     | 27.7         | 93.1         | 93.1          | 27.7              |
| Effect of exchange rate changes in cash and cash equivalents             | -0.7         | 0.4          | 0.6           | -0.5              |
| Cash and cash equivalents at the end of period                           | 39.4         | 61.1         | 27.7          | 6.0               |



## 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 | Translation differences | Fair value reserve | Retained earnings | Total | Non-controlling interests | Total equity |
| 1 January- 31 March 2020 (EUR million)     |   |                           |             |                         |                    |                   |       |                           |              |
| Equity 1 January 2020                      | 3.1   | 142.5                     | 82.9        | -1.4                    | 0.0                | -49.5             | 177.6 | -2.0                      | 175.6        |
| Comprehensive income for the review period | 0.0   | 0.0                       | 0.0         | -14.3                   | 0.0                | -6.1              | -20.4 | -1.5                      | -21.9        |
| Share-based incentive plan                 | 0.0   | 0.0                       | 0.0         | 0.0                     | 0.0                | 0.3               | 0.3   | 0.0                       | 0.3          |
| Equity on 31 March 2020                    | 3.1   | 142.5                     | 82.9        | -15.7                   | 0.0                | -55.4             | 157.5 | -3.6                      | 153.9        |
|  | Equity attributable to the equity holders                       |                           |             |                         |                    |                   |       |                           |              |
|  | Share Capital   | Invested Free Equity Fund | Hybrid Bond | Translation differences | Fair value reserve | Retained earnings | Total |                           |              |
| 1 January- 31 March 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         | 7.7                     | 0.0                | -0.4              | 7.3   | 0.8                       | 8.1          |
| Share-based incentive plan                 | 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         |
| Equity on 31 March 2019                    | 3.1   | 142.5                     | 45.0        | -5.2                    | 0.0                | 55.1              | 240.5 | -2.0                      | 238.5        |
|  | Equity attributable to the equity holders of the parent company |                           |             |                         |                    |                   |       |                           |              |
|  | Share Capital   | Invested Free Equity Fund | Hybrid Bond | Translation differences | Fair value reserve | Retained earnings | Total | Non-controlling 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        |
| Share-based incentive plan                 | 0.0   | 0.0                       | 0.0         | 0.0                     | 0.0                | 0.1               | 0.1   | 0.0                       | 0.1          |
| 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         |
| Equity on 31 December 2019                 | 3.1   | 142.5                     | 82.9        | -1.4                    | 0.0                | -49.5             | 177.6 | -2.0                      | 175.6        |

|   | change  |         |       |          |
|---|---------|---------|-------|----------|
| 6) Group commitments and contingent liabilities (EUR million) | 31.3.20 | 31.3.19 | %     | 31.12.19 |
| Collateral given for own liabilities                          |         |         |       |          |
| Real estate mortgages given <sup>1)</sup>                     | 74.2    | 84.9    | -12.6 | 61.6     |
| Other commitments   |         |         |       |          |
| Investment commitments given                                  | 33.5    | 58.0    | -42.3 | 51.7     |
| Plots purchase commitments                                    | 46.8    | 47.8    | -2.1  | 47.3     |

During the reporting period, the company received a claim of EUR 7.4 million for damages in a Russian subsidiary. If the claim is accepted in full, it would have a significant effect on the financial position of the subsidiary and the company would be exposed to the risk of losing its investment in that subsidiary (EUR 2.7 million).

<sup>1)</sup> 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.

7) Financial assets and liabilities measured at the fair value

| Liability of derivative instruments (EUR million) | 3/2020<br>Fair value |        | 3/2019<br>Fair value |        | 12/2019<br>Fair value |        |
|---|----------------------|--------|----------------------|--------|-----------------------|--------|
|   | Posit.               | Negat. | Posit.               | Negat. | Posit.                | Negat. |
| Hedge accounting not applied                      |                      |        |                      |        |                       |        |
| Currency options <sup>1)</sup>                    | 7.5                  | 0.0    | 0.0                  | 0.7    | 0.0                   | 0.4    |
| Interest rate swaps                               | 0.0                  | 9.4    | 0.0                  | 8.5    | 0.0                   | 8.8    |

<sup>1)</sup> The currency options were short-term in maturity and have been exercised before the publication of the interim report. The figure for the comparison period (03 2019) has been adjusted

|  | 3/2020 | 3/2019 | 12/2019 |
|--|--------|--------|---------|
| Nominal values of derivative instruments |        |        |         |
| Currency option                          | 120.0  | 73.0   | 50.0    |
| Interest rate swaps                      | 100.0  | 100.0  | 100.0   |

Fair value hierarchy of financial assets and liabilities

Financial assets at fair value through profit or loss

The company had foreign exchange option contracts and interest rate swaps recognised at fair value through profit or loss.

Derivative financial instruments at fair value through profit or loss

| (EUR million)                    | Level 1 | Level 2 | Level 3 | Total |
|----------------------------------|---------|---------|---------|-------|
| 31.3.2020                        |         |         |         |       |
| Derivative financial assets      | 0.0     | 7.5     | 0.0     | 7.5   |
| Derivative financial liabilities | 0.0     | 9.4     | 0.0     | 9.4   |
| 31.3.2019                        |         |         |         |       |
| Derivative financial assets      | 0.0     | 0.0     | 0.0     | 0.0   |
| Derivative financial liabilities | 0.0     | 9.2     | 0.0     | 9.2   |
| 31.12.2019                       |         |         |         |       |
| Derivative financial assets      | 0.0     | 0.0     | 0.0     | 0.0   |
| Derivative financial liabilities | 0.0     | 9.2     | 0.0     | 9.2   |

Other financial assets at fair value through profit or loss

| (EUR million)          | 31.3.20 | 31.3.19 | 31.12.19 |
|------------------------|---------|---------|----------|
| Other financial assets | 11.9    | 18.3    | 18.3     |
| Increases              | 6.8     | -       | 0.1      |
| Decreases              | -       | -0.6    | -6.5     |
| Total                  | 18.7    | 17.7    | 11.9     |
| Non-current            | 18.7    | 17.7    | 11.9     |
| Current                | -       | -       | -        |
| Unlisted shares        | 18.7    | 17.7    | 11.9     |

Other financial assets at fair value through profit or loss

| (EUR million)   | Level 1 | Level 2 | Level 3 | Total |
|-----------------|---------|---------|---------|-------|
| 31.3.2020       |         |         |         |       |
| Unlisted shares | -       | 0.6     | 18.1    | 18.7  |
| 31.3.2019       |         |         |         |       |
| Unlisted shares | -       | 0.6     | 17.1    | 17.7  |
| 31.12.2019      |         |         |         |       |
| Unlisted shares | -       | 0.6     | 11.3    | 11.9  |

Level 1 instruments are traded in active markets and their fair values are directly based on the market price.

The fair values of level 2 instruments are derived from market data.

The fair values of level 3 instruments are not based on observable market data but on amortised cost.

Unlisted shares and investments consist mainly of shares purchased for leisure facilities used by SRV's employees (level 2) as well as shares in Voimaosakeyhtiö SF and investments in and related to real estate funds and projects (level 3). Assets recognised in level 3 consist mainly of SRV Voima's investment in Voimaosakeyhtiö SF (03 2020 EUR 9.8 million) and in Tampere Central Deck and Arena (03 2020 EUR 6.6 million), in addition to which they include investments in and related to real estate funds and projects.

## 8) Breakdown of revenue

| Revenue<br>(EUR million)               | 1-3/<br>2020 | 1-3/<br>2019 | change<br>MEUR | change,<br>% | 1-12/<br>2019 | Last 12<br>Months |
|--|--------------|--------------|----------------|--------------|---------------|-------------------|
| Revenue recognition at a point in time | 12.5         | 43.2         | -30.8          | -71.1        | 214.6         | 183.9             |
| Revenue recognition over time          | 189.6        | 178.1        | 11.6           | 6.5          | 835.9         | 847.5             |
| Other revenue                          | 6.0          | 1.3          | 4.6            | 350.1        | 10.5          | 15.1              |
| Total                                  | 208.1        | 222.6        | -14.5          | -6.5         | 1,060.9       | 1,046.4           |

## 9) Group and Segment Information

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

| Revenue<br>EUR million                      | 1-3/<br>2020 | 1-3/<br>2019 | change<br>MEUR | change,<br>% | 1-12/<br>2019 | Last 12<br>Months |
|---|--------------|--------------|----------------|--------------|---------------|-------------------|
| Revenue recognition at a point in time      | 12.5         | 43.2         | -30.8          | -71.1        | 214.6         | 183.9             |
| Construction                                | 12.5         | 43.2         | -30.8          | -71.1        | 214.6         | 183.9             |
| Investments                                 | 0.0          | 0.0          | 0.0            |              | 0.0           | 0.0               |
| Revenue recognition over time               | 189.6        | 178.1        | 11.6           | 6.5          | 835.9         | 847.5             |
| Construction                                | 188.5        | 177.2        | 11.3           | 6.4          | 831.9         | 843.2             |
| Investments                                 | 1.1          | 0.9          | 0.2            | 28.1         | 4.0           | 4.2               |
| Other revenue                               | 6.0          | 1.3          | 4.6            | 350.1        | 10.5          | 15.1              |
| Construction                                | 3.9          | 1.5          | 2.3            | 155.4        | 11.2          | 13.5              |
| Investments                                 | 0.5          | 0.4          | 0.0            | 6.8          | 1.9           | 1.9               |
| Other operations and eliminations           | 1.6          | -0.6         | 2.3            |              | -2.6          | -0.3              |
| Group, total                                | 208.1        | 222.6        | -14.5          | -6.5         | 1,060.9       | 1,046.4           |
| Construction revenue                        | 204.9        | 221.9        | -17.1          | -7.7         | 1057.7        | 1040.6            |
| Construction, external                      | 204.5        | 221.6        | -17.0          | -7.7         | 1056.6        | 1039.6            |
| Construction, internal                      | 0.3          | 0.4          | 0.0            | -10.6        | 1.0           | 1.0               |
| Investments revenue                         | 1.6          | 1.3          | 0.3            | 20.8         | 5.9           | 6.1               |
| Investments, external                       | 1.6          | 1.3          | 0.3            | 22.9         | 5.7           | 6.0               |
| Investments, internal                       | 0.0          | 0.0          | 0.0            | -49.4        | 0.2           | 0.2               |
| Other operations and eliminations revenue   | 1.6          | -0.6         | 2.3            |              | -2.6          | -0.3              |
| Other operations and eliminations, external | 2.0          | -0.2         | 2.2            |              | -1.4          | 0.8               |
| Other operations and eliminations, internal | -0.4         | -0.4         | 0.1            |              | -1.2          | -1.2              |
| Total                                       | 208.1        | 222.6        | -14.5          | 0.0          | 1060.9        | 1046.4            |

| Operation profit<br>EUR million   | 1-3/<br>2020 | 1-3/<br>2019 | change<br>MEUR | change,<br>% | 1-12/<br>2019 | Last 12<br>Months |
|-----------------------------------|--------------|--------------|----------------|--------------|---------------|-------------------|
| Construction                      | 6.2          | 4.8          | 1.3            | 27.6         | 7.0           | 8.4               |
| Investments                       | -1.4         | 0.1          | -1.5           |              | -92.5         | -94.0             |
| Other operations and eliminations | -0.2         | -1.6         | 1.4            |              | -7.6          | -6.2              |
| Group, total                      | 4.5          | 3.3          | 1.2            | 37.3         | -93.0         | -91.8             |

| Operating profit,<br>%    | 1-3/<br>2020 | 1-3/<br>2019 |  |  | 1-12/<br>2019 | Last 12<br>Months |
|---------------------------|--------------|--------------|--|--|---------------|-------------------|
| Construction              | 3.0          | 2.2          |  |  | 0.7           | 0.8               |
| Investments <sup>2)</sup> | -            | -            |  |  | -             | -                 |
| Group, total              | 2.2          | 1.5          |  |  | -8.8          | -8.8              |

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

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|  |           |           |                |              |            |
|--|-----------|-----------|----------------|--------------|------------|
| Assets <sup>1)</sup>                           |           |           |                |              |            |
| EUR million                                    | 31.3.2020 | 31.3.2019 | change<br>MEUR | change,<br>% | 31.12.2019 |
| Construction                                   | 631.3     | 656.3     | -25.0          | -3.8         | 622.2      |
| Investments                                    | 197.4     | 359.8     | -162.4         | -45.1        | 252.2      |
| Other operations and eliminations              | 22.5      | 83.0      | -60.5          |              | 38.9       |
| Group, total                                   | 851.2     | 1,099.1   | -247.9         | -22.6        | 913.3      |
| Non-interest-bearing liabilities <sup>1)</sup> |           |           |                |              |            |
| EUR million                                    | 31.3.2020 | 31.3.2019 | change<br>MEUR | change,<br>% | 31.12.2019 |
| Construction                                   | 227.7     | 271.3     | -43.6          | -16.1        | 248.7      |
| Investments                                    | 4.1       | 6.4       | -2.2           | -35.3        | 6.2        |
| Other operations and eliminations              | 24.8      | 29.6      | -4.8           | -16.2        | 32.2       |
| Group, total                                   | 256.6     | 307.2     | -50.6          | -16.5        | 287.1      |
| Capital Employed <sup>1)</sup>                 |           |           |                |              |            |
| EUR million                                    | 31.3.2020 | 31.3.2019 | change<br>MEUR | change,<br>% | 31.12.2019 |
| Construction                                   | 403.0     | 385.0     | 18.0           | 4.7          | 372.9      |
| Investments                                    | 193.1     | 353.5     | -160.4         | -45.4        | 245.7      |
| Other operations and eliminations              | -2.3      | 53.4      | -55.7          |              | 6.7        |
| Group, total                                   | 593.7     | 791.9     | -198.2         | -25.0        | 625.3      |
| Return on investment <sup>1)</sup>             |           |           |                |              |            |
| EUR million                                    | 31.3.2020 | 31.3.2019 | change<br>MEUR | change,<br>% | 31.12.2019 |
| Construction                                   | 7.0       | 5.1       | 1.9            | 37.0         | 8.9        |
| Investments                                    | -7.4      | 3.9       | -11.2          |              | -95.1      |
| Group  | -0.7      | 7.3       | -7.9           |              | -94.0      |
| Return on investment % <sup>1)</sup>           |           |           |                |              |            |
|  | 31.3.2020 | 31.3.2019 |                |              | 31.12.2019 |
| Construction                                   | 7.2       | 6.8       |                |              | 3.0        |
| Investment                                     | -13.4     | 4.5       |                |              | -32.6      |
| Group  | -0.4      | 4.1       |                |              | -15.2      |

<sup>1)</sup> 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.

|  |           |           |                |            |
|--|-----------|-----------|----------------|------------|
| 10) Inventories  |           |           |                |            |
| EUR million  | 31.3.2020 | 31.3.2019 | change<br>MEUR | 31.12.2019 |
| Land areas and plot-owning companies                               | 136.9     | 147.6     | -10.7          | 147.1      |
| Construction   | 82.2      | 81.6      | 0.7            | 86.1       |
| Investments  | 54.6      | 66.0      | -11.4          | 61.0       |
| Work in progress   | 211.6     | 251.5     | -39.9          | 190.2      |
| Construction   | 211.6     | 251.5     | -39.9          | 190.2      |
| Shares in completed housing corporations and real estate companies | 23.7      | 32.3      | -8.6           | 33.8       |
| Construction   | 20.4      | 27.8      | -7.4           | 30.5       |
| Investments  | 3.3       | 4.4       | -1.1           | 3.3        |
| Other inventories  | 131.5     | 167.3     | -35.8          | 138.0      |
| Construction   | 2.4       | 6.6       | -4.2           | 5.1        |
| Investments  | 0.0       | 0.0       | 0.0            | 0.0        |
| Right -of-use asset, total <sup>1)</sup>                           | 129.1     | 160.7     | -31.6          | 132.9      |
| Inventories, total   | 503.7     | 598.7     | -95.0          | 509.0      |
| Construction   | 316.7     | 367.5     | -50.8          | 311.9      |
| Investments  | 57.9      | 70.5      | -12.6          | 64.3       |
| Right -of-use asset, total <sup>1)</sup>                           | 129.1     | 160.7     | -31.6          | 132.9      |

<sup>1)</sup> Items related to IFRS 16 standard

## 11) Changes in financial position

## Interest-bearing liabilities, excluding lease liabilities

| EUR million                       | 31.3.2020       | 31.3.2020    |
|-----------------------------------|-----------------|--------------|
|                                   | Carrying amount | Fair value   |
| Non-current                       |                 |              |
| Loans from financial institutions | 47.6            | 47.6         |
| Capital loans                     | 9.0             | 9.0          |
| Bonds                             | 74.5            | 60.0         |
| Housing corporation loans         | 57.9            | 57.9         |
| Other debt                        | 20.2            | 20.2         |
| <b>Total</b>                      | <b>209.2</b>    | <b>194.7</b> |

|                                   |             |             |
|-----------------------------------|-------------|-------------|
| Current                           |             |             |
| Loans from financial institutions | 15.2        | 15.2        |
| Commercial papers                 | 0.0         | 0.0         |
| Bonds                             | 62.1        | 55.9        |
| Housing corporation loans         | 7.0         | 7.0         |
| <b>Total</b>                      | <b>84.3</b> | <b>78.1</b> |

## Financial liabilities, excluding lease liabilities

| 31.3.2020                               | Maturity        |                                     |             |              |              |            |              |
|---|-----------------|-------------------------------------|-------------|--------------|--------------|------------|--------------|
| EUR million                             | Carrying amount | Contractual liability <sup>1)</sup> | 2020        | 2021         | 2022         | 2023       | Later        |
| Bonds                                   | 136.6           | 148.7                               | 0.0         | 70.0         | 78.7         | 0.0        | 0.0          |
| Loans from financial institutions       | 62.8            | 67.3                                | 3.8         | 20.5         | 43.0         | 0.0        | 0.0          |
| Housing corporation loans <sup>2)</sup> | 64.9            | 77.5                                | 0.7         | 8.2          | 1.1          | 2.7        | 64.8         |
| Commercial papers                       | 0.0             | 0.0                                 | 0.0         | 0.0          | 0.0          | 0.0        | 0.0          |
| Capital loans                           | 9.0             | 10.7                                | 0.0         | 0.0          | 10.7         | 0.0        | 0.0          |
| Other debt                              | 20.3            | 20.2                                | 0.0         | 0.0          | 0.0          | 0.0        | 20.2         |
| Derivative liabilities                  | 9.4             | 9.4                                 | 1.8         | 1.8          | 1.7          | 1.5        | 2.6          |
| Accounts payables                       | 68.2            | 68.2                                | 68.2        | 0.0          | 0.0          | 0.0        | 0            |
| Investment commitment <sup>3)</sup>     | 33.5            | 33.5                                | 7.9         | 5.4          | 2.8          | 3.0        | 14.5         |
| <b>Total</b>                            | <b>404.7</b>    | <b>435.5</b>                        | <b>82.5</b> | <b>106.0</b> | <b>137.9</b> | <b>7.2</b> | <b>102.0</b> |

## Financial liabilities, lease liabilities

| 31.3.2020         |                 | Maturity |      |      |      |       |
|-------------------|-----------------|----------|------|------|------|-------|
| EUR million       | Carrying amount | 2020     | 2021 | 2022 | 2023 | Later |
| Lease liabilities | 146.3           | 1.9      | 2.5  | 2.0  | 1.9  | 138.0 |

<sup>1)</sup> Contractual liability includes interest and other contractual payments

<sup>2)</sup> The liability for payment of principal and interest of housing corporation loans is transferred to the buyer at the time of sale. Loan principal and interest payment liability is noted for the full contractual amount until the completion of the property and thereafter in proportion of the sales rate.

<sup>3)</sup> Off-balance sheet liability

The table above presents SRV's financial liabilities as at 31 March 2020. In February 2020, SRV agreed and executed the replacement of its then existing EUR 100 million with two separate RCFs, one of EUR 60 million and one of EUR 40 million. Of the available EUR 60 million RCF, EUR 20 million will mature in January 2021 and the remaining EUR 40 million will mature in January 2022. The undrawn EUR 40 million RCF will be used to finance future construction projects and it matures in January 2022 or on otherwise specified date if assigned for a separate construction project.

After the review period, on 17 April 2020, the company made an agreement with the bank syndicate to alter the repayment schedule for the aforementioned EUR 20 million. EUR 5 million will be repaid according to the original schedule in January 2021 and the remaining EUR 15 million will only be repaid in December 2021. At the same time, the company also agreed to halve the minimum operating margin levels contained in its credit facility agreements, as a precautionary measure against potentially weakened profit margins resulting from the coronavirus. This event after the review period had no effect on the balance sheet as of March 31, 2020 or the tables presented above.

At the end of March, SRV received a EUR 9 million capital loan, in accordance with Chapter 12 of the Limited Liability Companies Act, from OP Life Assurance Company Ltd, Pohjola Insurance Ltd and Pontos Oy's subsidiary AS Pontos Baltic. An annual interest rate of 12 per cent will be paid on the capital loan, provided that the conditions for the interest payment are met. Any accrued unpaid interest will be paid in connection with the full payment of the loan. The capital loan is due for repayment on 1 February 2022, provided that the conditions for repayment are met. The lenders may, however, pay the subscription price for the shares offered in connection with the contemplated rights issue, announced by SRV on 6 February 2020, by setting off the principal of the capital loan. The accrued interest on the capital loan from the withdrawal date of the capital loan until the planned allocation date of the contemplated rights issue matured, by way of exception, prematurely for repayment to the lenders on 2 April 2020. The amount of interest to be paid in advance is EUR 225,000.

As described in the section on Financing and Financial Position, the payment of principal and interest on the hybrid bonds has been deferred and the Company will offer the conversion of the hybrid bonds into new shares in accordance with the authorization received from the Annual General Meeting. In addition, the Annual General Meeting has authorized a separate share issue of approximately EUR 50 million. The company has 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 at a fixed share price of 1.05 and EUR 40 million in advance commitments to participate in a separate share issue.

## Covenants

SRV's financing agreements contains standard covenants that relate to, among other, certain key financial indicators and ratios, and the guarantees given by SRV. The covenants of the 28 February 2020 agreed RCF are based on FAS or IFRS figures, adjusted and calculated in accordance with the methods defined in the terms and conditions of the RCF agreement. The covenants are percentage of completion equity ratio, net gearing excluding IFRS 16 impact, Last 12 months minimum EBITDA excluding the share of associated companies' income and the impact of transaction costs and impairments, minimum cash and certain other limitations. Of the aforementioned covenants equity ratio, net gearing and minimum EBITDA are tested quarterly as of 30 June 2020. Minimum cash is tested monthly as of 31 March 2020. On 17 April 2020, the Company received certain reliefs from the RCF lenders regarding the minimum EBITDA (Last 12 months minimum EBITDA excluding the share of associated companies' income and the impact of transaction costs and impairments) covenant with regard to possible coronavirus effect.

The table below presents the covenants and covenant levels of the RCF in place at 31.3.2020:

| Financial covenants of the RCF  | Covenant value   |
|---|--|
| Equity ratio (overtime revenue recognition)   | >28 per cent   |
| Net gearing (excluding IFRS 16 impact)  | ≤140 per cent  |
| Minimum cash  | >EUR 10 million at the period end,<br>>EUR 5 million on other occasions      |
| Minimum EBITDA (excluding the share of associated company results and before transaction costs and impairments) | Varies between EUR 5 million to EUR 20 million depending on the testing date |

The financial covenants of SRV's EUR 100.0 million unsecured bond due 23 March 2021 with an outstanding principal of EUR 62.1 million and a fixed annual interest rate of 6.875 per cent, as well as the EUR 74.5 million unsecured bond maturing on 27 March 2022 with a fixed annual interest rate of 4.875 per cent are cross acceleration, negative pledge, restriction on mergers, restriction on asset disposal, equity ratio >26 adjusted and calculated in accordance with bond terms and interest coverage ratio. All covenant levels were met as at 31 March 2020.

## 12) Related party transactions

| EUR million                           | Salaries and compensation | Sale of goods and services | Purchase of goods and services | Interest income | Receivables | Liabilities | Subscription commitment |
|---------------------------------------|---------------------------|----------------------------|--------------------------------|-----------------|-------------|-------------|-------------------------|
| 31.3.20                               |                           |                            |                                |                 |             |             |                         |
| Management and the Board of Directors | 1.0                       | 0.0                        | 0.0                            | 0.0             | 0.0         | 6.2         | 45.6                    |
| Joint ventures                        | 0.0                       | 0.3                        | 0.0                            | 0.0             | 0.2         | 0.0         | 0.0                     |
| Associated companies                  | 0.0                       | 1.8                        | 0.0                            | 0.5             | 46.4        | 0.0         | 0.0                     |
| Other related parties                 | 0.0                       | 0.0                        | 0.0                            | 0.0             | 0.0         | 0.0         | 0.0                     |
| <b>Total</b>                          | <b>1.0</b>                | <b>2.1</b>                 | <b>0.0</b>                     | <b>0.5</b>      | <b>46.6</b> | <b>6.2</b>  | <b>45.6</b>             |

AS Pontos Baltic, a subsidiary of Pontos Oy controlled by Ilpo Korkkila, is one of the lenders participating in the EUR 9 million capital loan described more in detail in section [Financial liabilities]. AS Pontos Baltic's share of the capital loan is EUR 6.0 million and it will receive EUR 0.2 million of the interest. Ilpo Korkkila, together with Kolpi Investments and Pontos Oy, both controlled by Ilpo Korkkila, have provided a subscription commitment of EUR 21.6 million related to the rights issue offering and Pontos Oy has provided a subscription commitment related to the conversion of the hybrid bond to SRV shares of EUR 24 million.

|                                       | Salaries and compensation | Sale of goods and services | Purchase of goods and services | Interest income | Receivables | Liabilities |
|---------------------------------------|---------------------------|----------------------------|--------------------------------|-----------------|-------------|-------------|
| 31.3.19                               |                           |                            |                                |                 |             |             |
| Management and the Board of Directors | 0.5                       | 0.0                        | 0.0                            | 0.0             | 0.0         | 0.0         |
| Joint ventures                        | 0.0                       | 11.1                       | 0.0                            | 0.2             | 32.8        | 0.0         |
| Associated companies                  | 0.0                       | 0.5                        | 0.0                            | 0.8             | 56.2        | 0.0         |
| Other related parties                 | 0.0                       | 0.0                        | 0.0                            | 0.0             | 0.0         | 0.0         |
| <b>Total</b>                          | <b>0.5</b>                | <b>11.6</b>                | <b>0.0</b>                     | <b>1.0</b>      | <b>89.0</b> | <b>0.0</b>  |

|                                       | 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         |
| <b>Total</b>                          | <b>2.4</b>                | <b>70.7</b>                | <b>0.0</b>                     | <b>3.0</b>      | <b>65.8</b> | <b>0.0</b>  |

## 13) Assets classified as held for sale and sales made during the period

| EUR million                                       | 31.3.2020   | 31.3.2019 | 31.12.2019  |
|---|-------------|-----------|-------------|
| Shares in associated companies and joint ventures |             |           |             |
| REDI shopping centre and Parking                  | -           | -         | 22.0        |
| Pearl Plaza shopping centre                       | 14.7        | -         | 25.3        |
| Tampereen Central Deck and Arena Investments      | -           | -         | 19.5        |
| Loan and financial receivables, REDI Parking      | -           | -         | 2.5         |
| <b>Group, total</b>                               | <b>14.7</b> | <b>-</b>  | <b>69.3</b> |

The holdings and loan receivables of the REDI and Tampereen Central Deck and Arena projects classified as held for sale in 2019 were sold at their balance sheet value during the reporting period. The capital invested by SRV in the Pearl Plaza shopping center was returned during the review period in the amount of EUR 7.0 million. In addition, the eurodenominated value of assets changed by EUR -3.6 million due to the change in the exchange rate of the ruble. The asset is still classified as held for sale.

#### 14) Events after the reporting period

Discussions in progress to amend terms of SRV's senior unsecured notes

RV Group Plc ("SRV") announced its discussions on 27 April 2020 with the holders of its EUR 100,000,000 (of which EUR 62,1 million is outstanding) senior unsecured callable fixed rate notes due 23 March 2021 and its EUR 75,000,000 senior unsecured callable fixed rate notes due 27 March 2022 (together, the "Senior Notes") regarding potential amendments to the terms and conditions of the Senior Notes. SRV is looking to propose an extension of the tenor of its Senior Notes as well as certain other amendments to the terms and conditions. The proposed amendments are part of prudent measures initiated by SRV to further improve its balance sheet and available liquidity in response to the outbreak of possible unpredictable market disruption due to the coronavirus pandemic (COVID-19).

The proposed amendments will build further upon the previously announced measures in its recovery programme, which includes, among other things, two contemplated share issues, announced in February. More detailed information on these measures can be found in SRV's announcement from 6 February 2020.