SRV

FINANCIAL STATEMENTS 2018

Contents

This report describes the SRV Group's financial performance in 2018. SRV Group Plc's full financial statements for the financial year 1 January–31 December 2018 are included in the company's official financial statements, which are available on the company's website at www.srv.fi

Report of the Board of Directors 2018

FINANCIAL YEAR 1 JANUARY–31 DECEMBER 2018 IN BRIEF:

- **Revenue** declined by 14 per cent to EUR 959.7 (1,114.4 1–12/2017) million. Revenue was down in all operations, particularly the housing business.
- **Operative operating profit** amounted to EUR -10.0 (27.0) million. Operative operating profit was weakened by longer delivery periods and a rise in material and labour costs due to the market situation, and especially by the higher-than-expected costs of the REDI shopping centre, which was implemented as a fixed-price construction contract and opened in September. The costs of REDI rose by a further EUR 11.1 million in the fourth quarter. Excluding the negative impact of REDI on earnings, EUR 40.8 million, SRV's operative operating profit for January–December would have been EUR 30.8 million. Operative operating profit was also weakened by impairment of EUR 4 million in International Operations. Capital gains of EUR 14 million from sales of SRV Kalusto Oy in turn reduced the loss.
- **Operating profit** decreased to EUR -19.8 (15.3) million. Operating profit was influenced by the change in the exchange rate of the rouble, which had a net impact of EUR -9.8 (-11.7) million. The exchange rate impact was caused by the conversion of euro-denominated loans to roubles and hedging expenses.
- **The result before taxes** was EUR -37.3 (4.6) million.
- **Earnings per share** were EUR -0.56 (0.05).
- At period-end, **the order backlog** stood at EUR 1,832.0 (1,547.9) million. During the review year, the order backlog strengthened by 18 per cent, with the recognition of new agreements to the value of EUR 1,133 (771) million. 89 per cent of the order backlog has been sold.
- **Equity ratio** was 28.5 (35.5) per cent and **net gearing** was 121.1 (105.0) per cent. The change in the equity ratio and net gearing were impacted by the weaker rouble exchange rate and loss-making result. Similarly, the key figures improved in 2018 thanks to steps taken to lighten the balance sheet and positive cash flow.
- Due to the rise in net gearing caused by the REDI project, SRV agreed on the temporary raising of the covenant of the EUR 100 million credit facility with the bank syndicate in the second and third quarters, but this was not required in the fourth quarter.
- The Board of Directors proposes that no dividend will be paid for the year now ended (EUR 0.06 in 2017).

MEASURES TAKEN TO IMPROVE FINANCIAL PERFORMANCE

- SRV has continued to take steps to improve its profitability towards its strategic earnings level. The company has boosted its operational efficiency, such as by selecting its future projects even more prudently with regard to profitability and capital commitment. SRV has also focused on higher efficiency in design and savings in procurements.
- Work to improve the balance sheet structure and liquidity is progressing. During the entire year, the company released over EUR 90 million in capital employed in the balance sheet. This was achieved by reducing working capital, selling plots that have been included in the balance sheet for a long time, and accelerating sales of existing smaller-scale investments and unsold residential units. We also manage the capital employed in our balance sheet by acquiring new plots for external plot funds. The equipment business was sold in December for EUR 21 million. In addition, the process of selling the Pearl Plaza shopping centre in St Petersburg, Russia is continuing.

OUTLOOK FOR 2019

- More developer-contracted housing units will be completed in 2019 than in the comparison period. It is estimated that a total of 809 developer-contracted housing units will be completed in 2019 (526 in 2018).
- SRV makes long-term procurement agreements, due to which the expected reduction in construction costs will not have a significant effect on the company's earnings performance in 2019. The trend in rental income from shopping centres is positive, but slower than anticipated.
- Full-year consolidated revenue for 2019 is expected to grow compared with 2018 (revenue in 2018: EUR 959.7 million). Operative operating profit is expected to improve compared with 2018 and to be positive (operative operating profit EUR -10.0 million).

GROUP KEY FIGURES

IFRS, EUR million	1–12/2018	1–12/2017	Change	Change, %
Revenue	959.7	1,114.4	-154.7	-13.9
Operative operating profit[3]	-10.0	27.0	-37.0	
Operative operating profit, %	-1.0	2.4		
Operating profit[1]	-19.8	15.3	-35.1	
Operating profit, %	-2.1	1.4		
Financial income and expenses, total[2]	-17.5	-10.7	-6.8	
Profit before taxes	-37.3	4.6	-41.9	
Net profit for the period	-31.2	5.8	-37.0	
Net profit for the period, %	-3.3	0.5		
Order backlog	1,832.0	1,547.9	284.1	18.4
New agreements	1,133.0	771.4	361.5	46.9
[1] Net effect of currency exchange fluctuations	-9.8	-11.7	1.9	-16.3
[2] Derivatives included in financial income and expense	-2.2	0.3	-2.5	4

[3] Operative operating profit is determined by deducting the calculated currency exchange differences included in financial items in Russian operations and their potential hedging impacts from operating profit. Exchange rate differences during the review period amounted to EUR -9.8 (-11.7) million, of which the effect of hedging was EUR 0.6 (-2.5) million.

GROUP KEY FIGURES

IFRS, EUR million	1–12/2018	1–12/2017	Change	Change, %
Equity ratio, %	28.5	35.5		
Net interest-bearing debt	282.8	297.6	-14.8	-5.0
Net gearing ratio, %	121.1	105.0		
Return on investment, %	-2.9	3.1		
Return on investment, construction, %	1.6	7.4		
Return on investment, property development, %	-4.9	-4.8		
Invested capital	611.0	604.5	6.5	1.1
Invested capital, construction	284.4	276.6	7.8	2.8
Invested capital, property development	326.8	327.9	-1.1	-0.3
Return on equity, %	-12.1	2.0		
Earnings per share, EUR	-0.56	0.05	-0.61	
Equity per share, EUR	3.21	4.03	-0.82	-20.3
Share price at end of period, EUR	1.70	3.60	-1.90	-52.8
Weighted average number of shares outstanding, millions	59.6	59.5		

OVERALL REVIEW

January–December 2018

The Group's **revenue** declined by 14 per cent to EUR 959.7 (1,114.4 1–12/2017) million. Revenue contracted in all business areas, particularly in the housing business. Fewer developer-contracted housing units were recognised as income than in the comparison period, a total of 523 (825).

The Group's operative operating profit amounted to EUR -10.0 (27.0) million. Operative operating profit was weakened by longer delivery periods and a rise in material and labour costs due to the market situation. The major reason for the loss-making result was that the costs of the REDI shopping centre, which was implemented as a fixed-price construction contract and completed in September, were higher than expected.

The costs of REDI rose by a further EUR 11.1 million in the fourth quarter. Excluding the negative impact of REDI on earnings, EUR 40.8 million, SRV's operative operating profit for January–December would have been EUR 30.8 million. Operative operating profit was weakened by an impairment of EUR 4 million in International Operations. Capital gains of EUR 14 million from equipment sales reduced the loss.

The Group's **operating profit** was EUR -19.8 (15.3) million in the red due to high costs in Operations in Finland and the REDI shopping centre and International Operations. The operating profit of International Operations, EUR -17.8 million, was impacted above all by the change in the rouble exchange rate, which had a net effect of EUR -9.8 (-11.7) million. The exchange rate impact was caused by the conversion of euro-denominated loans to roubles and hedging expenses. 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. As part of the euro-denominated loans were redenominated to roubles in the Russian associated companies in the early part of the year, the original rouble risk has decreased to about a half.

At period-end, the Group's **order backlog** stood at EUR 1,832.0 (1,547.9) million. The order backlog has grown by 18 per cent since the end of 2017. The sold share of the order backlog was 89 (82) per cent.

New agreements valued at EUR 1,133 (771) million were signed in January–December, of which the most significant were the HUS Siltasairaala Hospital in Helsinki, Tampere Deck, and the expansion of the Helsinki Airport and renovation of its Terminal 2.

The Group's **profit before taxes** was EUR -37.3 (4.6) million.

The Group's **earnings per share** were EUR -0.56 (EUR 0.05).

The Group's **equity ratio** stood at 28.5 (35.5) per cent and **net gearing** at 121.1 (105.0) per cent. In addition to the loss-making result, an increase in net debt due to seasonal growth in invested capital and the weaker exchange rate of the rouble contributed to the change in the equity ratio and net gearing.

SEGMENT REPORTING REVISED

SRV's new organisation, which is devided into the Construction and Investments segments, came into force at the beginning of 2019. As of 1 January 2019, SRV will report on two business areas: Construction and Investments (previously referred to as Property development). The Construction segment covers all of SRV's construction activities including the capital and plots required for developer-contracted housing production. Construction encompasses housing construction, business construction, technical units, procurement, and internal services. The Investments segment in turn encompasses both complete and incomplete sites in which the com-

REVENUE

EUR million	1–12/2018	1–12/2017	Change	Change, %
Operations in Finland	950.1	1,096.1	-145.9	-13.3
International Operations	8.0	18.0	-9.9	-55.3
Other operations and eliminations	1.5	0.3	1.2	333.3
Group, total	959.7	1,114.4	-154.7	-13.9

OPERATIVE OPERATING PROFIT

EUR million	1–12/2018	1–12/2017	Change	Change, %
Operations in Finland	-14.3	38.6	-52.9	
International Operations	-8.1	-6.7	-1.3	
Other operations and eliminations	12.4	-4.8	17.2	
Group, total	-10.0	27.0	-37.0	

OPERATIVE OPERATING PROFIT

%	1–12/2018	1–12/2017
Operations in Finland	-1.5	3.5
International Operations	-100.4	-37.4
Group, total	-1.0	2.4

OPERATING PROFIT

EUR million	1–12/2018	1–12/2017	Change	Change, %
Operations in Finland	-14.3	38.6	-52.9	
International Operations*	-17.8	-18.4	0.6	
Other operations and eliminations	12.4	-4.8	17.2	
Group, total*	-19.8	15.3	-35.1	
* Effect of currency exchange fluctuations	-9.8	-11.7	1.9	-16.3

OPERATING PROFIT

%	1–12/2018	1–12/2017
Operations in Finland	-1.5	3.5
International Operations	-222.2	-102.3
Group, total	-2.1	1.4

ORDER BACKLOG

EUR million	1–12/2018	1–12/2017	Change	Change, %
Operations in Finland	1,816.0	1,526.7	289.3	19.0
International Operations	16.0	21.2	-5.3	-24.7
Group, total	1,832.0	1,547.9	284.1	18.4
Sold order backlog	1,625	1,273	352	27.7
Unsold order backlog	207	275	-68	-24.8
Sold order backlog, %	89	82		
Unsold order backlog, %	11	18		

pany is a long-term investor. Plots that SRV will develop itself, and whose expected profits will be generated through development, will also be 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.

SRV started providing additional information on the capital invested in the Construction and Investments (previously referred to as Property development) businesses and the return on investment in its interim reports for 2018. SRV's first-quarter interim report for 2019 will use the new segments, and comparison figures are scheduled for publication in March 2019.

EARNINGS TRENDS FOR THE SEGMENTS

In 2018, SRV's business segments were Operations in Finland, International Operations, and Other Operations. Operations in Finland are divided into property development, housing construction, and business construction (which comprises retail, office, logistics and specialised construction, and earthworks and rock construction). International Operations comprises SRV's business activities in Russia and Estonia.

The Other Operations segment primarily consisted of the parent company, SRV Group Plc's group operations, property and project development operations in Finland, and equipment service for Finnish construction sites. SRV divested the entire share capital of its equipment business to Ramirent Finland Oy in December for EUR 21 million. SRV recognised capital gains of EUR 14 million from the transaction in the fourth quarter. SRV signed a long-term equipment lease agreement with Ramirent. The agreement has a neutral impact on SRV's costs.

VALUE CREATION

SRV has established a value creation model based on stakeholder interviews and internal work meetings. Different capital types were compiled under the model, and outputs and effects were specified. SRV creates value not only for itself, but also for society as a whole.

From the perspective of value creation, the types of capital particularly emphasised at SRV are financial, human, intangible and social capital. With respect to human capital, the following aspects are particularly important: expertise in different kinds of customer relationships, interaction, design expertise, zoning expertise, management of the supplier pool and management expertise.

The major elements of intangible capital are the SRV Approach, SRV network register, references, brand, concepts and operating models. The key areas in social capital are stakeholder relationships with cities, investors and the local environment as well as the employer image and partnerships.

SRV has identified the following as phases that have a strong impact on value creation in addition to the construction phase, depending on the project: property development and zoning phase, commercial concept, user negotiations, design and design steering. Harmonising different interests, management of the cost impacts of changes, the selection of partners and accumulation of learning are also considered extremely important.

Stakeholders consider that SRV's strengths include not only project development and expertise in project management and building systems, but also understanding customers' needs, agility, flexibility, creativity and the desire to be involved in developing top-quality projects. Stakeholders view that project management, technical expertise and the long-term development of resources are areas in particular need of development.

Work on developing the value creation model progressed in 2018 and the work will continue in 2019. A detailed description of the value creation model can be found on pages 20–21 of SRV's Annual Review.

OPERATIONS IN FINLAND

Business environment in Finland

Although the European economy is continuing to grow, significant financial and political uncertainty factors in several countries, both inside the Euro zone and elsewhere, are continuing to pose risks in development. Finland has reached the height of its current boom and economic growth is believed to slow down in 2019. GDP grew by an estimated 2.3–3.0 per cent in 2018 and the forecast for 2019 is 1.4–2.4 per cent. Construction grew by an estimated 3 per cent in 2018 and is expected to tread water in 2019. Slowed growth is expected to bring some hoped-for respite to rising construction costs and localised labour shortages.

The basic outlook for new construction remains favourable thanks to three drivers. Economic growth, urbanisation and low interest rates maintain the need for construction. (Source: Business cycle review by the Confederation of Finnish Construction Industries RT, 10/2018.)

Urbanisation and population shift will continue to be the general drivers of construction growth 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. The most optimistic forecasts estimate that about 620,000 people in Finland might move into urban areas by 2040. For instance, the new Helsinki master plan enables the population of the city to grow to about 860,000 by 2050. (Sources: new Helsinki master plan 10/2017 & VTT, Demand for new dwelling production in Finland 2015–2040, 01/2016.)

Housing, business and infrastructure construction in Finland

In general, housing sales in growth centres have remained at a good level thanks to population shift and investor sales. Housing production is still focusing on small apartments. Last year, construction was launched on a total of as many as 44,000 housing units in Finland, a high figure in historical terms, and housing start-ups this year are expected to amount to about 39,000 units. (Source: Business cycle review by the Confederation of Finnish Construction Industries RT, 10/2018.)

Building starts in commercial construction are forecast to decline slightly in 2019. The growth rate in renovation is forecast to remain at last year's level of about 1.5 per cent. Civil engineering investments are expected to decline slightly. (Source: Business cycle review by the Confederation of Finnish Construction Industries RT, 10/2018.)

According to Statistics Finland, construction costs saw year-on-year growth of 2.5 per cent in November. The prices of equipment and supplies in particular have risen over the past 12 months. (Source: Statistics Finland, Building Cost Index)

HOUSING CONSTRUCTION

January–December 2018

SRV's **revenue** from housing construction in Finland declined to EUR 288.4 (379.9) million in the January–December period. 523 housing units were recognised as income in January–December, fewer than in the corresponding period of the previous year (825). The **order backlog** for housing construction in Finland was EUR 582.7 (606.4) million.

OPERATIONS IN FINLAND

EUR million	1-12/2018	1-12/2017	Change	Change, %
Revenue	950.1	1,096.1	-145.9	-13.3
Business construction	661.8	716.1	-54.4	-7.6
Housing construction	288.4	379.9	-91.5	-24.1
Operating profit	-14.3	38.6	-52.9	
Operating profit, %	-1.5	3.5		
Order backlog	1,816.0	1,526.7	289.3	19.0
Business construction	1,233.3	920.3	313.0	34.0
Housing construction	582.7	606.4	-23.7	-3.9

HOUSING CONSTRUCTION IN FINLAND

Units	1-12/2018	1-12/2017	Change, units
Units sold, total	1,386	1,627	-241
Developer contracting	480	983	-503
Investor sales[2]	906	644	262
Developer contracting			
Start-ups	317	1,018	-701
Completed	526	782	-256
Recognised as income	523	825	-302
Completed and unsold[1]	71	68	3
Under construction, total[1]	2,759	3,254	-451
Contracts[1]	80	504	-424
Negotiated contracts[1]	487	293	238
Sold to investors[1 2]	1,329	1,385	-56
Developer contracting[1]	863	1,072	-209
Sold[1]	559	602	-43
Unsold[1]	304	470	-166
Of which sold, %[1]	65	56	
Of which unsold, %[1]	35	44	

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

ORDER BACKLOG, HOUSING CONSTRUCTION IN FINLAND

EUR million	1-12/2018	1-12/2017	Change
Contracts and negotiated contracts	213	179	34
Under construction, sold developer contracting	169	161	8
Under construction, unsold developer contracting	180	241	-60
Completed and unsold developer contracting	20	25	-6
Housing construction, total	583	606	-24

Housing under construction

In line with its strategy, SRV is focusing on housing development in urban growth centres in locations 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 December, SRV had a total of 2,759 (December 2017: 3,254) housing units under construction in Finland, mostly in growth centres.

THE LARGEST DEVELOPER-CONTRACTED HOUSING PROJECTS UNDER CONSTRUCTION IN FINLAND

Project name	Location	SRV, contract value, EUR million	Completion date (estimated)[1]	Units	Sold[1]	For sale[1]
REDI Majakka	Helsinki	106	03/2019	282	275	7
Piruetti	Espoo	31	01/2019	113	80	33
Neulansilmä	Vantaa	23	01/2020	103	38	65
Aleksinkaarre	Kerava	22	04/2019	80	22	58
Luxus	Turku	14	04/2019	83	62	21
Smokki	Helsinki	13	02/2019	32	17	15
Holvi	Jyväskylä	12	04/2019	43	19	24
Varikonaarre	Vantaa	9	04/2019	46	19	27
Basilika	Kerava	8	04/2019	42	1	41
Total value of projects approx. EUR 238 million						

THE LARGEST ONGOING HOUSING PROJECTS IN FINLAND, INVESTOR PROJECTS AND HOUSING CONTRACTING

Project name	Location	Developer	Completion level, %[1]	Completion date (estimated)[1]
Wood City	Helsinki	ATT	90	01/2019
Aleksinkulma ja -puisto	Kerava	Ilmarinen	87	01/2019
Aleksinhuippu	Kerava	LocalTapiola	83	01/2019
Pihapuisto ja Puistoniitty	Espoo	LocalTapiola	52	03/2019
Anna Sahlsteninkatu	Espoo	LocalTapiola	17	01/2020
Punanotko	Helsinki	Ilmarinen	15	02/2020
Ilveshovi	Helsinki	LocalTapiola	17	03/2020
Louhenlinna	Helsinki	LocalTapiola	6	01/2021
Total value of projects approx. EUR 205 million				

[1] Situation as of 31 December 2018.

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.

One of SRV's strategic targets is to increase its developer-contracted housing production. A total of 863 developer-contracted housing units were under construction at the end of December (December 2017: 1,072). The number of developer-contracted units currently under construction will continue to contribute to SRV's result in the future. The average construction period is about 18 months.

The number of units under construction has been boosted by high consumer and investor demand. At the end of December, a total of 1,329 units were under construction for investors (December 2017: 1,385), mainly in Helsinki, Espoo, Vantaa and Kerava. In October-December, a total of 190 apartments built as development projects were sold to investors.

In addition to these projects under construction, SRV has signed a cooperation agreement with NREP for a market-financed rental and owner-occupied housing project comprising about 400 units that will be built in the centre of Tikkurila, Vantaa. Construction of the first rental apartment building will begin in spring 2019. In December, SRV and NREP signed a contractor agreement to build 194 rental apartments. In addition, SRV and NREP will jointly build around 250 developer-contracted housing units in four phases. Premarketing of the first-phase apartments will begin in spring 2019.

Completed housing units

A total of 526 (782) developer-contracted housing units were completed during January–December 2018. The number of unsold housing units has remained low. At the end of December, 71 (68) completed apartments remained unsold. Housing sales are still going well. In the review year, a total of 480 (983) developer-contracted units were sold.

Housing units recognised as income

In January–December 2018, 523 (825) developer-contracted housing units were recognised as income, generating total revenue of EUR 122 million. A developer-contracted 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 revenue when the project has been completed and as the units are sold.

REDI apartments

REDI in Kalasatama, Helsinki is the largest construction project in SRV's history. By the end of December, 275 of the 282 units in REDI's first residential tower (Majakka) had been sold. Construction of Majakka is progressing and it is estimated that occupants will be able to move into the apartments in June–July 2019.

SRV started the advance marketing of the second REDI residential tower (Loisto) in July 2018. The actual decision to start up construction of Loisto will be made on the basis of the advance marketing phase. Loisto rises 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.

The REDI apartments will be recognised as income when each residential tower has been completed and as its apartments are sold.

BUSINESS CONSTRUCTION

January–December 2018

SRV's **revenue** from business construction declined to EUR 661.8 (716.1) million, and the **order backlog** strengthened by 34 per cent to EUR 1,233.3 (920.3) million.

Hospital construction generates about 23 per cent of consolidated revenue. SRV is currently building several large hospital projects, such as the Nova Hospital in Central Finland, a new building for Tampere University Hospital, and the HUS Siltasairaala Hospital, which entered the construction phase at the beginning of 2018. The New Children's Hospital in Helsinki was completed in April – two months ahead of schedule – and was opened in September 2018.

Shopping centre construction accounts for about 17 per cent of consolidated revenue. The REDI shopping centre was completed on schedule and its opening ceremony was held on 20 September. The opening ceremony of Karuselli Shopping Centre was held in early November in Kerava. The construction of Ainoa shopping centre as part of the renewal of Tapiola city centre in Espoo also contributed to revenue.

SRV currently has many alliance projects whose revenue amounts to about six per cent of consolidated revenue. These projects provide additional earnings potential over and above the ordinary profit margin. In practice, SRV can gain additional earnings if the project fulfils quality criteria and is completed for less than the target cost and on or under schedule. In August, SRV and Senate Properties signed an alliance agreement for the construction of the new Hämeenlinna Women's Prison. The total value of the project is about EUR 30 million.

SRV is currently building or renovating six educational institutions, such as a comprehensive school in Jämsänkoski, the Kurittula school in Masku, the Jätkäsaari comprehensive school and the Lauttasaari school in Helsinki. In May 2018, the Municipality of Kirkkonummi chose SRV to construct the Jokirinne Learning Centre in the Vesitorninmäki district of Kirkkonummi. SRV will take end-to-end responsibility for the project, which is worth about EUR 40 million. The service agreement also covers lifecycle responsibility for the learning centre for 10 years. It will be implemented using a lifecycle model, which is still a relatively new method of implementing construction projects in Finland. In such a project, a private company takes on end-to-end responsibility for the implementation of a public project and building maintenance. Construction of the learning centre began with earthworks in autumn 2018, and the centre is scheduled for completion by the end of 2020.

Construction of Espoon Monikko will begin in early 2019 in Leppävaara, Espoo. The project, valued at a total of about EUR 39 million, encompasses the renovation of the existing, protected school building and the construction of a new adjoining building. The new school centre in Leppävaara is expected to be fully completed in May 2021.

THE LARGEST ONGOING BUSINESS CONSTRUCTION PROJECTS

Project	Location	SRV total contract value, EUR million	Project type	Completion level, %	Completion (estimate)
DEVELOPMENT PROJECTS					
Deck, southern deck and infra[2]	Tampere	[1]	Infra	52	03/2021
Deck, multipurpose arena[2]	Tampere	[1]	Retail	7	03/2021
Deck, arena hotel[2]	Tampere	[1]	Retail	0	03/2021
Topaasi ja Kruunu[2]	Tampere	[1]	Retail	3	03/2021
BUSINESS PREMISES					
Central Finland Hospital Nova	Jyväskylä	290	Public	55	03/2020
Expansion of Helsinki Airport	Vantaa	250	Retail	1	01/2022
HUS Siltasairaala	Helsinki	243	Public	9	04/2022
TAYS Etupiha	Tampere	170	Public	88	02/2019
Tapiola city centre (Phase 2)	Espoo	100+	Retail	48	01/2020
Kehä 1 Keilaniemi	Espoo	81	Infra	82	04/2019
Jokirinne Learning Centre	Kirkkonummi	33	Public	2	04/2020
Hämeenlinna Women's Prison	Hämeenlinna	30	Public	1	04/2022
Autokeskus Konala	Helsinki	[1]	Retail	75	02/2019
Jätkäsaari comprehensive school	Helsinki	[1]	Public	62	03/2019
Hotel Marriot	Tampere	[1]	Retail	32	04/2019
Wood City, office	Helsinki	[1]	Office	12	03/2020
Lauttasaari school	Helsinki	[1]	Public	32	04/2019

Situation as of 31 December 2018.
[1] The value of individual contracts has not been made public.
[2] The total value of the Tampere Deck and Arena project is EUR 550 million.

In the fourth quarter, SRV completed premises for Aalto University in Otaniemi, Espoo, and renovation works for the Lappeenranta University.

Expansion of the Helsinki Airport and renovation of Terminal 2

The extension project of Helsinki Airport's Terminal 2 is building a new section for check-in, security control, baggage drop, an area for greeting passengers, and 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 new building and renovated area total 75,000 square metres, of which the extension accounts for around 40,000 square metres.

The Terminal 2 extension project was entered into SRV's order backlog in November and the total cost of the first phase is estimated to be around EUR 250 million. The agreement for the implementation phase will be signed in spring 2019 when the final target cost is determined.

Espoonlahti Metro Station

SRV will build the Espoonlahti metro station and bus terminal for the Western Metro. The project was recognised in SRV's order backlog in November. The contract is valued at about EUR 48 million. The station will be implemented as a project management contract. Work on the Espoonlahti metro station began in December 2018. Construction will end and commissioning begin in summer 2022. The tendering of Espoonlahti station is the last station included in the second phase of the Western Metro.

REDI shopping centre

The REDI shopping centre is an SRV development project. In addition to SRV, the investor group includes Ilmarinen, OP Group and Local-Tapiola. The construction of the project was completed on schedule and the shopping centre was opened on 20 September. By the end of December, binding lease agreements had already been signed for 90 per cent of the leasable premises of the shopping centre. Negotiations with prospective tenants are also currently ongoing for almost all of the remaining premises. The number of visitors during the first few months has been around 20,000 per day.

SRV bolstered its shopping centre business in Finland and started the management of the REDI shopping centre in June. SRV has long and robust experience in shopping centre management thanks to its shopping centres in Russia. Shopping centre management is centralised in a single unit, which is also responsible for REDI.

Tampere Deck and Arena

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. Tampere's Topaasi and Kruunu will be an office tower that includes 105 residential units. The agreement was signed in December and premarketing of the apartments is under way. The agreements also include apartment buildings in Ranta-Tampella, which will be built separately.

The implementation of the project was confirmed in January 2018. Deck frame structures are currently being built at the site. The total value of the project is about EUR 550 million. The share of Phase I agreements recognised in SRV's order backlog in 2017 amounts to about EUR 210 million. Revenue will be recognised for the construction of Phase I during the period from 2018 to 2022. The remainder of the project will be recognised as income when the final contractor agreements are signed in 2019–2021. A proportion equivalent to SRV's holding is eliminated from the profit margin of construction.

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 car park. Construction of ATT's apartments will be completed in February 2019. According to current estimates, the Wood City quarter is scheduled for completion in stages during 2020. The total value of the Wood City quarter is about EUR 100 million.

In May 2018, SRV and Supercell signed the final agreement for the purchase of an office building and car park in Wood City. Construction has begun with excavation and earthworks for the car park. The project was recognised in SRV's order backlog in May and the final sale price will not be published. Investor and operator negotiations are still ongoing for the hotel planned for the Wood City quarter.

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.

INTERNATIONAL OPERATIONS

SRV's International Operations currently largely comprise the management of shopping centres in Russia. SRV is an investor in all of its 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. SRV is currently assessing the potential sale of the Pearl Plaza shopping centre.

Business environment

The Russian economy has continued to grow slowly. The price of oil fell dramatically in late 2018, but has since risen slightly. Inflation has remained in check. Russia's GDP growth is estimated to have amounted to 1.5 per cent in 2018 and is forecast to be 1.6 per cent in 2019. The trend in the exchange rate of the rouble has been variable and strong short-term fluctuations will continue. The major forecast risks are still posed by changes in the price of oil and the weaker-than-expected development of the outlook for the global economy and international relations. An increase in government budgetary expenditure might lead to a higher-than-expected rate of GDP growth during the forecast period. (Source: The Bank of Finland Institute for Economies in Transition, BOFIT)

January–December 2018

Revenue from International Operations decreased to EUR 8.0 (18.0) million in January–December. This decrease was expected, as the bulk of revenue was previously generated by the construction of shopping centres. Revenue for January–December now only comprises finishing works and interior decoration at shopping centres and sales of housing in apartment buildings in Vyborg.

INTERNATIONAL OPERATIONS

EUR million	1-12/2018	1-12/2017	Change	Change, %
Revenue	8.0	18.0	-9.9	-55.3
Percentage of associated companies' profits	-12.2	-13.0	0.7	
of which exchange rate gains/losses	-10.3	-9.2	-1.2	13.0
Hedging expenses	0.6	-2.5	3.1	
Operative operating profit	-8.1	-6.7	-1.3	
Operative operating profit, %	-100.4	-37.4		
Operating profit[1]	-17.8	-18.4	0.6	
Operating profit, %	-222.2	-102.3		
Order backlog	16.0	21.2	-5.3	-24.7
[1] Net effect of currency exchange fluctuations in operating profit	-9.8	-11.7	1.9	-16.3

THE MOST SIGNIFICANT COMPLETED PROJECTS

Site	Holding, %	Opened	Floor area (m²)	Occupancy rate 9/2018, %
Pearl Plaza, shopping centre, St Petersburg	SRV 50 Shanghai Industrial Corporation 50	August 2013	Gross floor area 96,000 Leasable area 48,000	Binding lease agreements 100
Okhta Mall, shopping centre, St Petersburg	SRV 45 Russia Invest 55[1]	August 2016	Gross floor area 144,000 Leasable area 78,000	Binding lease agreements 93 Letters of intent and reservations 1
4Daily, shopping centre, Moscow	Vicus 26 SRV 19 Blagosostoyanie 55	April 2017	Gross floor area 52,000 Leasable area 25,500	Binding lease agreements 77 Letters of intent and reservations 1

[1] 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.

Operative operating profit from International Operations was EUR -8.1 (-6.7) million. The occupancy rates and rental income of the shopping centres owned by associated companies improved, but earnings were burdened by the fact that management and financing expenses after opening were higher than income. During the construction phase, interest expenses on loans are capitalised, but once the shopping centres are completed the interest expenses are presented in full in the result of the company that owns the property. The result was burdened by EUR 4 million in impairments. Impairments were directed to plots located in Estonia and property investment in Russia.

The operating loss of International Operations decreased to EUR -17.8 (-18.4) million. The operating loss was reduced by the improved operating result of associated companies. The net effect of currency exchange fluctuations was EUR -9.8 (-11.7) million. The exchange rate impact was caused by the conversion of euro-denominated loans to roubles and hedging expenses. 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. As part of the euro-denominated loans were redenominated to roubles in the Russian associated companies in the early part of the year, the original rouble risk has decreased to about a half.

SRV's share in its associated companies' profit, which is included in operating profit, was EUR -12.2 (-13.0) million. The earnings of the associated companies improved as the occupancy rates of the shopping centres increased and the rouble exchange rate weakened less than in the comparison period.

The order backlog for International Operations fell to EUR 16.0 (21.2) million, as no new projects were started up.

Shopping centres

Pearl Plaza, St Petersburg

Visitor numbers at the Pearl Plaza shopping and recreational centre in St Petersburg saw year-on-year growth of about 5 per cent in January–December. Pearl Plaza is also performing excellently with respect to the leasing of the premises, as it remains fully leased. Sales in roubles saw growth of about 12 per cent compared with the corresponding period of the previous year. In 2018, 27 of the shopping centre's lease agreements were renewed and 14 new agreements were signed.

In February 2018, SRV announced that it is investigating the possible sale of the Pearl Plaza shopping centre. The process is proceeding according to plan.

More of the Pearl Plaza loans were converted to roubles in February and now only about a third are euro-based.

Okhta Mall, St Petersburg

Okhta Mall, built in the heart of downtown St Petersburg, opened its doors in August 2016 and has been SRV's major project in St Petersburg over the last few years. Leasing of Okhta Mall has progressed according to plan. The occupancy rate of the shopping centre had risen to about 93 per cent at the end of the year. 92 per cent of its stores were open at the end of December. In January–December, the number of visitors grew by around 40 per cent, with visitors in 2018 totalling 8.4 million. All of the Okhta Mall loans were converted to roubles in May 2018. This reduces SRV's rouble-related exchange rate risks.

4Daily, Moscow

The 4Daily shopping centre opened its doors in Moscow in April 2017. About 77 per cent of the shopping centre's premises had been leased by the end of December, with reservations and letters of intent signed for one per cent. 69 per cent of its stores were open at the end of the year.

Other projects

SRV owns 50 per cent of the Etmia II office project in downtown Moscow. Etmia's occupancy rate remained at the same level as in the first months of the year, 61 per cent.

SRV also has a 20 per cent holding valued at about EUR 6 million in the VTCB fund, which invests in real estate properties. The investment period was extended to the end of 2019. The fund is currently negotiating the sale of the investment property.

Projects under construction

Papula, Vyborg

SRV is building apartment blocks in the Papula district in northern Vyborg. All of the apartments in the first phase, which comprises two apartment buildings, have been sold. Both of the apartment buildings in the second phase were completed in January 2017. Of the 110 apartments, 70 had been sold or reserved by the end of December.

GROUP PROJECT DEVELOPMENT

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

Projects close to rail transport

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

Kivenlahti

In January 2016, the Trade and Competitiveness Division of the Espoo City Board reserved an area for SRV and VVO Group Plc to design the Kivenlahti Metro Centre. The plans for the area comprise about 1,300 housing units and about 45,000 m^2 of commercial, office and service premises, and park-and-ride spaces. Construction will begin once zoning has been completed – current estimate 2019–2020 – and the Metro Centre is scheduled for completion by the time the Western Metro extension is opened.

Espoonlahti

Apartments covering approximately 100,000 square metres of floor area will be built next to the future Espoonlahti metro station (Espoonlahden keskus/Mårtensbro). SRV is seeking a holding of around 30 per cent. The plan for the Espoonlahti Centre came into force in March 2017.

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

Keilaniemi

SRV is forging ahead with its residential tower project in Keilaniemi, Espoo. Four towers and a parking facility are planned for Keilaniemi. The area's city plan is in force, and progress now hinges on tunnelling and traffic arrangements for Ring Road I, which SRV is currently implementing.

As part of the overall plan, Espoo City Board's Trade and Competitiveness Division decided in

LAND RESERVES 31 December 2018	Business construction	Housing construction	International operations	Total
Unbuilt land areas, land acquisition commitments and rented plots				
Building rights[1], 1,000 m²	135	344	694	1,172
Land development agreements				
Building rights[1], 1,000 m²	74	242	0	316

[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.

Land reserves have grown by about 82,000 m^2 (7.5%) compared to 31 December 2017.

spring 2016 to sell two residential plots in Keilaniemi to SRV. Preliminary contracts on the sale of these plots were signed in May 2016. On 18 October 2017, the Administrative Court of Helsinki dismissed a complaint made about the sale of the plots. A complaint was then lodged with the Supreme Administrative Court. 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. SRV has not as yet made a final decision on the construction of the towers.

Raide-Jokeri Vermonniitty

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

Other projects

Lapinmäentie

The Lapinmäentie project in Munkkivuori, Helsinki, is progressing well. SRV is continuing to develop the area in accordance with the city plan approved in August 2016. Seven new residential towers are planned for the area in addition to the existing Tower A, which will remain. Different concepts are currently being considered for Tower A, and it may contain shops, services and office space. Demolition of the Pohjola Building has been completed and the construction of the first two apartment buildings sold to LocalTapiola is in progress. It is planned that the area will have 800 apartments.

Bunkkeri in Jätkäsaari

SRV is highly involved in revitalising the Jätkäsaari district of Helsinki. It is intended that Bunkkeri will be a 13-storey landmark in Jätkäsaari, featuring a wide range of fitness facilities, a swimming hall, and about 300 housing units. The development of Bunkkeri was delayed in autumn 2017, when the Administrative Court of Helsinki overturned an acquisition decision that had been made in April 2016 concerning the sale of Bunkkeri to SRV. The Administrative Court held that the deal did not constitute a public procurement, but a real estate transaction. After this ruling, the City of Helsinki resumed its preparatory work. On 11 April 2018, the Helsinki City Council decided to sell the plot to SRV.

A complaint has been lodged with the Administrative Court of Helsinki on the decision of the City Board 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 Board is still under review at the Administrative Court.

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

FINANCING AND FINANCIAL POSITION

At the end of the reporting period, the Group's financing reserves totalled EUR 139.7 million (2017: 163.5), comprising unused committed liquidity facilities and unused project loans EUR 46.7 million as well as cash and cash equivalents EUR 93.1 million. In addition, the company has a TEL loan of about EUR 15 million at its disposal. SRV also has a EUR 100 million credit facility whose use includes certain limitations due to the level of interest coverage ratio financial covenant.

In March, SRV made a voluntary tender offer to holders of its EUR 75 million unsecured bond maturing in December 2018, as a result of which SRV bought back EUR 47.4 million ahead of time. At the same time, SRV issued a senior unsecured bond of EUR 75 million. The bond matures in four years and carries a fixed annual interest of 4.875 per cent. The bond is listed on Nasdaq Helsinki Ltd and the Frankfurt Stock Exchange. The proceeds from the new bond were used for the repayment of the existing bond, partly in connection with the March tender offer and partly on the maturity date in December 2018.

SRV's financing agreements contain standard covenants. The financial covenants are equity ratio (also based on percentage of completion), net gearing, and the interest coverage ratio. 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. Due to the rise in net gearing caused by the REDI project, SRV agreed on the temporary raising of the net gearing covenant of the EUR 100 million credit facility with the bank syndicate in the second and third quarters, but this was not required in the fourth quarter.

Net interest-bearing debt totalled EUR 282.8 (297.6) million at the end of the review period. Net interest-bearing debt saw a year-on-year decrease of EUR 14.8 million. Housing corporation loans account for EUR 78.3 (56.1) million of the interest-bearing debt. Cash flow from operating activities was EUR 25.5 (-32.5) million and net cash flow from investing activities was EUR -3.1 (-8.5) million. Net cash flow from operating activities was weakened by an increase in work-in-progress and same time improved by measures taken to improve financial performance. Changes in plot reserves and working capital had a positive effect on net cash flow.

Net financial expenses since the beginning of the year totalled EUR -17.5 (-10.7) million. Net financial expenses were increased by the negative fair value revaluation of a ten-year interest rate hedge (including interest expenses) to EUR -2.2 million (0.3) and the capitalisation of interest on incomplete production. When the 10-year interest level rises from its current level,

FINANCING AND FINANCIAL POSITION

IFRS, EUR million	31 December 2018	31 December 2017	Change, %
Equity ratio, %	28.5	35.5	-19.5
Net gearing ratio, %	121.1	105.0	15.3
Shareholders' equity	233.6	283.4	-17.6
Invested capital	611.0	604.5	1.1
Net interest-bearing debt	282.8	297.6	-5.0
Interest-bearing debt	375.9	321.1	17.1
of which short-term	91.8	150.3	-38.9
of which long-term	284.1	170.8	66.3
Cash and cash equivalents	93.1	23.5	
Unused binding liquidity limits and account limit agreements	31.5	122.0	-74.2
Unused project loans that can be drawn immediately	15.2	18.0	-15.8

a positive change in fair value will be recognised in the income statement, and vice versa. EUR 1.2 (1.5) 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 -3.5 (-2.1) million. Net financial expenses were increased by a nonrecurring amount of EUR 1.9 million due to the early redemption of a bond.

SRV's investment commitments totalled EUR 67.5 (81.9) million at the end of December, 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 -12.8 (-8.1) million, which impacted both shareholders' equity and the comprehensive result for the period. In addition to currency exchange rate losses of EUR -3.5 (-2.1) million in financial income and expenses, the Group also entered similarly derived currency exchange rate losses of EUR -10.3 (-9.2) 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. An earnings impact of EUR 0.6 (-2.5) million due to hedging affected currency exchange rate losses.

PERSONNEL, SOCIAL RESPONSIBILITY AND HUMAN RIGHTS

SRV employed 1,129 people (1,134) on average in January–December 2018. At the end of the review period, 841 (853) of these worked in Operations in Finland and 138 (156) in International Operations. 78 (99) people worked in Group operations, SRV Kalusto and SRV Ream Oy. At the end of the year, 33 employees transferred to Ramirent Finland Oy due to the sale of SRV Kalusto Oy.

Personnel development

SRV's 2018 human resources efforts focused on enhancing the quality of supervisory work and leadership. A total of 122 people participated in the Manager 2020 and Site Manager 2020 training programmes, and SRV Occupational Health and Safety training was also launched. In addition, SRV renewed its orientation process. In 2018, SRV introduced online training for the ethical operating principles and organised an ethical operating guidelines tour.

There were 3.0 (2.7) training days per employee in Finland, and more than 300 people fell within the scope of the SiteSTEP training programme. SRV engaged in closer collaboration with educational establishments, and a revised trainee programme was launched in December. SRV's long-term objective is to attract the top talents in a variety of areas as per the company's requirements.

PERSONNEL

Personnel by business area	31 December 2018	31 December 2017	Percentage of Group personnel, 31 December 2018, %
Operations in Finland	841	853	80
International Operations	138	156	13
Other operations	78	99	7
Group, total	1,057	1,108	100

SRV was placed among the top 20 in Finland's Most Inspiring Workplaces competition for the fourth time in a row. SRV's goal is to be among the top ten companies in the future. The response rate to the personnel survey rose to a record-breaking 84.4 per cent and all the indexes still exceed the normal Finnish level, even though SRV's employer image has decreased to the normal level.

Occupational health and safety

SRV's safety activities are always based on exceeding legal requirements and being a safety pioneer in the construction industry. SRV also requires the same standard of operations from the subcontractors and other partners.

In occupational safety, SRV's operations are steered by the Group's health and safety policy. The certified occupational health and safety management system (OHSAS 18001) helps to ensure compliance with operational standards. On-site safety is based on preventative measures, orientation, and following instructions.

The themes of SRV's occupational safety efforts remained the same in 2018: to develop the collection and analysis of safety observations; e-solutions; promoting management commitment; and the efficient mobilisation of safety work. Training in occupational safety management was provided as part of the more extensive SiteSTEP training programme, which was targeted at, among others, occupational safety delegates. The SRV Safety surveillance system was further developed, and safety observations can now be recorded by mobile.

All sites participated in the annual internal occupational safety competition based on TTT reviews. SRV's Operations in Finland is still rated at level 3 ("On the way to international leadership") in the Zero Accident Forum.

High-calibre orientation also has a significant impact on improving occupational safety. During orientation, everyone working on a site receives all of the essential information about the company, the site and its special features. In 2018, a total of 20,406 people were granted access rights to SRV's construction sites in Finland. This means that all these people received orientation on site practices and occupational safety. The remote orientation system SRV introduced in 2017 standardises orientation practices and facilitates the collection of information on workers and their employers. A total of 10,257 remote orientations were carried out in 2018.

Level of occupational safety

The accident frequency rate on SRV's sites did not develop as planned. Still, the objective of zero accidents was truly achieved at two sites: the Neilikkatie 8 housing construction site and the Lapinmäentie demolition site. The accident frequency rate for SRV's own personnel increased on 2017. In 2018, SRV's accident frequency was 10.6 (5.6) accidents per million hours worked for its own personnel and 16.6 (17.6) for contractors' employees. A pleasing increase was also seen in the number of safety observations: 4,760 observations were recorded, representing a rise of over 32 per cent on the previous year.

A total of 130 accidents leading to absence occurred on SRV construction sites during 2018, 19 of which were serious. 95 per cent was SRV's 2018 goal for the TR measurements taken during the statutory weekly safety inspection required on building construction sites. The company fell short of this target by a fraction, with an average TR measurement of 94.0 per cent in 2018.

Equality and human rights

Everyone at SRV is treated equally regardless of gender or gender identity, language, religion, nationality or ethnic origin, opinions, family relations, age, union or political affiliations, and health. Discrimination or harassment is not tolerated under any circumstances.

In accordance with its ethical operating guidelines, SRV is committed to respecting human rights. The company also seeks to ensure that its subcontractors and other partners are also committed to respecting human rights. We continued to analyse and assess SRV's human rights impacts during 2018. As part of these assessments, SRV representatives were interviewed and written materials were studied.

The most important human rights that SRV must realise in its own operations were identified as: the right to life, the right to work, the right to safe and healthy working conditions, the right to rest, leisure time and reasonable working hours, and the right to privacy. The most significant risks in SRV's own operations relate to safe and healthy working conditions on construction sites.

On a practical level, SRV's commitment to realising these rights should be reflected in SRV's operations as an uncompromising attitude towards improving safety and as equal treatment and zero tolerance for discrimination and harassment. The equality plan is part of the personnel plan, which is updated annually.

In SRV's supply chain – and particularly in international procurements – the following important rights were identified in addition to the aforementioned: the right to receive a decent living wage, the right to form unions and join unions, the right to strike, the rights of children and young people to protection from social and financial abuse, the prohibition of inhumane treatment and punishment, the prohibition of slavery and forced labour, the right to freedom and personal security, the right to free assembly, and the right of protection afforded to children by virtue of their minority.

The further down the supply chain the impacts are, the more challenging it is to promote human rights. SRV's Construction Contract Programme, among other issues, also defines basic requirements for human rights, and we completed SRV's ethical operating guidelines for suppliers in 2018. The ethical operating guidelines for suppliers will be mobilised in 2019. In addition, a self-assessment form was created for suppliers. The ethical operating guidelines for suppliers and self-assessments cover the most important human rights issues.

Supervision of the supply chain

SRV provides supervision, training and support for subcontractors and partners, so they can internalise sustainable working methods. We also keep them informed of, for example, amendments to occupational safety legislation. The company adheres to official procurement procedures in the management of new suppliers and existing supplier relationships, and the SRV network register is an element of this.

The SRV network register also facilitates the management of foreign employees. The register contains details of every foreign employee's statutory documentation, their employer's accident insurance, and information about their employment contract. Foreign companies also supply documents required by the Act on the Contractor's Obligations and Liability, as per their country of domicile.

SRV's Construction Contract Programme is appended to every agreement, and it requires the contractor or subcontractor to comply with basic sustainability requirements. The Construction Contract Programme also requires SRV's contractors' subcontractors to commit to compliance with the programme's requirements.

ETHICAL OPERATING GUIDELINES

SRV's decisions are guided by its ethical operating guidelines. All of SRV's companies, Board members, management and employees are obligated to comply with the ethical operating guidelines regardless of their station. SRV also seeks to get third parties, such as subcontractors and other cooperation partners, to commit to the ethical operating principles.

SRV has an ethics channel through which anyone can anonymously report observed or suspected behaviour that contravenes ethical operating guidelines. The number of reports received through the ethics channel was four (4) in 2018. Some of them were seeking advice on the right way to act in a challenging situation. The incidents were investigated according to an agreed process.

In spring and summer 2018, SRV created awareness of ethical operating guidelines and ethics channel in an internal 'coffee tour' of over 30 locations. The tour sought to spark off debate, listen to people, and share information about SRV's ethical operating guidelines.

Prevention of bribery and corruption

SRV complies with legislation and official regulations in all of its operations and requires the same of its employees, subcontractors and other partners. The company only works with reliable and reputable partners. We check the backgrounds of subcontractors and other partners before engaging in any cooperation.

As set out in the ethical operating guidelines, no one at SRV accepts or gives gifts that could affect business-related decision-making. Business-related hospitality should be moderate and of minimal value. Anti-corruption practices are an unconditional requirement of SRV's operations, and subcontractors and other partners are also required to have zero tolerance for corruption.

SRV is committed to the prevention of economic crime, and is continually developing its operating methods and new tools to improve the transparency, legality and controllability of the entire operating chain. The company's efforts are based on both long-term cooperation with the authorities and considerable investments in the development of its own processes. Preventing economic crime is a natural part of overall construction quality and project management.

Construction site orientation and advance checks of partners' social obligations are important tools in the fight against the grey economy. In addition to the above, the company also has the SRV Network Register (which SRV developed for official reporting) and an electronically managed process for compliance with the Act on the Contractor's Obligations and Liability.

ENVIRONMENT

SRV's environmental efforts are based on commitment to compliance with laws, environmental protection, and the development and continuous improvement of the standard of operations with an environmental system. SRV also requires its subcontractors and partners to follow the same principles and comply with its guidelines.

In accordance with its environmental policy, the goals of SRV's environmental activities are developing material efficiency and waste management on sites, reducing energy consumption of sites, implementing projects and buildings that place a smaller burden on the environment and encouraging partners to develop more sustainable operating methods.

The main objective in 2018 was to boost the efficiency of SRV's environmental efforts, mobilise the ISO 14001 environmental system, and improve environmental understanding in production by, for example, actively harnessing project-specific kick-off meetings. A further objective was to identify the environmental risks and opportunities associated with the operational processes. These objectives were achieved. For instance, to promote the development of the environmental system, a steering group was appointed to assist the environment expert.

In 2018, SRV's competence was also successfully developed in assessing the carbon footprint and lifecycle impacts of buildings. To aid SRV in this task, One Click LCA software was acquired, which enables direct data transfer from IFC models. Annual training for occupational safety delegates and those in charge of environmental issues was added to the personnel training plan. In addition, separate training events were held as necessary, such as about Kuivaketju10.

Environmental work requires systematic planning

The environmental impacts of sites are mainly caused by construction wastes, noise and dust, vibration, the consumption of energy, water and materials, and transportation. The management of storm water, trench water and chemicals is of key importance in preventing environmental contamination.

At SRV's sites in Finland, environmental activities are based on the environmental plan, waste management plan and other management plans drafted to address the special characteristics of the site. The environmental risks of subcontractors and means of preventing them are reviewed during contract negotiations, weekly site meetings and the risk assessments of each work phase.

When on-site operations begin, a kick-off meeting is held to deal with site safety and environmental issues, and an environmental officer is appointed for each site. In SRV's own construction projects, project-specific environmental targets are defined together with the customers. The aim is to provide customers with enough information on factors with a significant bearing on environmental impacts for use in their decision-making, starting from the design phase.

Environmental indicators are monitored with a browser-based system into which information on waste volumes and the energy and water consumption is entered. The system is updated monthly, enabling quarterly reporting to line management. Statistics on the previous year are compiled and analysed at the beginning of the year for annual reporting and management reviews. Management reviews specify the objectives of environmental system development and the measures to be taken.

High targets

Material efficiency and minimising the amount of waste are two of the main objectives of SRV's environmental activities. Design and procurement steering seeks to influence the selection of materials and technical solutions, but design in particular should ensure successful procurements. Sites ensure that waste is sorted to the maximum possible extent before it leaves the site. A waste management plan is drawn up on every construction site in collaboration with the waste management contractor.

As from 2016, new projects have been covered by targets for the characteristic waste volume and sorting-at-source rate, which are set by type of building. If you compare the environmental figures for sites completed in 2018, you can see that SRV has very strict targets for the characteristic waste volume and sorting-at-source rate. Even if all targets were not met, many sites have reached the second sub-target. Even the smallest challenges in planning, procurement or production can become an obstacle when you are aiming high.

Sites use a great deal of energy in different forms. Due to climate conditions in the north, the greatest amount of energy is used on heating. SRV seeks to improve energy efficiency by means such as equipment optimisation and updating equipment to current technology standards. The careful implementation of through-holes, covering the holes and weather protection can also have an impact on energy needs.

Keeping local communities informed

SRV seeks to minimise impacts on the surrounding environment when planning construction sites. Impacts arise from factors such as dust, noise, vibration, traffic arrangements, and changes in the ecosystem. The site handles reporting and communication with those in the local community. Management plans are prepared on construction sites in accordance with site conditions, and information about the site's impacts and schedules is communicated to officials and local communities. Special natural features, such as protected living environments and species, are taken into consideration when planning construction.

New environmental labels

Environmental certification is becoming increasingly important to customers and property investors. In addition to international favourites, the Finnish RTS Environmental Classification system has been launched, and the well-known Nordic Ecolabel (the Swan) has also entered the construction market.

In 2018, SRV had many ongoing projects that were seeking environmental certification. SRV's affiliated company, the REDI Shopping Centre, received a Platinum LEED certificate and the Karuselli shopping centre in Kerava received a Gold certificate under the latest version of LEED (V4). Other projects that are seeking for LEED V4 Gold are Autokeskus Konala in Helsinki, Pressi Smart Premises in Vantaa, and Tampere's Hotel Marriot. Lappeenranta University of Technology's Verso project and the Lauttasaari school and daycare centre were both rated as VeryGood by BreeAm. The PT logistics centre in Sipoo is seeking a BreeAm rating of Excellent.

CHANGES IN THE CORPORATE EXECUTIVE TEAM

In December, SRV announced a new segment structure and the reorganisation of the Corporate Executive Team as from 1 January 2019. Veli-Matti Kullas, SVP, International Operations, and Pirjo Ahanen, SVP, Human Resources stepped down from the Corporate Executive Team. Juha Toimela was appointed as the head of the Construction business. He will continue to serve as Executive Vice President and a member of the Corporate Executive Team. Jarkko Rantala was appointed as the head of the Investments business and as a member of the Corporate Executive Team.

Maija Karhusaari was appointed as SVP, Communications and Marketing, and as a member of the Corporate Executive Team as from 4 December 2018. Päivi Kauhanen, Senior Vice President, Communications and a member of the Corporate Executive Team, announced in September that she was stepping down from her position due to a long-term illness. Johanna Henttonen served as acting Director of Communications.

RISKS, RISK MANAGEMENT AND CORPORATE GOVERNANCE

SRV has published a separate Corporate Governance Statement in its Annual Review and on the company's website. More detailed information about the company's business risks and risk management is provided in the 2018 Notes to the Financial Statements and Annual Review, and also on the company's website.

The most significant operational risks are posed by changes in economic trends, cost pressures, major investments in business construction, the Russian economy, and the rouble exchange rate.

The latest forecasts indicate that the strong growth seen in the construction industry in recent years is levelling off. Consequently, the availability of subcontracted resources is anticipated to improve and the price pressures on material and subcontracting costs to ease off. Together

Risks related to personnel issues, social responsibility, human rights, environmental issues, and the prevention of bribery and corruption

Sub-area	The most important risks identified	Risk identification and risk management
All subareas		• Implementation of ethical operating guidelines • Ethics channel
Personnel issues, own operations: targeted at own personnel	• Occupational health and safety: accidents, coping at work (right to life, health, a safe and healthy working environment) • Coping at work (right to enough rest, leisure and reasonable working hours)	• OHSAS 18001 management system • Corporate executive inspections • External audits • Safety support group and safety team • Internal audits • Personnel survey
Social responsibility, own operations: targeted at subcontractors and contractors + operations of subcontractors	• Occupational health and safety: accidents, harassment (right to life, health, and a safe and healthy working environment) • Neglect of terms of employment (pay, working hours – right to reasonable and sufficient pay) • Neglect of social responsibilities (grey economy)	• OHSAS 18001 management system • Construction contract programme • Background checks by procurement • SRV network register • Ethical operating guidelines for suppliers • Self-assessment of suppliers • Discussions with suppliers
Human rights, own operations/operations of subcontractors	• See: personnel issues and social responsibility • Violation of privacy (right to privacy) • Occupational discrimination and usury, harassment • Neglect of rights under the employment relationship (right to fair pay, trade union rights, freedom of assembly) • Child, forced or slave labour (prohibition of child, forced or slave labour) • Forbidden practices (prohibition of inhuman treatment and punishment, right to freedom and personal safety) • Neglect of the rights of children (the right to protection as minors)	• Construction contract programme • Background checks by procurement • Site guidance • Discussions with suppliers and subcontractors • Ethical operating guidelines for suppliers • Self-assessment of suppliers
Prevention of bribery and corruption, own operations/operations of subcontractors	• Illegal or inappropriate activities • Neglect of societal responsibilities	• Internal audit • Ethical operating guidelines for suppliers • Self-assessment of suppliers
Environmental issues, own operations/operations of subcontractors	• Environmental damage and accidents • Illegal or inappropriate activities • Climate risks, physical and adaptation-related • Process risks, process interfaces	• ISO 14001 management system • Project risk management process • Environmental plan • Internal audits • LCA calculation • Ethical operating guidelines for suppliers • Self-assessment of suppliers

with the prudent selection of projects, this is expected to lead to an improvement in SRV's cost competitiveness. The removal of the loss-making REDI shopping centre from the order backlog is also expected to reduce risks in both earnings and financing.

SRV's ongoing major projects and completed shopping centre projects are tying up a great deal of capital, and they also have an impact on the availability and price of financing. SRV's financial position is expected to improve thanks to positive cash flow and the balance sheet lightening programme. 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 8 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 1 million on SRV's earnings. The exact rouble hedging rate varies over time.

SRV's transaction risk largely comprises the euro-denominated loans of associated companies that are partly owned by SRV. Some of the loans taken out by SRV's associated companies in Russia were converted to roubles in early 2018, thereby reducing SRV's exchange rate risk. The remaining exchange rate risk is hedged in accordance with the hedging policy approved by the Board of Directors.

To increase the comparability of operations, the company reports operative operating profit in addition to operating profit. Operative operating profit differs from the IFRS definition of operating profit in that it eliminates the calculated currency exchange differences included in financial items in Russian operations and their potential hedging impacts.

Sustainability and corporate responsibility related risks

The Group's risk management function supports the application of risk management principles and develops Group-wide ways of working. It is also responsible for the identification and reporting of risks related to personnel issues, social responsibility, human rights, environmental issues, and the prevention of bribery and corruption as well as risk management measures. The adjacent table presents the identified risks and the measures taken to manage them.

CORPORATE GOVERNANCE AND THE DECISIONS OF THE ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of SRV Group Plc was held on 20 March 2018. The AGM adopted the Financial Statements and granted release from liability to the members of the Board of Directors and the President & CEO for the financial year 1 January–31 December 2017.

Dividends paid

As proposed by the Board of Directors, a dividend of EUR 0.06 per share was approved for the financial year now ended. The record date was 22 March 2018 and the dividend was paid on 29 March 2018.

The Members and Chair of the Board of Directors

The AGM verified that the Board of Directors shall have six (6) members. **Minna Alitalo**, M.Sc. (Econ.), **Juhani Elomaa**, M.Sc. (Pol.), eMBA, **Juhani Hintikka**, M.Sc. (Eng.), **Olli-Pekka Kallasvuo**, Master of Laws, LL.D.h.c., **Ilpo Kokkila**, M.Sc. (Eng.) and **Timo Kokkila**, M.Sc. (Eng.) were re-elected to the Board of Directors. Ilpo Kokkila was elected as Chair of the Board.

Auditor

The authorised firm of public accountants PricewaterhouseCoopers Oy was elected as the company's auditor for the next term of office, which ends at the conclusion of the 2019 Annual General Meeting. PricewaterhouseCoopers Oy has announced that Samuli Perälä, Authorised Public Accountant, will serve as the responsible auditor.

AUTHORISATION TO DECIDE ON THE ACQUISITION OF TREASURY SHARES

The AGM authorised the Board of Directors to decide on the acquisition of the company's own shares, using the company's unrestricted equity. This share acquisition will reduce the company's distributable equity.

The Board was authorised to acquire a maximum of 6,049,957 of the company's own shares in such a manner that the number of shares acquired on the basis of this authorisation, when combined with the shares already owned by the company and its subsidiaries, does not at any given time exceed 6,049,957 shares, or 10 per cent of all shares of the company.

Based on this authorisation, the Board may acquire a maximum of 6,049,957 shares in public trading arranged by Nasdaq OMX Helsinki Oy at a market price valid at the moment of acquisition, as well as a maximum of 500,000 SRV shares issued on the basis of incentive schemes to individuals employed by SRV Group, either without consideration or for no more than the price at which an individual within the sphere of an incentive scheme is obliged to convey a share, such that the maximum number of acquired shares nevertheless remains at 6,049,957.

The aforementioned authorisations include the right to acquire shares other than in proportion to the holdings of shareholders. Shares acquired on the basis of this authorisation may be acquired in one or several instalments.

Treasury shares can be acquired for use as payment in corporate acquisitions, when the company acquires assets relating to its business, as part of the company's incentive programmes, or to be otherwise conveyed, held or cancelled. The Board of Directors shall decide on all other terms relating to the acquisition of shares.

The authorisations as described above shall be in force for 18 months from the decision of the general meeting and cancel the authorisation granted by the Annual General Meeting to the Board of Directors on 23 March 2017.

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 20 March 2018. 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 2019. Olli-Pekka Kallasvuo was selected as Vice Chair of the Board of Directors.

Minna Alitalo was elected as Chair and Juhani Elomaa and Timo Kokkila as members of the Audit Committee. Ilpo Kokkila was elected as Chair and Juhani Hintikka and Olli-Pekka Kallasvuo 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 December 2018 was EUR 1.70 (EUR 3.60 on 31 December 2017, change -53%). The highest share price during the review period was EUR 4.12 and the lowest EUR 1.66. At the end of the period, SRV's equity per share excluding the hybrid bond was EUR 3.21. On 31 December 2018, SRV had a market capitalisation of EUR 101 million, excluding the Group's treasury shares. 6.6 million shares were traded during the review period with a trade volume of EUR 17.3 million.

At the end of June, 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

SRV's strategy and all of its operations are guided by the 2018–2022 strategic financial objectives that were approved in February 2018:

- After a phase of rapid revenue growth, SRV primarily seeks to increase annual operative operating profit.
- The objective for operative operating profit margin is 8 per cent. Of this objective, 6 percentage points will be generated by construction and 2 percentage points by shopping centre rental income as part of associated company holdings.
- The objective for return on equity is at least 15 per cent by the end of the strategy period.
- The objective for return on investment is at least 12 per cent by the end of the strategy period.
- The company seeks to maintain the equity ratio above 35 per cent.
- The longer-term objective is to distribute dividend of 30–50 per cent of the annual result, taking into account the capital needs of business operations.

The achievement of these strategic objectives will be based on moderate but steady economic growth in Finland, and Russia's economy stabilising at a slightly stronger level. Growth in SRV's developer-contracted projects is also required. SRV seeks to divest shopping centres that are in the management phase when the market situation allows. SRV will continue to develop projects in Russia that can be launched when the Group's capital structure allows and the financial criteria of the properties are fulfilled.

Reaching the profitability targets requires not only boosting the efficiency of the company's own operations, but also the more prudent selection of new projects with regard to profitability and capital commitment. The company anticipates that it will achieve its strategic earnings level by the end of 2022.

OUTLOOK FOR 2019

In addition to general economic trends, SRV's revenue and result in 2019 will be affected by several factors, such as: the trend in the exchange rate of the rouble; the recognition as income upon delivery of SRV's own projects; the part of the order backlog that is continuously recognised as income consisting mainly of low-margin contracting; trends in the order backlog's profit margins; the sales volume of developer-contracted housing and the completion schedules of the properties; and the launch of new contracts and own-development projects. The largest projects are Tampere Deck, the extension of Helsinki Airport and ongoing hospital projects.

- More developer-contracted housing units will be completed in 2019 than in the comparison period. It is estimated that a total of 809 developer-contracted housing units will be completed in 2019 (526 in 2018).

- SRV makes long-term procurement agreements, due to which the expected reduction in construction costs will not have a significant effect on the company's earnings performance in 2019. The trend in rental income from shopping centres is positive, but slower than anticipated.
- Full-year consolidated revenue for 2019 is expected to grow compared with 2018 (revenue in 2018: EUR 959.7 million). Operative operating profit is expected to improve compared with 2018 and to be positive (operative operating profit EUR -10.0 million).

PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The parent company's distributable funds on 31 December 2018 are EUR 170,668,647.19, of which net profit for the financial year is EUR 3,368,158.40. The Board of Directors proposes to the General Meeting that no dividend be paid for the 2018 financial year.

EVENTS AFTER THE PERIOD

A new organisation became effective as of 1 January 2019. According to the new segment set-up, SRV will report on two business areas: Construction and Investments.

GENERAL MEETING

It is planned that the Annual General Meeting of SRV Group Plc will be held on 19 March 2019. The Annual General Meeting will deal with the matters specified in Article 11 of the Articles of Association and any other Board proposals. The Board of Directors will decide on the notice of meeting and the proposals to be included therein at a later date.

Espoo, 15 February 2019
Board of Directors

KEY FINANCIAL INDICATORS

EUR million	2018	2017	2016	2015	2014
Revenue	959.7	1,114.4	884.1	719.1	684.4
Operative operating profit[1]	-10.0	27.0	26.3	-	-
Operative operating profit, % of revenue	-1.0	2.4	3.0	-	-
Operating profit	-19.8	15.3	27.7	24.4	24.9
Operating profit, % of revenue	-2.1	1.4	3.1	3.4	3.6
Profit before taxes	-37.3	4.6	16.4	17.6	18.5
Profit before taxes, % of revenue	-3.9	0.4	1.8	2.4	2.7
Net profit for the financial year attributable to equity holders of the parent company	-30.1	6.0	13.9	14.0	15.2
Return on equity, %	-12.1	2.0	5.0	5.6	6.9
Return on investment, %	-2.9	3.1	6.1	5.9	5.4
Return on investment, construction %[1]	1.9	7.4	9.2	-	-
Return on investment, real estate development %[1]	-4.9	-4.8	0.2	-	-
Equity ratio, %	28.5	35.5	38.3	42.5	43.0
Order backlog[2]	1,832.0	1,547.9	1,758.5	1,583.4	860.4
New agreements	1,133.0	771.4	1,013.1	1,393.5	700.3
Personnel on average	1,129	1,134	1,089	1,008	937
Invested capital	611.0	604.5	596.2	543.0	449.8
Invested capital, construction	285.1	276.6	247.0	-	-
Invested capital, real estate development	326.8	327.9	349.2	-	-
Net interest-bearing debt	282.8	297.6	246.3	230.8	206.1
Net gearing ratio, %	121.1	105.0	83.4	83.3	91.6
Earnings per share, EUR[3]	-0.56	0.05	0.15	0.25	0.30
Earnings per share (diluted), EUR[1]	-0.56	0.05	0.15	0.25	0.30
Equity per share, EUR[1]	3.97	4.78	5.00	4.66	5.64
Equity per share (excluding hybrid bond), EUR[3,4]	3.21	4.03	4.25	3.90	4.51
Dividend per share, EUR[3]	0.06	0.10	0.10	0.10	0.07
Dividend payout ratio, %[3]	neg.	209.9	67.6	40.2	23.5
Dividend yield, %[3]	3.5	2.8	1.8	3.2	2.6
Price per earnings ratio (P/E-ratio)[1]	neg.	75.6	36.7	12.5	9.5
Share price development					
Share price at the end of the period, EUR	1.70	3.60	5.43	3.10	2.83
Average share price, EUR	2.63	4.60	4.07	2.94	3.81
Lowest share price, EUR	1.66	3.52	2.60	2.36	2.75
Highest share price, EUR	4.12	5.74	5.58	3.42	4.38
Market capitalisation at the end of the period[1]	101.3	214.5	322.4	183.9	112.7
Trading volume, 1,000[1]	6,580	6,362	6,355	11,463	3,613
Trading volume, %[1]	11.0	10.7	10.7	26.9	9.1
Weighted average number of shares outstanding, 1,000[1]	59,581	59,540	59,349	42,616	39,771
Weighted average number of shares outstanding (diluted), 1,000[1]	59,581	59,540	59,576	42,648	39,799
Number of shares outstanding at the end of the period, 1,000[1]	59,581	59,581	59,375	59,325	39,810
Effect of currency exchange fluctuations	-9.8	-11.7	1.3	-	-

[1] **Alternative performance measures used in financial 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 above. In the company's view, these measures clarify the result of operations and financial position based on the income statement and balance sheet.

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

SRV has added the capital invested in the construction and property development businesses to its financial statement, as well as the returns on these investments
By nature, SRV's businesses consist of construction and related property development, as well as investment in SRV's own projects. As these two businesses differ in nature, the company considers it justified to begin providing additional information about the capital invested in these and the return on investment. The construction business includes all of the capital required for construction and developer contracting for housing production, as well as the required plots of land.

The property development business consists of projects for commercial premises in which the company is an investor, and the primary intention is to sell the projects several years after construction is complete and the property has attained a normal occupancy rate and standard. The property development operations report on commercial premises that are under development and completed and where the company acts as a longer-term investor. Plots that the company will develop itself and where the expected return will arise from the development are also reported as part of property development.

All of the relevant balance sheet items have been allocated to operations, as well as the operating expenses. The Group consists of these businesses calculated together, taking into consideration the construction balance sheet elimination between them. This division of the businesses aptly describes the company's capital requirements and profitability levels. Construction generates a stable operating profit, the requirement for invested capital is lower and the turnover rate is higher. Property development ties up more capital for a longer period. In the construction business, revenue and profit are realised more rapidly than in the property business, where profits are usually only obtained when the sites are sold off.

[2] At the period end.
[3] Comparative data 2014 is share issue adjusted.
[4] Dividend paid during the financial year.

CALCULATION OF KEY FIGURES

Gearing ratio, %	=	100 x	Net interest-bearing debt / Total equity
Return on equity, %	=	100 x	Net result for the financial year / Total equity, average
Return on investment, %	=	100 x	Result before taxes + interest and other financial expenses (excluding exchange rate gains and losses) / Invested capital, average
Equity ratio, %	=	100 x	Total equity / Total assets – advances received
Invested capital	=		Total assets – non-interest bearing debt – deferred tax liabilities – provisions
Net interest bearing debt	=		Interest bearing debt – cash and cash equivalents
Earnings per share*	=		Result for the period – non-controlling interest – hybrid bond interest tax adjusted / Average number of shares outstanding
Earnings per share (diluted)*	=		Result for the period – non-controlling interest – hybrid bond interest tax adjusted / Average diluted number of shares outstanding
Equity per share*	=		Equity attributable to equity holders of the parent company / Number of shares outstanding at the end of the period
Equity per share (without hybrid bond)*	=		Equity attributable to equity holders of the parent company – Hybrid Bond / Number of shares outstanding at the end of the period
Price per earnings ratio (P/E-ratio)*	=		Share price at the end of the period / Earnings per share
Dividend payout ratio, %*	=	100 x	Dividend per share / Earnings per share
Dividend yield, %*	=	100 x	Dividend per share / Share price at the end of the period
Average share price	=		Number of shares traded in euros during the period / Number of shares traded during the period
Market capitalisation at the end of the period*	=		Number of shares outstanding at the end of the period x share price at the end of the period
Trading volume*	=		Number of shares traded during the period and in relation to the weighted average number of shares outstanding
Operative operating profit	=		Operating profit –/+ associated companies currency exchange rate gains and losses –/+ income and expenses from hedging

* Comparative data is share issue adjusted

SHARES AND SHAREHOLDERS

Share price trend and trading of shares

The shares of SRV Group Plc are quoted on the OMX Nordic Exchange. The trading with SRV Group Plc's shares started on the Main list of OMX on 15 June 2007. During 2018 the highest price was EUR 4.12 and the lowest price EUR 1.66. The average share price for 2018 was EUR 2.63 and the closing price EUR 1.70. giving the company a market capitalisation of EUR 101.3 million as of 31 December 2018. 6.6 million shares were traded in OMX which corresponds to 11.0 % of the weighted average number of SRV shares outstanding. The trading value of the shares was EUR 17.3 million.

The authorisations of the Board of Directors

The Annual General Meeting of SRV Group Plc resolved on March 20, 2018, to authorise the Board of Directors to decide on the repurchase of company shares as proposed by the Board of Directors. The authorisation of repurchase of company shares is valid 18 months from the decision of Annual General Meeting (note 24).

Management shareholding

The Members of the Board of SRV Group Plc as well as the President and CEO and the Deputy CEO owned directly a total of 8,696,063 shares on 31 December 2018 which corresponds to 14.4 % of SRV shares and voting rights. Ilpo Kokkila owns SRV shares through Kolpi Investments Oy.

Shareholders on 31 December 2018

Shareholder	Number of shares	Holding and voting rights, %
Kolpi Investments Oy	11,505,457	19.0
Kokkila Timo	7,617,216	12.6
Kokkila Lauri	6,494,422	10.7
Kokkila Tuomas	6,494,422	10.7
Tiiviste-Group Oy	6,411,821	10.6
Nordea Henkivakuutus Suomi Oy	1,774,685	2.9
Valtion Eläkerahasto	1,170,000	1.9
Keskinäinäinen Eläkevakuutusyhtiö Ilmarinen	962,822	1.6
SRV Yhtiöt Oyj	918,599	1.5
OP-Suomi sijoitusrahasto	918,251	1.5
Keskinäinen Työeläkevakuutusyhtiö Varma	716,666	1.2
Nieminen Timo	676,310	1.1
Taaleritehdas Mikro Markka sijoitusrahasto	400,000	0.7
4capes Oy	340,000	0.6
OP-Suomi Pienyhtiöt	339,858	0.6
Merivirta Jyri	300,000	0.5
Taaleritehdas Arvo Markka sijoitusrahasto	300,000	0.5
Säästöpankki Kotimaa -sijoitusrahasto	283,896	0.5
Ojala Juha Pekka	259,205	0.4
Tukinvest Oy	225,000	0.4
20 largest shareholders	**48,108,630**	**79.5**
Nominee registration	1,064,094	1.8
Other	11,326,851	18.7
Total number of shares	**60,499,575**	**100.0**

Breakdown of share ownership on 31 December 2018
By number of shares owned

Number of shares	Number of shareholders	% of share-holders	Number of shares	% of shares
1–100	1,275	16.8	70,149	0.1
101–500	3,258	42.9	889,351	1.5
501–1,000	1,214	16.0	979,472	1.6
1,001–5,000	1,456	19.2	3,321,890	5.5
5,001–10,000	212	2.8	1,519,349	2.5
10,001–50,000	133	1.8	2,576,062	4.3
50,001–100,000	12	0.2	866,654	1.4
100,001–500,000	18	0.2	3,960,742	6.5
500,001–	13	0.2	46,315,906	76.6
Total	**7,591**	**100.0**	**60,499,575**	**100.0**
of which nominee registrations	7	0.1	1,064,094	1.8

By shareholder category

	% of shares
Corporations	35.4
Financial and insurance institutions	8.2
Public institutions	4.7
Households	51.2
Non-profit organisations	0.4
Non-Finnish shareholders	0.1
	100.0

Consolidated financial statements, IFRS

CONSOLIDATED INCOME STATEMENT

EUR 1,000	Note	2018	2017
Revenue	3	959,667	1,114,388
Other operating income	4	16,926	2,446
Change in inventories of finished goods and work in progress		34,509	1,866
Use of materials and services		-919,345	-985,632
Employee benefit expenses	7	-75,482	-77,688
Share of profits of associated and joint venture companies	16	-13,061	-13,377
Depreciation and impairments	6	-5,286	-5,716
Other operating expenses	5	-17,708	-20,957
Operating profit		**-19,780**	**15,329**
Financial income	9	5,541	5,322
Financial expenses	9	-23,036	-16,014
Financial income and expenses, total		**-17,495**	**-10,692**
Profit before taxes		**-37,275**	**4,638**
Income taxes	10	6,057	1,173
Net profit for the financial year		**-31,218**	**5,811**
Attributable to			
Equity holders of the parent company		-30,121	5,987
Non-Controlling interests		-1,097	-176
Earnings per share attributable to equity holders of the parent company	11	**-0.56**	**0.05**
Earnings per share attributable to equity holders of the parent company (diluted)	11	**-0.56**	**0.05**

STATEMENT OF COMPREHENSIVE INCOME

EUR 1,000	Note	2018	2017
Net profit for the financial year		**-31,218**	**5,811**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Gains and losses on remeasuring available-for-sale financial assets		0	48
Gains and losses arising from translating the financial statements of a foreign operation		-2,558	-1,091
Share of other comprehensive income of associated companies and joint ventures		-10,231	-7,008
Income tax relating to components of other comprehensive income		0	-10
Other comprehensive income for the year, net of tax		**-12,789**	**-8,061**
Total comprehensive income for the year		**-44,007**	**-2,250**
Total comprehensive income attributable to:			
Equity holders of the parent company		-42,910	-2,074
Non-Controlling interests		-1,097	-176

CONSOLIDATED BALANCE SHEET

EUR 1,000	Note	2018	2017
ASSETS			
Non-current assets			
Property, plant and equipment	13	6,032	11,048
Goodwill	14	1,734	1,734
Other intangible assets	14	1,562	1,512
Shares in associated and joint venture companies	16	180,159	190,458
Other financial assets	17	18,320	15,991
Receivables	18	727	945
Loan receivables from associated companies and joint ventures	15, 21	67,270	66,778
Deferred tax assets	19	18,555	11,690
Non-current assets, total		**294,358**	**300,158**
Current assets			
Inventories	20	438,199	418,821
Account and other receivables	15, 22	116,750	145,091
Loan receivables from associated companies and joint ventures	15, 21	4,596	0
Current tax receivables		56	981
Cash and cash equivalents	23	93,074	23,475
Current assets, total		**652,675**	**588,368**
ASSETS TOTAL		**947,033**	**888,526**

EUR 1,000	Note	2018	2017
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	24	3,063	3,063
Share premium reserve	24	0	0
Invested free equity fund	24	142,543	141,506
Fair value reserve		0	-1,062
Translation differences	24	-12,884	-94
Hybrid Bond	24	45,000	45,000
Retained earnings		58,651	96,605
Equity attributable to equity holders of the parent company, total		**236,372**	**285,019**
Non-controlling interests		**-2,760**	**-1,627**
Equity, total		**233,612**	**283,391**
Non-current liabilities			
Deferred tax liabilities	19	5,075	5,130
Provisions	25	10,656	8,760
Interest-bearing liabilities	15, 26	284,074	170,769
Other liabilities	15, 27	8,972	17,722
Non-current liabilities, total		**308,776**	**202,380**
Current liabilities			
Account and other payables	15, 27	303,876	244,472
Current tax payable		54	105
Provisions	25	8,920	7,839
Interest-bearing liabilities	15, 26	91,794	150,338
Current liabilities, total		**404,645**	**402,754**
Liabilities, total		**713,421**	**605,135**
EQUITY AND LIABILITIES, TOTAL		**947,033**	**888,526**

CONSOLIDATED CASH FLOW STATEMENT

EUR 1,000	2018	2017
Cash flows from operating activities		
Cash receipts from customers	977,407	1,082,903
Cash receipts from other operating income	2,081	2,446
Cash paid to suppliers and employees	-937,344	-1,098,558
Net cash before interests and taxes	42,144	-13,209
Interests received and other financial income	83	371
Interests paid and other expenses from financial costs	-18,180	-22,110
Income taxes paid	1,488	2,411
Cash flows from operating activities	**25,535**	**-32,538**
Cash flow from investing activities		
Purchase of tangible and intangible assets	-4,521	-3,464
Purchase of investments	-1,864	-2,030
Subsidiary shares sold	18,581	0
Investments in associated companies and joint ventures	-14,167	-389
Increase in loan receivable from associated companies and joint ventures	-5,776	-2,635
Decrease in loan receivable from associated companies and joint ventures	4,644	0
Net cash used in investing activities	**-3,102**	**-8,517**

EUR 1,000	2018	2017
Cash flow from financing activities		
Proceeds from loans	97,550	16,901
Repayment of loans	-86,672	-28,317
Hybrid bond intrests	-3,927	-3,927
Change in housing corporation loans	22,157	13,978
Net change in short-term loans	22,000	17,498
Dividends paid	-3,610	-5,992
Net cash flow from financing activities	**47,498**	**10,141**
Net change in cash and cash equivalents	**69,931**	**-30,914**
Cash and cash equivalents at the beginning of period	23,475	54,583
Effect of exchange rate changes in cash and cash equivalents	-332	-194
Cash and cash equivalents at the end of period	**93,073**	**23,475**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent company								
EUR 1,000	Share capital	Invested free equity fund	Fair value reserve	Translation differences	Hybrid bond	Retained earnings	**Total**	Non-controlling interests	**Equity total**
Equity, total, 31 Dec. 2017	**3,063**	**141,506**	**-1,062**	**-94**	**45,000**	**96,605**	**285,019**	**-1,627**	**283,391**
Change in accounting principles (IFRS 9)			1,062			-1,062	0		
Equity, total, 1 Jan. 2018	**3,063**	**141,506**	**0**	**-94**	**45,000**	**95,543**	**285,019**	**-1,627**	**283,391**
Net profit for the financial year	0	0	0	0	0	-30,121	**-30,121**	-1,097	**-31,218**
Other comprehensive income items (with the tax effect)									
Foreign currency translation differences for foreign operations	0	0	0	-2,558	0	0	**-2,558**	0	**-2,558**
Share of other comprehensive income of associated companies and joint ventures	0	0	0	-10,231	0	0	**-10,231**	0	**-10,231**
Available-for-sale financial assets	0	0	0	0	0	0	**0**	0	**0**
Total comprehensive income	**0**	**0**	**0**	**-12,789**	**0**	**-30,121**	**-42,910**	**-1,097**	**-44,007**
Transactions with the owners									
Dividends paid	0	0	0	0	0	-3,575	**-3,575**	-35	**-3,610**
Share based incentive plan	0	1,037	0	0	0	-47	**990**	0	**990**
Sale of treasury shares	0	0	0	0	0		**0**	0	**0**
Purhchase of treasury shares	0	0	0	0	0	0	**0**	0	**0**
Share issue	0	0	0	0	0	0	**0**	0	**0**
Tax cost related to share issue	0	0	0	0	0	0	**0**	0	**0**
Hybrid Bond	0	0	0	0	0	-3,150	**-3,150**	0	**-3,150**
Other changes	0	0	0	0	0	0	**0**	0	**0**
Transactions with the owners, total	**0**	**1,037**	**0**	**0**	**0**	**-6,772**	**-5,735**	**-35**	**-5,770**
Equity, total, 31 Dec. 2018	**3,063**	**142,543**	**0**	**-12,884**	**45,000**	**58,651**	**236,372**	**-2,760**	**233,612**
Equity, total, 1 Jan. 2017	**3,063**	**141,506**	**-1,101**	**8,005**	**45,000**	**100,591**	**297,065**	**-1,793**	**295,272**
Net profit for the financial year	**0**	**0**	**0**	**0**	**0**	**5,987**	**5,987**	**-176**	**5,811**
Other comprehensive income items (with the tax effect)									
Foreign currency translation differences for foreign operations	0	0	0	-1,091	0	0	**-1,091**	0	**-1,091**
Share of other comprehensive income of associated companies and joint ventures	0	0	0	-7,008	0	0	**-7,008**	0	**-7,008**
Available-for-sale financial assets	0	0	39	0	0	0	**39**	0	**39**
Total comprehensive income	**0**	**0**	**39**	**-8,099**	**0**	**5,987**	**-2,073**	**-176**	**-2,249**
Transactions with the owners									
Dividends paid	0	0	0	0	0	-5,958	**-5,958**	-35	**-5,993**
Share based incentive plan	0	0	0	0	0	-1,006	**-1,006**	0	**-1,006**
Hybrid Bond	0	0	0	0	0	-3,150	**-3,150**	0	**-3,150**
Other changes[1]	0	0	0	0	0	141	**141**	377	**518**
Transactions with the owners, total	**0**	**0**	**0**	**0**	**0**	**-9,973**	**-9,973**	**342**	**-9,631**
Equity, total, 31 Dec. 2017	**3,063**	**141,506**	**-1,062**	**-94**	**45,000**	**96,605**	**285,019**	**-1,627**	**283,391**

[1] Other changes includes update of the acquisition calculation.

Notes to the consolidated financial statements

Description of operations

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

The Group's parent company, SRV Group Plc (the Company), is a Finnish public limited company which is domiciled in Espoo, Finland. The Company's registered address is Tarvonsalmenkatu 15, 02601 Espoo.

Board of Directors has approved these consolidated financial statements for issue on 15 February 2019.

Accounting policies

Basis of presentation

The consolidated financial statements have been prepared on 31 December 2018 in accordance with IFRS (International Financial Reporting Standards). International Financial Reporting Standards refer to the standards and their interpretations issued and approved for application within the EU in accordance with the procedure prescribed in EU regulation (EC) 1606/2002. The financial statements are presented in thousands of euros unless otherwise stated.

The consolidated financial statements have been prepared based on a historical cost basis, except for available-for-sale investments, financial assets and liabilities measured at fair value through income statement and derivative contracts measured at fair value as well as share-based payments which are measured at fair value.

Following standards, interpretations and amendments have been applied beginning from 1.1.2018:

- **IFRS 15**

  SRV has applied IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The standard replaced IAS 18, which applied to the sales of goods and services, and IAS 11, which applied to long-term projects.

  SRV has applied the standard retrospectively and has adjusted the financial figures for 2017 in order for them to be comparable. The change in the treatment procedure with regard to a separate financing component for development and developer-contracted projects resulted in a reduction in revenue and a decline in interest expenses on financial items amounting in total to EUR -1.7 million. The changes had no impact on the opening balance sheet, the result of the comparison period or the cash flow.

  The core principle of the new standard is that sales revenue is recognised when control over goods or services is transferred to the customer – previously sales revenue was recognised when risks and benefits related to goods or services were transferred to the customer. The customer obtains control when it is able to direct the use of goods or services and to obtain the benefit from them.

  In SRV's contractor agreements and development projects, the management tasks and structural engineering work of a construction or renovation project management contact concerning a property owned by the customer have typically been agreed with the customer. Contract projects may include a number of different work stages and tasks. These mainly, however, form a single integrated entity that is handled as one performance obligation.

  In developer-contracted projects, buyers of apartments may be offered a parking space or a removal service. In that case, the parking space and removal service are considered to be separate performance obligations. Typically, these are handed over and recognised as revenue at the same time as the apartment itself. Any possible consideration exemptions are equivalent to discounts and these are taken into account as an adjustment to the selling price.

  The Group's contract projects include variable considerations resulting, for example, from penalties or from undershooting or overshooting the target price. Group management monitors and assesses variable considerations at the end of each reporting period. The transaction price used in revenue recognition is based on the most likely estimate. Of the

THE ADJUSTMENT AFFECTED THE FOLLOWING KEY PERFORMANCE MEASURES

(EUR million)		2017 Reported	2017 Restated	Change
Revenue	EUR million	1,116.1	1,114.4	-1.7
Operative operating profit	EUR million	28.7	27.0	-1.7
Operative operating profit, % revenue	%	2.6	2.4	-0.2
Operating profit	EUR million	17.1	15.3	-1.7
Operating profit, % revenue	%	1.5	1.4	-0.1
Financial income and expenses, total	EUR million	-12.4	-10.7	1.7
Return on investment, %	%	3.4	3.1	-0.3
Return on investment, construction %	%	8.1	7.4	-0.7

estimated amount of variable consideration, only that portion is included in the transaction price and revenue only recognised up to an amount such that it is highly likely that no significant reversal will have to be made to the amount of accrued recognised sales revenue.

Development and developer-contracted projects also include variable considerations that may result, for example, from delay penalties and lease liabilities. Recognition of revenue is deferred for the estimated rental liability and this estimated share of project revenue is recognised as an advance received. Rental security deposits reduce project-related advances received. Uncertainties associated with signed lease agreements are taken into account in recognition of revenue.

Development and developer-contracted projects may include a separate financing component. A significant financing component may arise in factoring projects in which the factoring costs are not charged from the client. On average, the construction time in Group factoring and developer contracting projects is less than two years, in which case the average financing period is less than a year. In these, the Group will apply the "practical expedient" for periods of less than a year as set out in IFRS 15.63. The Group also has projects with an average financing period of more than one year. In such projects, the treatment procedure for a substantial financing component is applied and the item recognised as a reduction in revenue and an adjustment of interest income on financial items.

- **IFRS 9**

SRV has applied IFRS 9 Financial Instruments from 1 January 2018. The new standard replaced the IAS 39 Financial Instruments: Recognition and Measurement.

SRV has adjusted its opening balance at 1 January 2018 for cumulative changes of EUR -1.1 million in the fair values of other financial assets. The adjustment has been made within equity between the fair value reserve and retained earnings and is presented in the equity calculation.

The standard changes the classification and measurement of financial assets and liabilities, the determination of impairment and the principles of hedge accounting.

In the Group, financial assets are measured at amortised cost, when the objective of the business model is to hold the assets and to collect the contractual cash flows and when the assets' contractual cash flows consist only of payments of principal and interest. All other financial assets are recognised and measured in the Group at fair value through profit and loss.

As of 1 January 2018, the Group classifies its financial assets and liabilities into the following categories:

Financial assets: Financial assets recognised at amortised acquisition cost or at fair value through profit and loss.

Financial liabilities: Financial liabilities recognised at fair value through profit and loss or at amortised acquisition cost using the effective interest rate method.

The new standard affected the classification and measurement of the Group's other financial assets. The Group does not apply hedge accounting, so the relevant changes have had no impact.

Impairment

As of 1 January 2018, the impairment of financial assets is assessed on the basis of expected credit losses. Trade receivables and receivables from customers related to customer projects involves a credit loss risk. The Group's commercial counterparties are mainly listed companies or major real estate or institutional investment companies. In

CHANGES IN CLASSIFICATION WERE AS FOLLOWS AS OF 1 JANUARY 2018:

	Classification		Carrying amounts, 1 January 2018		
EUR 1,000	Original IAS 39	New IFRS 9	IAS 39	IFRS 9	Difference
Non-current financial asset					
Long-term interest bearing receivables	Loans and receivables	Financial assets and liabilities measured at amortised cost	945	945	-
Loan receivables from associated companies and joint-ventures	Loans and receivables	Financial assets and liabilities measured at amortised cost	66,778	66,778	-
Other financial assets	Available-for-sale financial assets	Financial assets and liabilties at fair value trough profit and loss	15,991	15,991	-
Current financial assets					
Accounts receivables	Loans and receivables	Financial assets and liabilities measured at amortised cost	53,447	53,447	-
Construction contracts receivables	Loans and receivables	Financial assets and liabilities measured at amortised cost	36,583	36,583	-
Other interest bearing receivables	Loans and receivables	Financial assets and liabilities measured at amortised cost	6	6	-
Derivative instruments	Financial assets and liabilties at fair value trough profit and loss	Financial assets and liabilties at fair value trough profit and loss	446	446	-
Loan receivables from associated companies and joint-ventures	Loans and receivables	Financial assets and liabilities measured at amortised cost	0	0	-
Cash and cash equivalents	Loans and receivables	Financial assets and liabilities measured at amortised cost	23,475	23,475	-
Non-current financial liabilities					-
Interest bearing liabilities	Financial liabilities measured at amortised cost	Financial assets and liabilities measured at amortised cost	170 769	170 769	-
Derivative instruments	Financial assets and liabilities at fair value trough profit and loss	Financial assets and liabilties at fair value trough profit and loss	6,098	6,098	
Other non-current liabilities	Financial liabilities measured at amortised cost	Financial assets and liabilities measured at amortised cost	17,722	17,722	-
Current financial liabilities					
Interest bearing liabilities	Financial liabilities measured at amortised cost	Financial assets and liabilities measured at amortised cost	150,338	150,338	-
Accounts payables	Financial liabilities measured at amortised cost	Financial assets and liabilities measured at amortised cost	79,780	79,780	-

the housing business, the counterparties are mainly private individuals. In apartment sales, the customer gains control of the apartment when all of the purchase price items have been paid. Group management has estimated that there are no material expected credit losses with respect to these items. However, Group management constantly assesses the probability of credit loss risks and monitors changes in their status.

- **IFRS 2**
  SRV has applied IFRS 2 Share-based Payments amendment from 1 January 2018. The changed standard had no significant impact on the consolidated financial statements.

The following standards, interpretations and amendments shall be applied for a period beginning on 1.1.2018 or later (in brackets effective date).The Group is reviewing the impact of future standards, amendments and interpretations.

- **IFRS 16**
  IFRS 16 Leases (1 January 2019) will mainly affect the accounting practices of lessees and it will result in all leases except low-value and short-term leases being recognized in the balance sheet. From the lessee's perspective, the standard has dispensed with the present division between operating leases and finance leases and, according to the standard, an asset will in practice be recognized for all leases (the right to use the leased asset), as well as a financial liability for the obligation to pay rent.
  The Company has an introduction project on the standard under way and has assessed the quantitative impacts of introducing the standard. The introduction of the standard will have no significant impact on the Company's equity, but it will, however, have a substantive impact on the Company's balance sheet, increasing committed capital and interest-bearing debt. The most significant impact arises from plot leases, for which lease obligations at the end of the review period totalled EUR 169.3 million.
  The standard is not expected to have a substantive impact on the Company's earnings, but the presentation of the income statement will change, such that lease expenses will be divided between depreciation and financial expenses. In addition, the standard will impact the presentation of the cash flow statement, such that lease payments will be presented in the future mainly in cash flow from financing activities.
  With respect to the introduction of the standard, the Company will apply a simplified approach, and therefore will not restate comparison year data in its reporting. The Company will also observe in its reporting the two exemptions facilitating application included in the standard that relate to low-value and short-term leases.

- **IFRIC 23 interpretation**
  Uncertainty over Income Tax Treatments, 1 January 2019. The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. SRV Group is currently assessing the potential impacts of the standards on consolidated financial statement.

Use of estimates

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

Assets recognised as revenue over time are controlled by the customer, and the revenue and expenses of these customer projects are recognised as revenue and expenses based on percentage of completion, when the outcome of the project can be reliably estimated. Percentage of completion is determined by calculating for each project the share of expenses accrued by the balance sheet date relative to total expenses estimated for each project. The amount corresponding to the percentage of completion is recognised as revenue. When it is probable that total costs necessary to complete a project will exceed total revenue obtained from the project, the expected loss is recognised immediately as an expense.

Development and developer-contracted projects includes variable considerations that may result, for example, from delay penalties and lease liabilities. Recognition of revenue is deferred for the estimated rental liability and this estimated share of project revenue is recognised as an advance received. Rental security deposits reduce project-related advances received. Uncertainties associated with signed lease agreements are taken into account in recognition of revenue.

The Group carries out an annual impairment testing of goodwill and intangible assets having an indefinite useful life. The recoverable amounts of cash-generating units have been defined on the basis of value in use calculations. The preparation of these calculations requires use of estimates.

Warranty provisions and 10-year warranty provisions are recorded when the amount of the provision can be estimated reliably. The recorded amount is the best estimate of the expected cost that will be required to meet the claim as of the balance sheet date. The estimate concerning probability of costs is based on previous similar events and previous experience and it requires judgement from the Group management.

When preparing the financial statements the Group estimates the net realisable value of current assets and the possible consequent need for write down. Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made as to the amount the inventories are expected to realise. Assessing the need for impairment of inventory items may require management to make estimates of matters such as the future costs of development and construction, the future income and expenses accruing from the item, the market return requirement at the time of realisation and the sale value of the item.

The Group's relevant holdings in associated companies and joint ventures are investments in construction projects, particularly shopping centres, together with other investors. The Group assesses the value of these investments in connection with financial statements and when there are indication of impairment. Based on an assessment of the value of the associated companies and joint ventures that own completed properties, a valuation calculation is prepared for properties. For significant investments, the Group obtains external property assessments, if necessary. The determination of the present value of investments is subject to assessment because present value calculations include, for example, future rental income, rental discounts given, turnover based rental income, occupancy rate, the running costs of the property, the required return (yield) and, with respect to shopping centres in Russia, assumptions about changes in the currency exchange rate.

When preparing the financial statements the Group especially estimates if there is a need for recognition of deferred taxes. The Group prepares an estimate about the probability of the profits of subsidiaries against which the unused tax losses or unused tax credits can be used.

Consolidated Financial Statements

Subsidiaries

The consolidated financial statements comprise all such companies that belong to parent company SRV Yhtiöt Oy where the Group has authority. The Group has authority in a company if the Group, by being involved in it, is susceptible to or entitled to its changing revenue, and is capable of exerting an impact on the revenue concerned by applying its authority in a manner that affects the company concerned. The subsidiaries will be combined within the consolidated financial statements from the day that authority is transferred to the Group, and the combination will end on the day when this authority ceases. The balance sheet items of self-sufficient construction projects are comprised within the consolidated financial statements.

The financial statements of the SRV Group have been consolidated using the purchase method. Acquisition cost is determined by taking into account funds given as consideration and measured at fair value, and liabilities assumed, as well as the direct costs of an acquisition. Acquired and identifiable assets and liabilities are measured at fair value at the acquisition date, irrespective of the size of any non-controlling interests. The amount by which the cost exceeds the fair value of Group's share of the net identifiable assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the acquired subsidiary's net assets, this difference is recorded directly to the income statement.

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

Intra-group transactions, receivables and liabilities as well as unrealised gains on intra-group transactions are eliminated in the consolidated financial statements. Unrealised losses are eliminated if the loss is not caused by impairment.

The group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

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

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

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

Associated companies and joint ventures

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

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the jointly agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture. A joint venture is an arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement, whereas in a joint operation the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to arrangement. The Group applies the IFRS 11 standard to all joint arrangements. According to IFRS 11, the joint arrangements are classified as joint operations or joint ventures in compliance with the investors' contractual rights and obligations. The Group has assessed the character of its joint arrangements and has determined that they are joint ventures.

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

The financial statement formulation principles observed by an associated company and joint venture have been amended as required to comply with the principles the Group observes. In accordance with the Group's accounting principles, Group management judges the depreciation period for the finished asset as beginning after a period of two years, when the probability of sale, occupancy rate and other important criteria will be evaluated. Depreciation entries on asset items must begin no later than three years after the completion of the asset item.

Foreign currency transactions

Functional and presentation currency

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

Group companies

The income statements of those subsidiaries whose functional currency is not Euro are translated into euros using the average rate for the financial period. The balance sheets of subsidiaries are translated into euros using the rates at the balance sheet date. The translation differences arising from the use of different exchange rates are recorded in Translation differences under equity. In so far as the loans between the group companies are considered part of net investment in foreign subsidiaries, the currency exchange differences are recorded in Translation differences. When a foreign subsidiary is sold, the cumulative translation differences are recognised in the income statement as part of the capital gain or loss.

Transactions and balance sheet items

Transactions denominated in foreign currency are recorded using the exchange rate on the date of the transaction. Monetary foreign currency items in the balance sheet are measured using the exchange rate at the closing date. Non-monetary items denominated in foreign currency are measured using the exchange rate on date of the transaction. Exchange rate gains and losses on business operations are included in corresponding items above operating profit. Exchange rate differences of financing items are included in financial income and expenses.

Income recognition

Sales revenue from construction contracts

Sales revenue is recognised when control over goods or services is transferred to the customer. The customer obtains control when it is able to direct the use of goods or services and to obtain the benefit from them. The Group's sales revenues consist of various types of residential and commercial projects as well as other sales. The revenue recognition practice is described in more detail in Note 3.

A share equivalent to SRV's own holding is eliminated from the margin of construction carried out for associated companies and joint ventures. This elimination is recognised as a reduction in revenue and is entered into the balance sheet under Advances received. The margin is realised when the holding is sold to an external party.

Order backlog

A construction project is included in the order backlog when the construction contract of the project has been signed or the decision to start construction has been made, and the contract agreement has been signed in developer contracting projects. In developer-contracted projects, the order backlog includes the plot in addition to construction. Moreover, in own-development projects, the order backlog may include the plot, and in revenue recognition it is part of the project. The order backlog consists of the share of the projects not yet recognised as revenue (including the plot). The order backlog also includes completed and unsold housing and business properties. The value of the order backlog is the expected amount of revenue to be recognised for projects.

Borrowing costs

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

Research and development expenditure

SRV Group does not have any actual research and development expenses. The Group has business-related project development costs, and the treatment of these is described in the section of the accounting policies covering inventories.

Property, plant and equipment

Property, plant and equipment is entered into the consolidated balance sheet at acquisition cost less accumulated depreciation and any accumulated impairment losses. Acquisition cost includes the expenses directly related to acquiring the asset. Assets are subject to straight-line depreciation over the estimated useful financial life of the asset. Land and water areas are not depreciated because the useful financial life of these assets cannot be determined. Depreciation is recognised as an expense over the estimated useful financial life of an asset as follows:

- Buildings: 40–60 years
- Production machinery and equipment: 3–10 years
- Office fittings: 3–10 years
- IT equipment: 3–5 years
- Vehicles and rolling stock: 5 years
- Other tangible assets: 5–10 years

The carrying amounts and economic lives of property, plant and equipment are estimated and values adjusted as needed. The Group estimates at every balance sheet date if there is a need for impairment. If the carrying amount of an asset item exceeds the estimated recoverable amount, the carrying amount is lowered to correspond the recoverable amount. When controlling interest is lost in current asset company in a transaction carried out, its remaining holding is measured at fair value.

Capital gains and losses on property, plant and equipment are included in the income statement, other operating income or other operating expenses.

Intangible assets

Intangible assets which have a limited useful life are valued at historical cost and amortised over their estimated economic life (3–5 years). Intangible assets which have an unlimited useful life are tested yearly for impairment.

Goodwill is the excess of the cost of the business combination over the fair value of the Group's share of acquired net assets. Goodwill is subject to an annual impairment test. For this purpose, goodwill has been allocated to cash-generating units. Goodwill is measured at historical cost less impairment. Impairment is expensed directly to the income statement.

Assets which are depreciated or amortised are always tested for impairment when events or changes in circumstances indicate the carrying amount may not be recovered. Impairment is recorded through profit and loss to the extent that the carrying amount of the asset item exceeds the recoverable amount. The recoverable amount is the higher of the following: the fair value of the asset item less selling costs or its value in use.

Financial assets and liabilities

As of 1 January 2018, the Group classifies its financial assets and liabilities into the following categories:

- Financial assets: Financial assets recognised at amortised acquisition cost or at fair value through profit and loss.
- Financial liabilities: Financial liabilities recognised at fair value through profit and loss or at amortised acquisition cost using the effective interest rate method.

In the Group, financial assets are measured at amortised cost, when the objective of the business model is to hold the assets and to collect the contractual cash flows and when the assets' contractual cash flows consist only of payments of principal and interest. All other financial assets are recognised and measured in the Group at fair value through profit and loss.

The Group records financial assets and liabilities in the balance sheet when it becomes a party to the contractual terms and conditions of the instrument. The Group recognises a financial asset for the first time, it shall classify financial assets and financial liabilities into the categories above.

The Group recognises a financial asset item from the balance sheet when the contractual rights to the cash flows from the financial asset cease to exist or transfer the financial asset to another party.

A financial liability is derecognised when the obligation specified in the contract has been discharged, cancelled or expired.

SRV manages financial assets and financial liabilities in accordance with the financing strategy and policy decided by the Board of Directors.

Until 31 December 2017 The Group classified its financial assets and liabilities into the following categories: financial assets held for trading, loans and other receivables, available-for-sale financial assets, financial liabilities held for trading that are recognised at fair value through profit or loss, and financial liabilities measured at amortised cost.

The classification was made in accordance with the purpose for which the financial assets were initially acquired. The Group recorded financial assets and liabilities in the balance sheet when it becomes a party to the contractual terms and conditions of the instrument. Group management defined the classification of financial assets and liabilities in the initial recognition. Purchases and sales of financial assets were recognised on the clearing day and derivatives on their trade date. Financial assets were derecognised from the balance sheet when the contractual right to the cash flows of the item included in financial assets were ceased or when the Group had transferred a significant part of the risks and returns associated with the financial assets. Financial liabilities were derecognised when the obligation specified in the contract had been fulfilled, cancelled or the liability had ceased.

Derivative Financial Instruments

At the time of entering into derivative instrument the Group designates them as either cash flow hedges of business or financing cash flows or as hedges of investments in foreign entities.

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

During the fiscal year 2018 and 2017 there were no hedges qualifying for IFRS hedge accounting.

Financial assets and liabilities at fair value through profit and loss

The derivative instruments are classified as financial assets or liabilities held for trading. Derivatives are initially recognised in the balance sheet at cost, which corresponds to their fair value on the transaction day and thereafter measured at fair value on each balance sheet date. Forward foreign exchange options are considered to be the fair value of the acquisition. Changes in fair values are recognised in the income statement under other financial income and expense and in the balance sheet under financial assets or liabilities.

However, changes in the fair value of forward foreign exchange contracts are recognised in the income statement under other operating income or expenses, because foreign exchange forward contracts are used to hedge primarily against currency rate gains and losses included in the share of associated companies' income. Financial assets and liabilities are long-term when their maturity period lasts over 12 months, and short-term when their remaining maturity period is under 12 months.

Other financial assets include long-term financial assets unless there is the intention to relinquish the investment within 12 months from the date of the balance sheet. Other financial assets can include both quoted and non-quoted shares. The investments in the sorts of non-quoted shares whose fair value is not reliably specified are valued at the purchase price. The fair value of the investment is determined on the basis of the investment's bid price. In the event that there are no quoted bid prices for the other financial assets, the Group will apply various valuation methods to their valuation. These are, for example, the recent transactions between independent interests, discounted cash flows, or other similar types of instrument valuations. The changes in the fair value of the other financial assets will be entered into the other comprehensive income and presented in an equity instalment, the Revaluation Reserve, whilst taking into consideration its tax impact. The accumulated fair value changes are transferred from equity as corrections owing to changes in the classification of items affecting income when the investment is sold or its value has declined to the extent that impairment loss from the investment should be entered. The other financial assets are derecognized when the rights to cash flows cease being valid or they are transferred, and the Group has transferred the risks and benefits connected with ownership to a substantive extent.

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

Financial assets measured at amortised cost

Financial assets measured at amortised cost are non-derivative financial assets with fixed or definable payments. They are not quoted on the market and it is not a primary intention of the company to sell them in the short term. Loans and other receivables are included in non-current or current financial assets.

Loans and other receivables, including trade receivables, are recorded in the balance sheet at amortised cost. Interest is recognised in the income statement over the maturity of the loan using the effective interest method. Impairment loss is recognised if there is evidence that the Group will not recover the receivable in full or in part according to the original terms. Matters that constitute evidence of this kind can be a debtor's serious financial problems, the probability that a debtor will end up in bankruptcy or is subjected to other financial arrangements as well as payment delinquency. The amount of the impairment is the difference between the receivable in the balance sheet and the present value of estimated future cash flows.

Impairment

As of 1 January 2018, the impairment of financial assets is assessed on the basis of expected credit losses. Trade receivables and receivables from customers related to customer projects involves a credit loss risk. The Group's commercial counterparties are mainly listed companies or major real estate or institutional investment companies. In the housing business, the counterparties are mainly private individuals. In apartment sales, the customer gains control of the apartment when all of the purchase price items have been paid. Group management has reviewed the expected cash flows of the loan receivables of associated companies and joint ventures as a whole with associated company investments, based on external valuation reports of customer projects. The company regularly assesses whether the credit risk of receivables has increased significantly after the initial recognition. If it is considered that the credit risk associated with the receivables is low or their credit risk has not significantly increased, the impairment is measured based on an estimate of the probability of credit losses occurring within

12 months, and the estimated expected cash flows are compared with the contractual cash flows. Group management has estimated that there are no material expected credit losses with respect to these items. However, Group management constantly assesses the probability of credit loss risks and monitors changes in their status.

Cash and cash equivalents

Cash and cash equivalents consist of cash, current bank deposits as well as other current liquid investments with a maturity not exceeding three months. Bank overdrafts are included in current liabilities in the balance sheet.

Hybrid bond

Shareholders' equity includes a hybrid bond which issued in 2016. The bond has no maturity date, but the company has the right to redeem it four years after the date of issue.

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

Financial liabilities measured at amortised costs

Financial liabilities are initially recognised at fair value. Transaction expenses have been included in the original carrying amount of financial liabilities. Interest is recognised in the income statement over the maturity of the loan using the effective interest method. Financial liabilities are recognised in the balance sheet under non-current and current liabilities and they can be interest-bearing or non-interest-bearing.

An external loan from a financial institution taken out by housing corporations in connection with developer contracting contracts is recognised as a liability until the project is completed. In completed developer contracting housing projects the loan is derecognised when the purchaser assumes the liability.

Leases

Operating leases

Lease agreements in which the risks and benefits are retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense in the income statement on a straight-line basis over the lease term.

Inventories

The costing of raw materials and consumables is measured using weighted average cost method.

The balance sheet item "Work in progress" comprises the cost of construction work and plot for uncompleted construction projects not yet expensed. The acquisition costs included in the Work in progress are raw materials, direct cost of labour, other direct costs, indirect costs of purchase and construction as well as borrowing costs in certain cases. In SRV's developer-contracted housing projects, part of interest expenses on borrowing is capitalized during the construction period in current assets in accordance with the Group's capitalization rate. During the reporting period, SRV changed its capitalization practice such that, with respect to developer-contracted housing projects, interest expenses on borrowing are capitalized primarily using the project-specific financing cost. If the proportion of project-specific financing is not significant, the Group's capitalization rate is used in capitalizing interest expenses. The significance of project financing obtained for developer-contracted housing projects has grown during the reporting period and, in addition, the cost of borrowing is currently significantly lower than the Group's average interest rate, so the new practice will, in the company's view, result in a more correct capitalization of interest expenses. In the comparison year, the Group's general financing was mainly used for developer-contracted housing projects, and as a result the revision of the capitalization practice would not, in the company's view, have a substantial impact on the comparison periods presented in the financial statements.

The balance sheet item "Land areas and plot-owning companies" comprises costs of development stage projects. The costs that are considered to increase the value of land areas and plot-owning companies are capitalised.

The balance sheet item "Shares in completed housing corporations and real-estate companies" comprises unsold completed projects.

The balance sheet item "Advance payments" comprises advance payments in connection with the inventories.

The balance sheet item "Other inventories" comprises share capitals from projects of which the decision to start construction has not yet been made and the property bought for resale.

Inventories are valued at the lower of cost and net realisable value. In ordinary business, net realisable value is the estimated selling price which is obtainable, less the estimated costs incurred in bringing the product to its present condition and selling expenses.

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

The net realisable value of work in progress and completed housing corporations and real-estate companies is based on their selling price at the expected time of sale.

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

Expenses arising from construction plans for plots managed mainly by SRV and classified as current assets are deemed eligible for activation when they can be reliably to have a positive impact on the value of the plot or project. These expenses can be capitalised before a decision is made on the launch of construction.

Income taxes

Tax expense in the income statement comprises current taxes and deferred taxes. Current tax is calculated based on the taxable income for the financial period using the statutory tax rate that is force in each country at the balance sheet date (and local tax legislation). Taxes are recognised in the income statement, other than those related to items of other comprehensive income or items directly recognised as equity. Taxes are adjusted for any taxes for previous periods.

Deferred tax assets or liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred tax asset is recognized for unused losses and all temporary differences.

Deferred taxes are not recognised in connection with investments made in subsidiaries when the Group can control the timing of the reversal of the temporary difference, and the temporary difference will probably not be reverse in the foreseeable future.

A tax asset is recognised to the extent when it is probable that the asset can be utilised against future taxable income. If a Group company has made a loss in the immediate past then, of the taxable loss, an imputed tax asset is recognised only up to the amount where the company has sufficient taxable temporary differences or other convincing evidence of the ability to utilise the taxable loss.

Employee benefits

Pension liabilities

Group companies have various pension plans in accordance with the local regulations and practices of each country of operation. Pension plans are funded through contributions paid to insurance companies based on paid salaries and wages.

The Group has only defined contribution plans. The payments in connection with Group's defined contribution plans are recognised in the income statement in the period which they relate to.

Share-based payment

The Group applies IFRS 2 Share-based Payment standard on its share-based incentive schemes. Share-based incentive scheme share settled transaction are valued at fair value by using the share price at the time of granting and paid in cash are valued at fair value in every interim and annual closing. Changes in value are recognised in the income statement over their effective period. The share-based payments of the Group are cash or share settled transactions.

Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of a past event, the payment obligation is probable and the amount of obligation can be reliably estimated.

If compensation can be received from a third party for a part of the obligation, the compensation is recognised as a separate item when it is virtually certain that the compensation will be received. A provision is recognised for a loss-making contract when the costs required to meet the obligations exceed the benefits received from the contract.

SRV and its subsidiaries are reengaged in several legal proceedings which relate to ordinary business or to other processes. The result of these legal proceedings and processes is difficult to predict. In case of litigation a provision is recognised in the financial statements according to the mentioned accounting policies when there is a legal or constructive obligation against third-party, payment obligation is probable and the amount of an obligation can be reliably estimated.

Warranty provisions comprise the costs resulting from the repair of completed projects if the warranty period is still in effect at the balance sheet date. A warranty provision is recognised at the time of the project hand-over, and the amount of provision is based on prior experience of the materialisation of warranty expenses. It is expected that warranty provisions are used during the two years from the completion of the project.

The level of the construction industry's 10-year warranty provision is based on index-adjusted historical information or the estimated total costs of certain individual projects. It is expected that a 10-year provision will be used over the ten years following the completion of the project.

Dividends

The dividend payout proposed by the Board of Directors to the Annual General Meeting is recognised in the financial statements when the company's shareholders have approved the relevant resolution at the Annual General Meeting.

1 SEGMENT INFORMATION

Segment information has been prepared in compliance with IFRS 8 and it follows the accounting standards of Group's financial statements as well as the Group's management and organisational structure.

Pricing of transactions between the operating segments equals the market price. Segments assets and liabilities are those assets and liabilities that the segment uses in its operations or which can be allocated to the segments on a reasonable basis. Unallocated items include income taxes and financial items as well as Group level items.

Operating segments

SRV Group has the following operating segments:

Operations in Finland

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

International operations

International Operations is specialised in the implementation of construction projects in Estonia and in Russia's regional centres as well as in developer construction of residential projects in selected markets. Business operations in Russia also includes facility management. The product range covers housing, office and commercial premises as well as logistics and industrial sites. The clientele consists primarily of Finnish and international companies as well as real-estate investors and consumers.

Other operations and eliminations itemization include Group services and the services related to rental of construction equipment and eliminations of group internal transactions. Equipment rental company was sold 19th of December 2018.

The geographical distribution of the Group's operations is in line with the operating segments. International Operations comprise the operations in Russia and in Estonia. The operations of other business segments comprise the operations in Finland.

Operating segment information

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

In accordance with the IFRS 8 definition, the Group had one significant individual customer during the year 2018 in Finland's operations. During the year 2017 Group had one. The customer's share of the Group's net sales was approximately 12 percent.

2018

EUR 1,000	Operations in Finland	International operations	Other operations and eliminations	Total
Revenue				
Revenue recognition at a point in time	137,731	1,479	0	**139,210**
Revenue recognition over time	800,686	4,057	438	**805,181**
Other revenue	11,676	2,423	1,176	**15,275**
Revenue, internal	52	66	-117	**0**
Total	**950,145**	**8,026**	**1,496**	**959,667**
Included in operating profit:				
Depriciations and write-downs	-1,424	-2,305	-1,557	**-5,286**
Operating profit	**-14,319**	**-17,831**	**12,370**	**-19,780**
Segment's assets				
Shares in associated and joint venture companies	112,035	68,124	0	**180,159**
Inventories total	353,076	85,120	4	**438,199**
Land areas and plot-owning companies	62,816	82,482	0	**145,298**
Work in progres	261,127	68	0	**261,194**
Shares in completed housing corporations and real estate companies	22,561	2,535	0	**25,097**
Other inventories	6,572	34	4	**6,611**
Loan receivables from associated companies and joint ventures	20,867	50,999	0	**71,866**
Other assets	134,202	27,002	95,605	**256,809**
Total	**620,179**	**231,244**	**95,609**	**947,033**
Segment's liabilities				
Total	**410,092**	**167,022**	**136,307**	**713,421**
Invested capital				
At the end of period	323,761	213,035	74,170	**610,966**
Return on investment, %	-3.8	-7.7		**-2.9**
Order backlog	**1,816,024**	**15,983**		**1,832,007**
Business construction	1,233,295			
Housing construction	582,728			

2017 EUR 1,000	Operations in Finland	International operations	Other operations and eliminations	Total
Revenue				
Revenue recognition at a point in time	209,206	3,233	0	212,439
Revenue recognition over time	877,764	12,422	0	890,186
Other revenue	9,055	2,256	452	11,763
Revenue, internal	45	62	-107	0
Total	**1,096,070**	**17,973**	**345**	**1,114,388**
Included in operating profit:				
Depriciations and write-downs	-1,767	-1,702	-2,247	-5,716
Operating profit	**40,296**	**-18,394**	**-4,832**	**17,070**
Segment's assets				
Shares in associated and joint venture companies	98,940	91,518	0	190,458
Inventories total	329,399	89,417	5	418,821
Land areas and plot-owning companies	101,699	84,591	0	186,290
Work in progres	195,269	0	0	195,269
Shares in completed housing corporations and real estate companies	24,958	4,788	0	29,745
Other inventories	7,474	39	5	7,517
Loan receivables from associated companies and joint ventures	16,664	50,114	0	66,778
Other assets	168,348	35,414	8,706	212,468
Total	**613,351**	**266,464**	**8,711**	**888,526**
Segment's liabilities				
Total	**386,935**	**169,780**	**48,420**	**605,135**
Invested capital				
At the end of period	368,404	241,706	-5,612	604,498
Return on investment, %	11.9	-6.7		3.4
Order backlog	**1,526,684**	**21,238**		**1,547,922**
Business construction	920,272			
Housing construction	606,411			

2 ACQUISITIONS AND DISPOSALS

SRV Group did not acquire any new businesses in 2018 and the previous year.

Divestments 2018

In December 2018, SRV sold SRV Kalusto Oy's entire share capital to Ramirent Finland Oy. The company's debt free purchase price was EUR 21 million. Considering the companies debt the purchase price was EUR 18,9 million. SRV recorded capital gain of approximately EUR 14 million.

Impact of divestments on Group's assets and liabilities

EUR 1,000	SRV Kalusto Oy 2018
Tangible assets	5,448
Trade and other receivables	1,373
Cash and cash equivalents	298
Assets, total	**7,119**
Deferred tax liabilities	-118
Financial liabilities	-2,333
Trade and other payables	-668
Liabilities, total	**-3,119**
Net assets	4,000
Adjustment to capital loss	9
Sales price	18,879
Transaction fees paid	-926
Net capital gain	**13,962**

Cash flow from sale of operations

EUR 1,000	**SRV Kalusto Oy 2018**
Sales price	18,879
Cash and cash equivalents of divested operations	-298
Cash flow from sale of operations	**18,581**

3 SALES REVENUE FROM CUSTOMER CONTRACTS

EUR 1,000	**2018**	2017
Revenue[1]	959,667	1,114,388
Attributable to		
Revenue recognition at a point in time	139,210	212,439
Revenue recognition over time	805,181	890,186
Other revenue	15,275	11,763
Total	959,667	**1,114,388**

[1] A breakdown of revenue by segment is reported in Note 1 Segment information.

Sales revenue for the following SRV project types is recognised at a point in time:
Developer-contracted residential project and commercial project

Sales revenue for the following SRV project types is recognised over time:
Fixed-price contract, project management contract, turnkey contract (overall responsibility for the construction), alliance contract, residential development project, commercial development project and shopping centre management.

EUR 1,000	2018	2017
Assets and liabilities based on customer contracts: The Group's trade receivables and trade payables are mainly based on customer contracts. The Group's balance sheet includes the gross amount due related to customer contracts and other short-term advance payments.		
Gross amount due based on customer contracts	16,037	36,583
Advance payments related to customer contracts	119,675	81,311

EUR 1,000	2018	2017
Sales revenue recognised related to liabilities based on customer contracts		
Sales revenue recognised that was included in contract-based liabilities at the beginning of the period	81,311	101,809
Sales revenue recognised for performance obligations fulfilled in earlier periods	36,583	31,476

Customer contract performance obligations and significant judgment-based solutions

The Group's most common project types are: fixed-price contract, project management contract, turnkey contract (overall responsibility for the construction), alliance contract, residential development project, commercial development project, developer-contracted residential project and commercial project.

In SRV's contractor agreements and development projects, the management tasks and structural engineering work of a construction or renovation project management contact concerning a property owned by the customer have typically been agreed with the customer. Contract projects may include a number of different work stages and tasks. These mainly, however, form a single integrated entity that is handled as one performance obligation.

In developer-contracted projects, buyers of apartments may be offered a parking space or a removal service. In that case, the parking space and removal service are considered to be separate performance obligations. Typically, these are handed over and recognised as revenue at the same time as the apartment itself. Any possible consideration exemptions are equivalent to discounts and these are taken into account as an adjustment to the selling price.

The Group's contract projects include variable considerations resulting, for example, from penalties or from undershooting or overshooting the target price. Group management monitors and assesses variable considerations at the end of each reporting period. The transaction price used in revenue recognition is based on the most likely estimate. Of the estimated amount of variable consideration, only that portion is included in the transaction price and revenue only recognised up to an amount such that it is highly likely that no significant reversal will have to be made to the amount of accrued recognised sales revenue.

Development and developer-contracted projects also include variable considerations that may result, for example, from delay penalties and lease liabilities. Recognition of revenue is deferred for the estimated rental liability and this estimated share of project revenue is recognised as an advance received. Rental security deposits reduce project-related advances received. Uncertainties associated with signed lease agreements are taken into account in recognition of revenue.

Assets recognised as revenue over time are controlled by the customer, and the revenue and expenses of these customer projects are recognised as revenue and expenses based on percentage of completion, when the outcome of the project can be reliably estimated. Percentage of completion is determined by calculating for each project the share of expenses accrued by the balance sheet date relative to total expenses estimated for each project. The amount corresponding to the percentage of completion is recognised as revenue. When it is probable that total costs necessary to complete a project will exceed total revenue obtained from the project, the expected loss is recognised immediately as an expense. If the expenses and recorded profits arising from a customer project exceed the amount of progress billings, the difference is disclosed in the balance sheet item "trade and other receivables". If expenses and recorded profits arising from a customer project are less than the amount of progress billings, the difference is disclosed in the balance sheet items "trade and other payables". Tables of payments are used in customer billing, and terms of payment for contracts typical for the industry are agreed.

Customer projects recognised as revenue at a point in time are recognised after control of the asset has been transferred and at the earliest after the completion of the project. The share of revenue and expenses corresponding to the percentage of sale at the time of completion is recognised as revenue for the projects.

Development and developer-contracted projects may include a separate financing component. A significant financing component may arise in factoring projects in which the factoring costs are not charged from the client. On average, the construction time in Group factoring and developer contracting projects is less than two years, in which case the average financing period is less than a year. In these, the Group will apply the "practical expedient" for periods of less than a year as set out in IFRS 15.63. The Group also has projects with an average financing period of more than one year. In such projects, the treatment procedure for a substantial financing component is applied and the item recognised as a reduction in revenue and an adjustment of interest income on financial items.

Customer project warranty provisions comprise the costs resulting from the repair of completed projects if the warranty period is still in effect at the balance sheet date. A warranty provision is recognised at the time of the project handover, and the amount of provision is based on prior experience of the materialisation of warranty expenses. It is expected that warranty provisions will be used during the two years following the completion of the project. The level of the construction industry's 10-year warranty provision is based on index-adjusted historical information or the estimated total costs of certain individual projects. It is expected that a 10-year provision will be used over the ten years following the completion of the project.

The plots of development projects are recognised as revenue over time. The timing of the revenue recognition of plots is always assessed on a case-by-case basis, however.

EUR 1,000					
Transaction price allocated to the remaining performance obligations of customer contracts		Within 1 year	Within 2 years	Within 3 years	Within 4 years
		52%	30%	15%	3%
The aggregate amount of the transaction price allocated to long-term customer project contracts that are partly or completely unfulfilled	1,665,677	863,089	506,096	252,865	43,627

In practice, table reflects the amount of order backlog sold and its recognition as revenue in future years.

Assets from obtaining or fulfilling customer contracts

Sales commissions may be associated with projects recognised as revenue over time. Expenses arising from obtaining these contracts are capitalised in project costs and recognised as an expense over the term of the contract. During the reporting period and in the comparison period, the Group did not have any related assets.

Practical aids used in preparing the financial statements

The Group has not adjusted customer contracts that were fully implemented before the standard came into force.

The Group does not disclose comparison year information for the transaction price allocated to remaining performance obligations.

4 OTHER OPERATING INCOME

EUR 1,000	2018	2017
Capital gains on sales of property, plant and equipment and intangible assets	315	136
Rental income	492	1,083
Capital gain on sales of subsidiary	14,868	0
Other income	1,251	1,227
Total	**16,926**	**2,446**

5 OTHER OPERATING EXPENSES

EUR 1,000	2018	2017
Rental expenses	2,992	2,754
Voluntary indirect personnel expenses	2,468	2,512
Car and travel expenses	1,154	1,095
Entertainment and marketing	1,237	1,888
Communications and IT	2,763	2,834
Other external services	2,264	1,868
Other fixed expenses	5,392	5,484
Forward deal of currency hedging	-568	2,521
Total	**17,708**	**20,957**

Auditing fees

EUR 1,000	2018	2017
Audit	282	287
Auditors' statements	80	10
Tax services	19	6
Other services	48	77
Total	**429**	**381**

PricewaterhouseCoopers Oy has provided non-audit services to the entities of SRV Group in total of 144 thousand euros during financial year 2018 (87 thousand).

6 DEPRECIATION AND IMPAIRMENTS

EUR 1,000	2018	2017
Depreciation		
Intangible assets		
Other intangible assets	490	520
Property, plant and equipment		
Buildings and structures	629	628
Machinery and equipment	2,428	3,475
Other tangible assets	96	92
Impairment		
Impairment in investments	1,642	1,000
Total	**5,286**	**5,716**

An impairment of EUR 1,6 million (EUR 1.0 million in 2018) made for two projects is directed at the International Operations segment.

7 EMPLOYEE-BENEFIT EXPENSES

EUR 1,000	2018	2017
Wages and salaries[1]	62,093	62,025
Pension expenses – defined contribution plans	11,185	11,349
Share-based incentive scheme	-488	1,243
Other indirect personnel expenses	2,692	3,071
Total	**75,482**	**77,688**

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

Average number of personnel	2018	2017
Operations in Finland	879	867
International Operations	145	170
Other	106	97
Total	**1,129**	**1,134**

Share-based incentive schemes

Grant year	2014[1]	2014[2]	2017[3]	Total
Reward principle	Set targets	Employment	Set targets	
Original exercise price	-	3.14	-	
Dividend and right issue adjusted exercise price 31.12.18*	-	2.61	-	
Subscrition period	2014–2016	2015–2021	2017–2019	
Total amount*	588,000	720,000	1,000,000	
Share incentives 1.1.2017	**206,476**	**432,000**	**0**	**638,476**
Additions	0	0	946,000	**946,000**
Share incentives used	206,476	0	0	**206,476**
Share incentives returned or expired	0	0	545,434	**545,434**
Share incentives 31.12.2017	**0**	**432,000**	**400,566**	**832,566**
Share incentives 1.1.2018	**0**	**432,000**	**400,566**	**832,566**
Additions	0	0	34,500	**34,500**
Share incentives used	0	0	0	**0**
Share incentives returned or expired	0	0	306,066	**306,066**
Share incentives 31.12.2018	**0**	**432,000**	**129,000**	**561,000**
IFRS-Costs 2017, EUR 1,000**	-380	-83	-779	**-1,242**
IFRS-Costs 2018, EUR 1,000**	247	-37	277	**488**
Shares granted based on incentives, 2017	206,476	0	0	**206,476**
Shares granted based on incentives, 2018	0	0	0	**0**

[1] On 13 February 2014, the Board of Directors decided on a new share-based incentive scheme for the Group's key personnel. The scheme covers 26 key SRV personnel. The scheme will be in effect from 2014 to 2016 and rewards are tied to Group's result and specific business indicators. The potential reward will be paid partly as shares in the company and partly in cash. The proportion to be paid in cash will cover taxes and tax-related costs arising from the reward. A maximum of 558,000 SRV Group shares will be granted to key employees. The theoretical market value is calculated by the Black & Scholes -model used for pricing options with the following criteria: share price EUR 4.00, risk-free interest rate 0.86% and volatility 32 per cent. If a key person's employment or service ends during said restriction period, he/she must return the shares rewarded under the scheme to the company without compensation. The total recognized IFRS value of shares conveyed over the lifetime of incentive scheme will be approximately EUR 2.5 million with the addition of the cash payments.

[2] In December 2014, the Board of Directors of SRV decided on new CEO's, starting from the beginning of January 2015, long-term share-based incentive scheme. The scheme will be in effect from 2015 to 2022 and the reward is based on the price development of SRV Group Plc's share. The company's Board of Directors will make a decision on the manner of implementation each time separately According to the terms of the scheme, half of the post-tax value of the rewards must be tied to SRV Group Plc shares and the shares are subject to a two-year transfer restriction. The theoretical market value is calculated by the Black & Scholes -model used for pricing options with the following criteria: original share price EUR 3.12, reference share price EUR 3.1374, risk-free interest rate 0.37% and volatility 25 per cent. The total recognized IFRS value of shares conveyed over the lifetime of incentive scheme will be approximately EUR 0.5 million.

[3] In February 2017, the Board of Directors decided on a new share-based incentive scheme for the Group's key personnel. The scheme covers 40 key SRV personnel. The scheme will be in effect from 2017 to 2019 and rewards are tied to Group's result and specific business indicators. The potential reward will be paid partly as shares in the company and partly in cash. The proportion to be paid in cash will cover taxes and tax-related costs arising from the reward. A maximum of 1,000,000 SRV Group shares will be granted to key employees. The original cost of the share-based incentive scheme is calculated by using the share price EUR 5.20, which makes the IFRS-cost for the scheme EUR 5.5 million with the addition of the cash payments. Actual cost is based how the company will achieve the financial targets and the market value of the share. If a key person's employment or service ends during said restriction period, he/she must return the shares rewarded under the scheme to the company.

The liabilities related to share-based payment transactions amounted to EUR 191 thousand and EUR 761 thousand (2017) in the consolidated financial statements.

* The Board of Directors of SRV Group Plc decided on 17 December 2015 to modify the company's share-based incentive scheme as a result of the rights issue implemented in September 2015. The purpose of the modifications is to assure that the value of the benefit remains unchanged for participants within the schemes.

** IFRS-Costs recognised in the income statement.

8 RESEARCH AND DEVELOPMENT EXPENSES

SRV Group does not have any actual research and development expenses. The Group has business-related project development costs, and the treatment of these is described in the section of the accounting policies covering inventories.

9 FINANCIAL INCOME AND EXPENSES

EUR 1,000	2018	2017
Financial income		
Interest income from associated and jv-companies	4,098	3,677
Interest income from the other receivables	969	661
Other financial income	471	983
Total	**5,541**	**5,322**
Financial expenses		
Expenses for financial liabilities at amortised cost	-13,756	-14,013
Financial assets and liabilities at fair value through profit and loss	-579	1,902
Foreign exchange losses	-3,474	-2,127
Other financial expenses	-5,226	-1,776
Total	**-23,036**	**-16,014**
Financial income and expenses, total	**-17,495**	**-10,692**

10 INCOME TAXES

Income taxes in the income statement

EUR 1,000	2018	2017
Current taxes	691	713
Taxes for previous financial years	-65	88
Deferred taxes	-6,683	-1,974
Total	**-6,057**	**-1,173**
Effective income tax rate %	16.2%	-25.3%

The income taxes in the consolidated income statement differ from the statutory income tax rate in Finland (20 percent in 2018 and in 2017) as follows:

Income tax reconciliation

EUR 1,000	2018	2017
Profit before taxes	**-37,275**	**4,638**
Income taxes at statutory tax rate in Finland	-7,455	928
Differing tax rates of foreign subsidiaries	-25	-7
Tax exempt income	-2,987	-69
Realization of previously unrecognized deferred tax receivables	0	-1,581
Realization of temporary accrual differences arising from business combinations recognized as deferred tax receivables	0	-2,771
Non-deductible expenses	443	408
Unrecognized and reversed tax losses	1,421	-845
Taxes for previous financial years	-65	88
Share of profits of associated and joint venture companies	2,612	2,675
Income taxes	**-6,057**	**-1,173**

Income taxes recognized in other comprehensive income

	2018			2017		
EUR 1,000	Before tax	Tax impact	Net of tax	Before tax	Tax impact	Net of tax
Other financial assets	0	0	0	-48	10	-38
Total	**0**	**0**	**0**	**-48**	**10**	**-38**

The income tax credited directly to equity

EUR 1,000	2018	2017
Hybrid Bond interests tax	810	810
Total	**810**	**810**

11 EARNINGS PER SHARE

EUR 1,000	2018	2017
Profit/loss for the year attributable to equity holders of the parent	-30,121	5,987
Profit/loss for the year attributable to Hybrid Bond investors, tax adjusted	-3,150	-3,150
Profit/loss for the calculate the earnings per share	-33,271	2,837

Number of shares	2018	2017
Weighted average number of shares outstanding, (1,000)	59,581	59,540
Weighted average number of shares outstanding (diluted), (1,000)	59,581	59,540
Earnings per share attributable to equity holders of the parent company, eur per share	**-0.56**	**0.05**
Earnings per share attributable to equity holders of the parent company (diluted), eur per share*	**-0.56**	**0.05**

12 DIVIDEND PER SHARE

The dividends paid in 2018 was EUR 0.06 per share, totalling EUR 3.6 million. The dividends paid in 2017 was EUR 0.10 per share, totalling EUR 6.0 million. A proposal for the Annual General Meeting on 19 March 2019 is that dividend from the year 2018 will not be paid.

13 PROPERTY, PLANT AND EQUIPMENT

2018

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Historical cost, 1 Jan.	271	10,772	36,753	1,075	48,871
Increases	0	0	3,841	1	3,842
Decreases	-230	-437	-22,673	-177	-23,516
Transfer	0	0	0	0	0
Foreign exchange differences	0	-6	-71	-44	-121
Historical cost, 31 Dec.	41	10,329	17,851	855	29,076
Accumulated depreciation and impairments, 1 Jan.	0	-8,713	-28,654	-457	-37,823
Depreciation	0	-629	-2,428	-96	-3,153
Accumulated depreciations of decreases	0	215	17,576	61	17,852
Foreign exchange differences	0	5	65	10	80
Transfer	0	0	0	0	0
Accumulated depreciation and impairments, 31 Dec.	0	-9,122	-13,441	-482	-23,044
Carrying amount, 31 Dec.	41	1,207	4,410	373	6,032

2017

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Other tangible assets	Total
Historical cost, 1 Jan.	271	11,004	34,466	716	46,457
Increases	0	-12	2,974	378	3,340
Decreases	0	-214	-644	0	-859
Transfer	0	0	0	0	0
Foreign exchange differences	0	-6	-42	-19	-67
Historical cost, 31 Dec.	271	10,772	36,753	1,075	48,871
Accumulated depreciation and impairments, 1 Jan.	0	-8,331	-25,801	-372	-34,504
Depreciation	0	-628	-3,475	-92	-4,196
Accumulated depreciations of decreases	0	0	582	-1	581
Foreign exchange differences	0	246	41	8	295
Transfer	0	0	0	0	0
Accumulated depreciation and impairments, 31 Dec.	0	-8,713	-28,654	-457	-37,823
Carrying amount, 31 Dec.	271	2,059	8,100	618	11,048

SRV Group had no significant value of finance lease agreements in 2018 and 2017.

14 GOODWILL AND OTHER INTANGIBLE ASSETS

2018

EUR 1,000	Intangible rights	Goodwill	Other capitalised expenditure	Total
Historical cost, 1 Jan.	934	1,734	2,922	5,590
Foreign exchange differences	0	0	-3	-3
Increases	0	0	826	826
Decreases	0	0	-284	-284
Historical cost, 31 Dec.	934	1,734	3,461	6,130
Accumulated amortisation, 1 Jan.	-527	0	-1,818	-2,344
Amortisation	-1	0	-489	-490
Accumulated depreciations of decreases	-38	0	0	-38
Write downs	0	0	0	0
Foreign exchange differences	0	0	38	38
Accumulated amortisation, 31 Dec.	-566	0	-2,269	-2,834
Carrying amount, 31 Dec.	369	1,734	1,193	3,295

2017

EUR 1,000	Intangible rights	Goodwill	Other capitalised expenditure	Total
Historical cost, 1 Jan.	861	1,734	2,866	5,461
Foreign exchange differences	0	0	-2	-2
Increases	90	0	57	147
Decreases	-16	0	0	-16
Historical cost, 31 Dec.	934	1,734	2,922	5,590
Accumulated amortisation, 1 Jan.	-510	0	-1,330	-1,841
Amortisation	-2	0	-518	-520
Accumulated depreciations of decreases	-31	0	31	0
Write downs	16	0	0	16
Accumulated amortisation, 31 Dec.	-527	0	-1,818	-2,344
Carrying amount, 31 Dec.	408	1,734	1,104	3,246

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

Goodwill

EUR 1,000	2018	2017
Operations in Finland		
SRV Rakennus Oy	1,734	1,734
Total	1,734	1,734

Impairment test

The recoverable amount of cash-generating units is based on value in use calculation model in which cash flows are based on base year figures and on business units growing cash flows for the next 5 years strategy period.

In the impairment test of goodwill performed in December 2018, a growth factor of 2 per cent was used and it does not exceed the actual long-term growth of the business. The main factors in impairment test are operating profit margin and discount factor. The discount factor used is the latest weighted average cost of capital (WACC) pre-tax. In the value in use calculation a WACC of 9,0 per cent was used. The calculation parameters of WACC are risk-free interest rate, market risk and company specific premium, industry specific beta, the cost of liabilities and equity ratio.

The recoverable amount exceeded the carrying amounts significantly in all cash-generating unit with goodwill. According to the impairment tests there were no need for impairments.

Sensitivity analysis

The performed sensitivity analysis does not cause impairments for cash-generating units when using moderate changes in default factors.

15 FINANCIAL ASSETS AND LIABILITIES BY MEASUREMENT CATEGORIES

2018

EUR 1,000	Financial assets and liabilities at fair value through profit and loss	Financial assets and liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value	Note
Non-current financial asset					
Long-term interest bearing receivables	0	727	**727**	**727**	18
Loan receivables from associated companies and joint ventures	0	67,270	**67,270**	**67,270**	21
Other financial assets	18,320	0	**18,320**	**18,320**	17
Current financial assets					
Accounts receivables	0	47,295	**47,295**	**47,295**	22, 28
Construction contracts receivables	0	16,037	**16,037**	**16,037**	22
Other interest bearing receivables	0	6	**6**	**6**	22
Derivative instruments	1,384	0	**1,384**	**1,384**	30
Loan receivables from associated companies and joint ventures	0	0	**0**	**0**	21
Cash and cash equivalents	0	93,074	**93,074**	**93,074**	23
Total	**19,705**	**224,408**	**244,113**	**244,113**	
Non-current financial liabilities					
Interest bearing liabilities	0	284,074	**284,074**	**279,720**	26
Derivative instruments	6,677	0	**6,677**	**6,677**	30
Other non-current liabilities	0	8,972	**8,972**	**8,972**	27
Current financial liabilities					
Interest bearing liabilities	0	91,794	**91,794**	**91,794**	26
Accounts payables	0	79,503	**79,503**	**79,503**	27
Total	**6,677**	**464,342**	**471,019**	**466,665**	

2017

EUR 1,000	Financial assets and liabilities at fair value through profit and loss	Loans and receivables	Available-for-sale financial assets	Financial liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value	Note
Non-current financial asset							
Long-term interest bearing receivables	0	945	0	0	**945**	**945**	18
Loan receivables from associated companies and joint ventures	0	66,778	0	0	**66,778**	**66,778**	21
Other financial assets	0	0	15,991	0	**15,991**	**15,991**	17
Current financial assets							
Accounts receivables	0	53,447	0	0	**53,447**	**53,447**	22, 28
Construction contracts receivables	0	36,583	0	0	**36,583**	**36,583**	22
Other interest bearing receivables	0	6	0	0	**6**	**6**	22
Derivative instruments	446	0	0	0	**446**	**446**	30
Loan receivables from associated companies and joint ventures	0	0	0	0	**0**	**0**	21
Cash and cash equivalents	0	23,475	0	0	**23,475**	**23,475**	23
Total	**446**	**181,235**	**15,991**	**0**	**197,672**	**197,672**	
Non-current financial liabilities							
Interest bearing liabilities	0	0	0	170,769	**170,769**	**185,078**	26
Derivative instruments	6,098	0	0	0	**6,098**	**6,098**	31
Other non-current liabilities	0	0	0	17,722	**17,722**	**17,722**	28
Current financial liabilities							
Interest bearing liabilities	0	0	0	150,338	**150,338**	**151,461**	26
Accounts payables	0	0	0	0	**79,780**	**79,780**	27
Total	**6,098**	**0**	**0**	**338,828**	**424,706**	**440,139**	

Carrying amounts do not differ substantially from Fair value excluding bonds. The fair values of the bonds are based on 31.12.2018 market prices. Counterparty price quotations are used to determine the fair value of derivatives. These price quotations are based on predominant market circumstances and generally accepted pricing models. Carrying amounts of financial assets represent the maximum amount of credit risk at the balance sheet date.

16 SHARES IN ASSOCIATED AND JOINT VENTURE COMPANIES

Shares in associated and joint venture companies

EUR 1,000	2018	2017
Shares in associated companies	43,946	60,366
Shares in joint venture companies	136,212	130,093
Total	**180,158**	**190,458**

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

Information about the substantial associated companies

	Domicile	Direct ownership (%)	
Name		2018	2017
Jupiter Realty 1 B.V	Netherlands	45	45

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

Information about the substantial joint venture companies

	Domicile	Direct ownership (%)	
Name		2018	2017
Netherland Pearl Plaza B.V	Netherlands	50	50
KSK REDI Ky (REDI)	Finland	40	40
KSK Parking I Ky (REDI)	Finland	40	40

Netherland Pearl Plaza B.V the joint venture company is investing into Pearl Plaza project in St Petersburg. REDI joint venture companies are investing in construction of Helsinki Kalasatama shopping center and parking facility.

Financial information about the substantial associated companies

	Jupiter Realty 1 B.V		Netherland Pearl Plaza B.V		REDI	
EUR 1,000	2018	2017	2018	2017	2018	2017
Cash and cash equivalents	0	0	10,483	5,089	4,922	11,768
Other short term assets	11,377	12,043	1,652	2,365	11,227	12,507
Short term assets	**11,377**	**12,043**	**12,135**	**7,455**	**16,149**	**24,275**
Long term assets	**151,925**	**180,501**	**133,441**	**155,494**	**485,369**	**369,813**
Long term liabilities	**9,520**	**24,091**	**7,505**	**21,325**	**11,942**	**1,378**
Long term financial liabilities	0	0	87,516	81,379	252,972	154,432
Long term liabilities	117,188	108,724	0	0	0	0
Other long term liabilities	**117,188**	**108,724**	**87,516**	**81,379**	**252,972**	**154,432**
Revenue	0	0	19,389	19,370	6,061	0
Depreciation	0	0	-3,104	-3,487	-80	0
Interest income	0	0	2,152	0	120	2
Interest expenses	0	0	-8,793	-5,279	-376	-41
Income taxes	0	0	781	18	76	263
Profit for the financial period	-12,964	-14,415	-2,384	-2,783	-1,674	-1,053
Other comprehensive income	-6,187	-4,348	-3,763	-2,446	0	0
The reconciliation of the associated companies financial information to Group's unbooked book value:						
Group's ownership-%	45	45	50	50	40	40
Group's share of net assets	16,467	26,878	25,278	30,123	95,209	95,883
Adjustment to purchase price of associated companies	15,381	15,381	0	0	853	853
The balance sheet value of the associated companies in Group balance sheet	31,847	42,258	25,278	30,123	96,062	96,736

Summary of financial information

	Other associated companies		Other joint venture companies	
	2018	2017	2018	2017
The Group's share of the profit	-2,960	-3,516	-2,401	-1,559
The total book value in Group's balance sheet	12,099	18,108	14,873	3,234

17 OTHER FINANCIAL ASSETS

Other financial assets may include quoted or unquoted shares. The valuation methods and the fair value hierarchy of the available-for-sale financial assests are presented in note 28.

EUR 1,000	2018	2017
Opening balance at 1 Jan. [1]	**15,991**	**13,913**
Increases	2,398	2,060
Decreases	-69	-30
Amount of available-for-sale financial assets, transferred into the income statement 2017	0	48
Closing balance, 31 Dec. [2]	**18,320**	**15,991**
Non-current	18,320	15,991
Current	0	0
Unquoted shares	18,320	15,991

[1]Heading for previous year "Available for sale 1.1."
[2]Heading for previous year " Available for sale 31.12."

18 RECEIVABLES

EUR 1,000	Carrying amount 2018	Carrying amount 2017
Non-current receivables		
Loan receivables	727	945
Total	**727**	**945**

19 DEFERRED TAX ASSETS AND LIABILITIES

2018

EUR 1,000	1 Jan.	Recognised in the income statement	Recognised in comprehensive income	Recognised in equity	Acquisitions and disposals of business	Exchange rate difference	31 Dec.
Deferred tax assets							
Operating losses	4,707	7,479	0	0	467	0	12,653
Employee-benefits	36	-18	0	0	0	0	18
Unrealised losses of financial instruments	274	-72	0	0	0	0	203
Accrual differences in developer contracting	1,244	-500	0	0	0	0	744
Undeductible depreciations in taxation	3,906	-1	0	0	-51	0	3,854
Other temporary differences	1,523	-260	0	-22	0	-158	1,083
Total	**11,690**	**6,628**	**0**	**-22**	**417**	**-158**	**18,555**
Deferred tax liabilities							
Borrowing costs	1,066	-45	0	0	0	0	1,021
Cumulative depreciation differences	0	104	0	0	0	0	104
Other temporary differences	4,063	-113	0	0	0	0	3,950
Total	**5,130**	**-54**	**0**	**0**	**0**	**0**	**5,075**
Net deferred taxes	**6,561**	**6,683**	**0**	**-22**	**417**	**-158**	**13,480**

2017

EUR 1,000	1 Jan.	Recognised in the income statement	Recognised in comprehensive income	Recognised in equity	Acquisitions and disposals of business	Exchange rate difference	31 Dec.
Deferred tax assets							
Operating losses	4,809	158	0	-260	0	0	4,707
Employee-benefits	16	20	0	0	0	0	36
Unrealised losses of financial instruments	289	-5	-10	0	0	0	274
Accrual differences in developer contracting	1,649	-405	0	0	0	0	1,244
The fair value of derivatives	0	3,906	0	0	0	0	3,906
Other temporary differences	2,439	-772	0	-22	0	-121	1,523
Total	**9,202**	**2,901**	**-10**	**-282**	**0**	**-121**	**11,690**
Deferred tax liabilities							
Borrowing costs	1,169	-103	0	0	0	0	1,066
Other temporary differences	3,032	1,030	0	0	0	1	4,063
Total	**4,202**	**927**	**0**	**0**	**0**	**1**	**5,130**
Net deferred taxes	**5,000**	**1,975**	**-10**	**-282**	**0**	**-123**	**6,561**

On 31 December 2018, The Group's accumulated losses for which no deferred tax assets have been recognised were 6,803 thousand euros (4,663 thousand euros) because realisation of the tax benefit is not considered probable.

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

20 INVENTORIES

EUR 1,000	2018	2017
Materials and supplies	27	31
Work in progress	261,194	195,269
Land areas and plot-owning companies	145,298	186,290
Shares in completed housing corporations and real estate companies	25,097	29,745
Advance payments	6,095	6,970
Other inventories	489	516
Inventories, total	**438,199**	**418,821**

With respect to developer-contracted housing projects, interest expenses on borrowing are capitalised primarily using the project-specific financing cost. If the proportion of project-specific financing is not significant, the Group's capitalisation rate is used in capitalising interest expenses. Capitalisation rate used was 4,5% on average. During the financial year capitalized interests the amount of which was EUR 1,164 thousand (2017: EUR 1,535 thousand) was included in the value of work in progress.

The carrying amount of completed inventories used as security for loans in 2018 amounted to EUR 16,155 thousand (18,710), the carrying amount of inventories under construction in 2018 was EUR 131,583 thousand (2017 EUR 99,881 thousand) and the carrying amount of land area was 15,218 thousand euros.

During the financial year 2018 there was impairment losses in land area for 2,080 thousand euros International operations. During the financial year 2017 there was impairment losses in shares in completed housing companies for 157 thousand euros. There was no reversed impairment losses in financial year 2018 and 2017.

21 LOAN RECEIVABLES FROM ASSOCIATED COMPANIES AND JOINT VENTURES

EUR 1,000	2018	2017
Long term loan receivables from associated companies	50,114	40,896
Increases	13,614	8,365
Decreases	-15,746	0
Transfer from the short-term	0	1,100
Foreign exchange difference	-404	-247
Total	**47,578**	**50,114**
Long term loan receivables from joint ventures	16,664	15,000
Increases	3,933	1,664
Decreases	-905	0
Total	**19,692**	**16,664**
Short term loan receivables from joint ventures	0	1,100
Increases	4,596	0
Decreases	0	0
Transfer to the long-term	0	-1,100
Total	**4,596**	**0**

22 ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

EUR 1,000	Carrying amount 2018	Carrying amount 2017
Accounts receivables	47,295	53,447
Loan receivables	6	6
Gross amount due from customers related to construction contracts	16,037	36,583
Accrued income and prepaid expenses	52,004	53,089
Other receivables	1,410	1,966
Total	**116,750**	**145,091**
Interest bearing receivables	6	6
Non-interest bearing receivables	116,744	145,085
Total	**116,750**	**145,091**

Carrying amount does not substantially differ from fair value. In 2018 the Group's accounts receivables were on average EUR 50 million. The accounts receivables are non-interest bearing and they are normally about 21 days by age. More information about credit risks in note 28.

23 CASH AND CASH EQUIVALENTS

EUR 1,000	2018	2017
Cash and cash equivalents	93,074	23,475
Total	**93,074**	**23,475**

24 EQUITY

Share capital, share premium reserve and invested free equity fund

	Number of shares
1 Jan. 2017	**59,374,500**
Return of treasury shares	0
Transfer of treasury shares	206,476
Share issue	0
31 Dec. 2017	**59,580,976**
1 Jan. 2018	**59,580,976**
Return of treasury shares	0
Transfer of treasury shares	0
Share issue	0
31 Dec. 2018	**59,580,976**

Shares, share capital and share premium reserve

On 31 December 2018, the total number of SRV Group Plc's shares outstanding was 59,580,976 and the share capital amounted to EUR 3,062,520. The share has no nominal value and the total number of shares is 60,499,575.

The Annual General Meeting of SRV Group Plc authorised on 20 March 2018 the Board of Directors to acquire the company's own shares (treasury shares) using the company's non-restricted equity. A maximum of 6,049,957 own shares, or a lower amount that, in addition to the shares already owned by the company and its subsidiaries, is less than 10 per cent of all shares, may be acquired on the basis of the authorization. The authorisation includes the right to acquire own shares in proportion other than the holdings of the shareholders. The authorisation is in force for 18 months from the decision of the Meeting.

The company's own shares can be acquired among others in order to be used as part of the company's incentive programs, as payment in corporate acquisitions or when the company acquires assets relating to its business.

At the end of December there were 918,599 own shares in Group´s possession.

Invested free equity fund

Invested free equity fund consists of the net proceeds from the Offering of SRV Group Plc reduced by the cost related to share issue as well as received and cancelled SRV shares.

Translation difference

Translation difference comprises the differences of the translation of financial statetements of the foreign subsidiaries to the functional currency of the parent company.

Hybrid bond

Shareholders' equity includes a EUR 45 million hybrid bond issued in 2016. The bond coupon is 8,75 per cent per year. The bond has no maturity date, but the company has the right to redeem it four years after the date of issue. The hybrid bond is unsecured and in a weaker preference position than promissory notes. A holder of hybrid bond notes has no shareholder rights.

Dividends

The Board of Directors will not propose a dividend to be paid from the year 2018.

25 PROVISIONS

2018

EUR 1,000	Warranty provisions	10-year warranty	Other provisions for construction contracts	Other provisions	Total
1 Jan.	**9,908**	**6,236**	**455**	**0**	**16,600**
Currency exchange differences	-23	0	-58	0	-81
Increase in provisions	5,480	1,291	359	0	7,129
Provisions used	-3,750	-99	-222	0	-4,072
Reversals of unused provisions	0	0	0	0	0
31 Dec.	**11,614**	**7,428**	**534**	**0**	**19,576**
Non-current	4,922	5,200	534	0	10,656
Current	6,692	2,228	0	0	8,920
Total	**11,614**	**7,428**	**534**	**0**	**19,576**

2017

EUR 1,000	Warranty provisions	10-year warranty	Other provisions for construction contracts	Other provisions	Total
1 Jan.	**8,313**	**5,981**	**341**	**0**	**14,635**
Currency exchange differences	0	0	-26	0	-26
Increase in provisions	3,688	1,063	456	0	5,207
Provisions used	-2,093	-808	-315	0	-3,216
Reversals of unused provisions	0	0	0	0	0
31 Dec.	**9,908**	**6,236**	**455**	**0**	**16,600**
Non-current	4,189	4,366	206	0	8,760
Current	5,720	1,871	249	0	7,839
Total	**9,908**	**6,236**	**455**	**0**	**16,600**

Other provisions for construction contracts include warranty for potential disputes and other provisions for construction contracts. The level of the construction industry's 10-year warranty provision is based on index-adjusted historical information or the estimated total costs of certain individual projects.

26 INTEREST-BEARING LIABILITIES

EUR 1,000	Carrying amount 2018	Fair value 2018	Carrying amount 2017	Fair value 2017
Non-current				
Loans from financial institutions	11,316	11,316	15,295	15,295
Bonds	174,067	169,713	99,474	113,783
Housing corporation loans	78,260	78,260	55,999	55,999
Other debt	20,431	20,431		
Total	**284,074**	**279,720**	**170,769**	**185,078**
Current				
Loans from financial institutions	1,294	1,294	6,734	6,734
Commercial papers	90,500	90,500	68,500	68,500
Bonds	0	0	75,000	76,123
Housing corporation loans	0	0	104	104
Total	**91,794**	**91,794**	**150,338**	**151,461**

Carrying amounts do not differ substantially from Fair value, excluding bonds. The fair values of the bonds are based on 31.12.2018 market prices.

27 OTHER LIABILITIES

EUR 1,000	Carrying amount 2018	Carrying amount 2017
Non-current		
Derivative liabilities	6,677	6,098
Other liabilities	2,295	11,624
Total	**8,972**	**17,722**
Current		
Accounts payables	79,503	79,780
Advance payments related to construction contracts	119,675	81,311
Other advance payments	8,965	8,385
Other current liabilities	45,345	39,711
Accrued expenses and prepaid income	50,388	35,286
Total	**303,876**	**244,472**
Accrued expenses and prepaid income		
Wages and salaries and related expenses	10,719	12,854
Interest and other financial liabilities	8,421	5,617
Periodisations of project expenses	30,061	15,407
Other	1,187	1,407
Total	**50,388**	**35,286**

28 FINANCIAL RISK MANAGEMENT

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

Interest-rate Risks

The cash flows and fair values of the Group's debts and receivables subject to interest are susceptible to changes in interest rates. Interest rate risk is composed primarily of the short- and long-term loans connected with the funding of business operations. The majority of the Group's credit is obtained for project-specific financing requirements. Construction period financing is typically either re-financed or paid off at the time of completion. The Group can assume long-term debt at both variable and fixed interest rates. The weighted average interest rate of the entire loan portfolio (Inc. interest rate derivatives) at 31st December 2018 was 4.0 percent (2017: 3.8 percent). Euribor is primarily the reference rate of variable interest loans.

Interest rate risk is monitored and measured from the perspective of the income statement by means of gap analysis. Interest rate risk is managed by adjusting the ratio of variable and fixed interest debt in the loan portfolio. The proportion of fixed-interest loans in the entire loan portfolio (contains off-balance sheet receivables sold to banks and financing companies) when the accounts were closed was 76 per cent. Interest rate risk is also managed by interest period selection or by derivatives. SRV Group Plc signed two interest rate swap contracts totaling EUR 100 million in 2015. Swapping of interest started in July 2016 and both contracts mature in 2025. By means of derivatives, protection is sought from market interest rate changes, and changes in the fair value of interest rate derivatives are booked into financial returns or costs for the financial year during which they occur. The fair values for derivatives correspond to the prices that the Group would be required to pay or would receive if it were to exit the derivative agreement. Counterparty price quotations are used to determine the fair value of interest rate derivatives. These price quotations are based on predominant market circumstances and generally accepted pricing models. Hedge accounting has not been applied to interest rate derivatives. The effect of fair valuation of interest rate swaps would have been EUR 6,3 million on the profit of the period when interest rates increase one percent. If interest rates decrease one percentage the effect on the profit of the period would have been EUR -6,8 million. General interest rate change also has direct impact on the investment decisions of the Group's customers and, via the same, cash flows from Group operating activities.

The accompanying sensitivity analysis compliant with IFRS 7 contains variable interest rate financial debts and receivables in which there is an interest rate fixing during the next 12 months, in accordance with the closing balance sheet. Variable interest rate financial debts include project-specific company loans and variable interest rate loans related to the Group's general financing. Variable interest rate receivables consist of loans given to joint venture companies. The sensitivity analysis also includes interest rate derivatives.

2018						2017		
	Interest risk position	Average interest rate	Average maturity, months	Interest rate sensitivity EUR[1] Financial expenses and income		Carrying amount	Interest rate sensitivity, EUR	
EUR 1,000				-1%	+1%		-1%	+1%
Debt, floating rate	-84,984	1.31%	2.6	0[3]	-442	-79,965	0[3]	-581
Derivatives	100,000	-0.19%[2]	6.4	-500	500	100,000	-500	500
Receivables	16,271	3.25%	3.0	0[3]	94	15,786	0[3]	132
Total	**31,287**			**-500**	**152**		**-500**	**51**

[1] Effect of one percentage point in market interest rates on the Group's interest expenses and income during the next 12 months. All other variables assumed unchanged.
[2] Three and twelve month Euribor forward rates have been used to predict fixing date interest rates in order estimate sensitivity to interest rate changes.
[3] If floating market rates are negative, decrease in market rate does not have effect on interest amount.

Currency Risks

The Group is exposed to currency risks relating to the international business' commercial cash flows, financing of the ongoing projects during the construction period and equity and other investments in foreign subsidiaries, associated companies and project companies. The most significant currency to pose currency risk in 2018 was the Russian ruble. The foreign subsidiaries are, in accordance with the Group's financial policies, responsible for identifying and reporting currency exchange risks connected with currency-based cash flows to the finance department. The objective of currency risk management is to minimise the effect of currency fluctuation on earnings and equity. Open positions can be hedged with derivatives or currency loans according to Group financing policy. At the end of year 2018 there were open currency hedge instruments. On the closing date, the Group had short-term foreign exchange option- and forward contracts for hedging against currency risk, with capital totaling EUR 83 million.

Currency risks are divided into transaction risk and translation risk. Transaction risk relates to business (sales and purchases) and financing (loans) cash flows in non-functional currencies. Translation risk relates to investments in foreign subsidiaries and project companies and the effect is shown in translation differences in Group consolidated equity. The Group is exposed to RUB risk in those entities where the operational currency is not euro. During 2016 the operational currency of all SRV's Russian associated and joint venture companies was changed to RUB. The change was caused by the lease terms in SRV's Russian shopping centre's shifting mostly to RUB. Currency risk is also present in project financing in Russia as the value of project collateral can be affected by changes in the currency. Declining project collateral value can lead to a need for additional collateral or re-negotiation of loan terms and amounts.

Sensitivity to currency fluctuation

The change in foreign exchange rates decreased the value of the Group's net investments in equity by EUR 25,7 million (2017: EUR 8,1 million) compared to the end of the previous year. A ten per cent weakening/strenghtening of the rouble against the euro at the closing date would have had an negative/positive impact of about EUR 8 million (2017: EUR 11 million) on the Group's equity translation differences. SRV's transaction risk largely comprises the foreign currency-denominated loans of associated companies that are partly owned by SRV. A ten percent weakening in these would have had an negative impact of about EUR 1 million (2017: EUR -13 million) and strenghtening of ten per cent would have an EUR 2,8 million (2017: EUR 13 million) impact on SRV's financial result. Sensitivity of the transaction risk includes the effect of hedging derivatives as of 31.12.2018.

Foreign currency denominated capital employed at the balance sheet date

EUR 1,000	2018	2017
Ruble	200,037	225,129
Total	**200,037**	**225,129**

Liquidity and Refinancing risks

Liquidity and refinancing risk may have an impact on Group result, cash flow and developer contracting projects if the Group is not able to secure sufficient financing for the operations. The Group maintains adequate liquidity by efficient cash management and related instruments, such as committed current account overdraft limits (EUR 22 million). Financing for developer contracting projects is secured by sales process, project loans and use of general liquidity reserves. Project receivables are also sold to banks and financing companies as a part of liquidity management when needed. The Group has a long-term committed Revolving Credit Facility (EUR 100 million) and an uncommitted Commercial Paper Programme (EUR 100 million) for short-term financing needs. Refinancing risk is managed by aligning the maturity of the commited credit lines in relation to the cash flows of debt payments. At the end of December 2018 the amount of commited undrawn credit lines and cash in hand and in bank accounts amounted to EUR 139,7 million of which Group's cash assets were amounting to EUR 93,1 million, and open-ended account limits and committed undrawn financing reserves to EUR 46,7 million. The use of the company's committed Revolving Credit Facility (EUR 100 million) includes certain limitations due to the level of interest coverage ratio financial covenant.

The total amount of accounts receivable and undrawn project loans in SRV's housing and business developer contracting projects was EUR 96,7 million. SRV estimates that total cost to finish these projects is EUR 79,6 million. The equity ratio, gearing ratio and the interest coverage ratio are the Group's financial covenants. The equity ratio is also reported based on percentage of completion. Liquidity refers to the Group's immediately available cash, cash equivalents and deposits, committed limits and undrawn loans in which the maturity period exceeds 12 months, as well as the undrawn share of the Revolving Credit facility.

Financial liabilities

2018

			Maturity				
EUR 1,000	Carrying amount	Contractual liability[1]	2019	2020	2021	2022	later
Bonds	174,067	210,250	10,531	10,531	110,531	78,656	0
Loans from financial institutions[2]	12,884	13,521	1,607	5,483	2,421	1,922	2,088
Housing loans[3]	78,260	82,627	858	880	878	946	79,065
Commercial Papers	90,500	90,500	90,500	0	0	0	0
Other liabilities	20,430	20,430	274	0	0	0	20,157
Derivative liabilities[4]	6,677	6,668	1,619	1,531	1,321	997	1,200
Accounts payables	79,503	79,503	79,503	0	0	0	0
Investment commitment[5]	67,461	67,461	26,676	16,821	5,177	2,758	16,029
Total	**529,783**	**570,961**	**211,568**	**35,246**	**120,328**	**85,281**	**118,538**

2017

			Maturity				
EUR 1,000	Carrying amount	Contractual liability[1]	2018	2019	2020	2021	later
Bonds	174,474	206,250	85,625	6,875	6,875	106,875	0
Loans from financial institutions[2]	22,029	21,581	5,965	10,380	2,364	846	2,025
Housing loans[3]	56,103	54,190	699	727	939	2,288	49,536
Commercial Papers	68,500	68,500	68,500	0	0	0	0
Other liabilities	0	0	0	0	0	0	0
Derivative liabilities[4]	6,098	6,098	1,618	1,525	1,163	822	970
Accounts payables	79,780	79,780	79,780	0	0	0	0
Investment commitment[5]	81,930	81,930	22,839	17,391	17,000	4,500	20,200
Total	**488,914**	**518,328**	**265,027**	**36,898**	**28,340**	**115,331**	**72,732**

[1] Includes all contractual payments, e.g. interest and commitment fees.
[2] Committed current account overdrafts are assumed to expire 2019.
[3] Loan and interest payment liability is noted for the full contractual amount until the completion of the property and thereafter in proportion of the sales rate.
[4] Price quotations are used to determine the fair value of derivatives.
[5] Off-balance sheet liability.

Liquidity reserves

EUR 1,000	**31.12.2018**	31.12.2017
Committed credit facility[1]	9,500	100,000
Committed current account overdraft limits	22,000	22,000
Undrawn housing loans and loans from financial institutions	15,151	18,000
Cash and cash equivalents	93,074	23,475
Total	**139,725**	**163,475**

[1] The use of the company's EUR 100 million credit facility includes certain limitations due to the level of interest coverage ratio financial covenant.

Credit risk

The Group is exposed to credit risk relating to receivables from ongoing projects, accounts receivables, accosiated and joint ventures' loan receivables, cash investments and receivables from derivative instrument counterparties. The Group does not have any significant investment activities. The investments relate to daily cash management and are mainly short-term bank deposits with the Group's main banks. The Group Treasury unit is responsible for investment and derivative instrument counterparty risks in accordance with the Group financing policy approved by the Board of Directors. Business units are responsible for credit risk management relating to ongoing projects and accounts receivables in accordance with the Group credit policy.

Group credit policy defines the requirements for credit decision process, sales terms and collection process. The Group's commercial counterparties are mainly publicly listed companies or notable institutional property investors. In Housing business there are mainly individuals as buyers of completed apartments. The same Group credit policy principles are applied to tenant selection. Tenants are usually required to deposit a guarantee payment equivalent to two to three months rent. The loan receivables relate to financing the construction period for ongoing or development projects where the Group also has equity interest.

Competition for new orders in the construction sector is fierce, which may affect the volume and profitability of SRV's new order backlog. Contracts concerning construction have a significant value. Agreements set specific terms and schedules for the agreed parties concerning achievement of set targets and adhering to agreed procedures. In particular, execution of additional and variation works may involve financial risks. Contract receivables may involve additional and variation works involving customer complaints or disputes concerning the payment obligations of the client. Based on the business operation directors' estimations adequate provisions have been made and receivables do not include the need for depreciations. If the project parties cannot agree on payment obligations during the final financial review, the company may have to enter into legal proceedings against the client. The outcomes of legal proceedings involve uncertainties. It is also impossible to precisely assess the time required by court procedures owing to disputes.

Overdue accounts receivables

EUR 1,000	2018	2017
Current	43,266	45,058
1–30 days past due	1,391	5,040
31–60 days past due	1,992	1,155
61–90 days past due	98	546
91–180 days past due	271	1,041
181–360 day past due	16	100
Over 361 days past due	260	508
Total	**47,295**	**53,447**

There were no past due receivables in other group financial assets.
Credit loss provisions are not included in accounts receivables, because SRV Group does not have any substantial credit losses.

Fair value hierarchy of financial assets and liabilities

Financial assets at fair value through profit or loss

On 31 December 2018 the company had foreign exchange option, forvard contracts and interest rate swaps and on 31 December 2017 foreign exchange option contracts and interest rate swap.

Derivative financial instruments at fair value through profit or loss [1]

EUR 1,000	Level 1	Level 2	Level 3	Total
31.12.2018				
Derivative financial assets	0	1,384	0	**1,384**
Derivative financial liabilities	0	6,677	0	**6,677**
31.12.2017				
Derivative financial assets	0	446	0	**446**
Derivative financial liabilities	0	6,098	0	**6,098**

Other financial assets at fair value through profit or loss

EUR million	Level 1	Level 2	Level 3	Total
31.12.2018				
Unlisted shares	0	560	17,759	**18,320**
31.12.2017				
Unlisted shares	0	500	15,491	**15,991**

[1] Heading for previous year "available for sale".

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, quotations provided by brokers and market valuation reports.

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

The table below presents movements in level 3 instruments for 2018

EUR million	Unquoted shares and holdings
Opening balance at 1 Jan. 2018	15,491
Increases	2,337
Decreases	-69
Gains and losses recognised in profit or loss	0
Total	**17,759**

The table below presents movements in level 3 instruments for 2017

EUR million	Unquoted shares and holdings
Opening balance at 1 Jan. 2017	13,400
Increases	2,091
Decreases	0
Net change of available-for-sale financial assets transferred into the equity	0
Gains and losses recognised in profit or loss	-
Total	**15,491**

Capital risk management

With an efficient capital structure the Group ensures that the group can give support to its businesses and can grow the shareholder value of the investors. The Group does not have a public credit rating. The capital structure of the Group is reviewed by the Board of Directors of SRV on a regular basis.

To maintain the capital structure the Group can balance the dividends, issue new shares or equity loans. Additionally the Group can adjust the businesses and capital to be used to maintain the capital structure. The Group monitors its capital on the basis of equity ratio. The Group's objective is to maintain the ratio of total equity to total assets less advance payments above 35%. Total equity consists of equity attributable to equity holders of the parent company, non-controlling interests and hybrid bond.

EUR 1,000	**2018**	2017
Total equity	233,612	283,391
Total assets	947,033	888,526
Advance payments	-128,640	-89,696
Total	**818,393**	**798,831**
Equity ratio, %	28.5%	35.5%

29 OPERATING LEASES, COMMITMENTS AND CONTINGENT LIABILITIES

Group as lessee

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

EUR 1,000	**2018**	2017
In less than a year	2,894	2,837
In more than one but less than five years	7,323	8,495
In more than five years	5,415	8,141
Total	**15,633**	**19,473**

Liabilities in connection with the operating lease agreements of employee leasing cars generally have duration of three to four years. The Group's maximum duration in the operating lease agreements is 126 months. The term of open-ended lease agreements is estimated to be 12 months. The various terms and conditions of the office premises contracts including the index, renewal and other terms differ from each other.

EUR 1,000	**2018**	2017
Collateral given for own liabilities		
Real-estate mortgages given	82,308	70,014
Other commitments		
Investment commitments given	67,461	81,930
Land area commitments	47,794	41,473
Contingent liabilities (rented plots)	169,274	105,834

The Group has guaranteed obligations of its subsidiaries. At 31 December 2018, the total amount of these guarantees was EUR 323.3 million (EUR 281.7 million).

30 FAIR AND NOMINAL VALUES OF DERIVATIVE INSTRUMENTS

EUR 1,000	2018		2017	
Fair values	**Positive**	**Negative**	**Positive**	**Negative**
Foreign exchange forward contracts and options	1,384	0	446	0
Interest rate swap	0	6,677	0	6,098
Total	**1,384**	**6,677**	**446**	**6,098**

EUR 1,000	2018	2017
Nominal values of derivative instruments		
Foreign exchange forward contracts and options	83,000	80,000
Interest rate swap	100,000	100,000
Total	**183,000**	**180,000**

31 RECONCILIATION OF DEBTS REPORTED IN FINANCING ACTIVITIES

	Long term		Short term	
EUR 1,000	Interest-bearing debts	Hybrid bond	Interest-bearing debts	Total
Debt 31.12.17	**170,769**	**45,000**	**150,338**	**366,107**
Proceeds from loans	97,550	0	0	97,550
Repayment of loans	-86,672	0	0	-86,672
Transfer long term/short term debts	80,440	0	-80,440	0
Change in housing corporation loans	22,261	0	-104	22,157
Net change in short-term loans	0	0	22,000	22,000
Change in debt, non cash:				
Efective interest	8	0	0	8
Other non-cash changes	-282	0	0	-282
Debt 31.12.18	**284,074**	**45,000**	**91,794**	**420,868**

32 SUBSIDIARIES

Name	Domicile	Group's holding, %	Group's voting right, %
Shares in subsidiaries			
SRV Rakennus Oy	Espoo	100.00	100.00
SRV Ream Oy	Helsinki	100.00	100.00
SRV Investments S.à r.l	Luxemburg	100.00	100.00
Rakennusliike Purmonen Oy	Joensuu	65.00	65.00
SRV Infra Oy	Kerava	100.00	100.00
SRV Voima Oy	Espoo	100.00	100.00
SRV Russia Oy	Espoo	100.00	100.00
OOO SRV Development	Pietari	100.00	100.00
SRV Stroi OOO	Moskova	100.00	100.00
OOO SRV 360	Pietari	100.00	100.00
SRV Ehituse AS	Tallinna	100.00	100.00
SRV Realty B.V	Amsterdam	100.00	100.00
Jupiter Realty B.V	Amsterdam	100.00	100.00

The list does not include project companies.

33 RELATED PARTY TRANSACTIONS

2018

EUR 1,000	Selling of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities
Management and Board of Directors	0	0	0	0	0
Joint ventures	92,305	42	842	28,913	0
Associate company	2,906	0	3,256	52,913	0
Other related parties	0	0	0	0	0
Total	**95,211**	**42**	**4,098**	**81,826**	**0**

2017

EUR 1,000	Selling of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities
Management and Board of Directors	0	0	0	0	0
Joint ventures	150,300	111	613	18,406	0
Associate company	10,052	5	3,362	53,106	0
Other related parties	0	0	0	0	0
Total	**160,352**	**117**	**3,975**	**71,511**	**0**

The related parties of Group include parent company, subsidiaries and associated companies as well as joint ventures. The related parties also include Board of Directors and Corporate Executive Team.

Other related parties include transactions carried out with other companies under the control of the Group's management or with companies under control of minority shareholders.

Goods and services are sold to related parties at market price.

Subsidiaries included in related parties are listed above in note 32 Subsidiaries. Subsidiaries are included in the consolidated financial statements and therefore the transactions between Group companies are not included in note 33 Related party transactions.

Itemisation of management salaries and employment-based benefits

EUR 1,000	2018	2017
Management salaries and other short-term employment-based benefits	2,177	2,261
Share-based payments	0	1,030
Post-employment benefits, statutory pensions	530	553
Post-employment benefits, voluntary additional pensions	130	114
Total	**2,837**	**3,958**

The statutory occupational pension insurance of the company's employees is handled through Ilmarinen. Pension payments are made on the basis of the statutory pension percentage, 24.4 (24.5%).

Salaries and compensations of CEO & Board of Directors

EUR 1,000	2018	2017
Ojala Juha Pekka, President and CEO	517	753
Nieminen Timo, Deputy CEO	241	459
Members of the Board		
Kokkila Ilpo, Chairman	76	73
Kallasvuo Olli-Pekka, Vice Chairman	64	59
Alitalo Minna	52	49
Elomaa Juhani, from March 23, 2017	51	36
Hintikka Juhani from March 23, 2017	51	35
Hiltunen Arto, until March 23, 2017	0	14
Kyhälä Risto, until March 23, 2017	0	14
Kokkila Timo	52	49
Members of the Board, total	**345**	**327**

The CEO's period of notice is 6 months. If SRV Group Plc dismisses the CEO a termination compensation amounting to 12 months' salary will be paid. The President and CEO is entitled to retire at 60 years of age. The 2018 paid statutory occupational pension insurance of the President and CEO and deputy CEO were 185 thousand euros (205 thousand euros in 2017).

34 EVENTS AFTER THE BALANCE SHEET DATE

A new organisation became effective as of 1 January 2019. According to the new segment set-up, SRV will report on two business areas: Construction and Investments.

Parent company's financial statements, FAS

INCOME STATEMENT OF THE PARENT COMPANY

EUR 1,000	Note	2018	2017
Revenue	1	**12,599**	**11,180**
Other operating income	2	16,379	470
Personnel expenses	3	-5,656	-6,664
Indirect personnel costs			
Pension costs		-1,012	-1,060
Other indirect personnel costs		-236	-244
Depreciation and impairments	4	-324	-566
Other operating expenses	5	-9,422	-10,100
Operating profit		**12,328**	**-6,983**
Financial income and expenses	6	-11,916	-12,050
Profit before appropriations and taxes		**412**	**-19,034**
Appropriations			
Group contributions +/–	7	0	24,884
Income taxes	8	2,956	-1,251
Net profit for the financial year		**3,368**	**4,600**

BALANCE SHEET OF THE PARENT COMPANY

EUR 1,000	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Intangible assets	9	1,158	781
Tangible assets	9	607	699
Investments			
Shares in group companies	10	262,963	262,915
Other financial assets	10	2,778	2,644
Non-current assets, total		**267,506**	**267,039**
Current assets			
Inventories		4	5
Long-term receivables	12	6,153	1,782
Short-term receivables	12	154,532	214,443
Cash and cash equivalents		85,059	19,579
Current assets, total		**245,749**	**235,809**
ASSETS, TOTAL		**513,254**	**502,847**
EQUITY AND LIABILITIES			
Equity			
Share capital	14	3,063	3,063
Invested free equity fund	14	143,751	142,714
Retained earnings	14	23,550	22,525
Profit/loss for the financial year	14	3,368	4,600
Equity, total		**173,731**	**172,901**
Provisions	**16**	**388**	**179**
Liabilities			
Non-current liabilities	17	221,607	145,000
Current liabilities	18	117,529	184,767
Liabilities, total		**339,135**	**329,767**
EQUITY AND LIABILITIES, TOTAL		**513,254**	**502,847**

CASH FLOW STATEMENT OF THE PARENT COMPANY

EUR 1,000	2018	2017
Cash flow from operating activities		
Cash receipts from customers	10,698	10,359
Cash receipts from other operating income	949	470
Cash paid to suppliers and employees	-15,506	-16,565
Net cash before interests and taxes	-3,859	-5,736
Interest received	9,490	7,500
Interest paid and other expenses from financial costs	-20,661	-26,112
Income taxes paid	102	2,378
Net cash from operating activities	**-14,929**	**-21,971**
Cash flow from investing activities		
Purchase of tangible and intangible assets	-609	-509
Purchase of investments	175	-935
Sale of investments	18,879	0
Loan receivables from group companies	-2,089	-10,003
Repayments of loans from group companies	2,103	0
Net cash used in investing activities	**18,459**	**-11,447**

EUR 1,000	2018	2017
Cash flow from financing activities		
Proceeds from loans	75,307	0
Repayments of loans	-76,348	-1,800
Group contributions received	24,884	27,700
Change in short term loans	22,000	17,500
Dividends paid	-3,575	-5,958
Change in group accounts	19,683	-27,889
Net cash from financing activities	**61,950**	**9,553**
Net change in cash and cash equivalents	**65,481**	**-23,865**
Cash and cash equivalents at the beginning of financial year	19,579	43,443
Cash and cash equivalents at the end of financial year	**85,059**	**19,579**

Notes to parent company financial statements

Basic data

SRV Plc (reg 1707186-8) is a finnish company based in Espoo, Tarvonsalmenkatu 15, 02600 Espoo, Finland.

Parent company's financial statements and the comparable information

The parent company's financial statements are prepared in accordance with the principles of Finnish accounting legislation. The financial statements are prepared for 12 months in the financial period January 1–December 31, 2018.

ACCOUNTING PRINCIPLES

Non-Current assets

Tangible and intangible asset are recognized on the balance sheet at historical cost less depreciation according to plan and impairment. Acquisition cost includes the expenses directly related to acquiring the asset. Depreciation according to plan is calculated as straight-line depreciation on the basis of the estimated economic life of tangible and intangible assets. Depreciation periods are as follow:

- Other intangible rights, 3–5 years
- Buildings and structures, 40–60 years
- Machinery and equipment, 3–10 vuotta
- IT-programs, 3–5 years

Investments are stated at the original purchase cost less accumulated impairment if the future income from the investment is probably going to be smaller compared to purchase price. No depreciation is booked on land and water areas and intangible rights. Development costs are recognized as annual costs during the year they arise.

Items denominated in foreign currency

Foregn currency business transactions are recognized at the exchange rate of transaction date.

Pensions

The statutory pension security in the parent company is provided by an external pension insurance company.

Taxes

The taxes in the income statement include the taxes for the financial year and adjustments for previous periods. The defferred tax liability and receivable is calculated from the temporary difference in bookkeeping versus taxation using the confirmed tax rate for the coming fiscal years.

The valuation of financial instruments

Financial instruments have been valued as of 1 January 2015 at fair value in accordance with the Chapter 5 Section 2(a) of Finnish Accounting Act. The fair value of derivatives is estimated based on the present value of future cash flows using market prices on the closing date. The change in fair value of the interest rate swaps are recognized in interest income and expenses in the income statement and the the cumulative change in fair values is recognized in the accrued income and expenses at the balance sheet. Hedging instruments are booked in the income statement in financial expenses and in balance sheet in accrued expenses. Currency forward deal premium cost are recongnized in financial expenses at transaction date.

Commitments

The parent company has given absolute guarantees on behalf of group companies. The guarantees are related to construction projects.

NOTES TO INCOME STATEMENT

1 REVENUE

EUR 1,000	2018	2017
Group services	9,190	9,856
Rent income	890	893
Other revenues	2,520	432
Total	**12,599**	**11,180**

2 OTHER INCOME

	2018	2017
Other income	16,379	470

The company sold it's rental service subsidiary company SRV Kalusto Oy to Ramirent Finland Oy. Other income includes sales profit 16,3 thousand euros.

3 INFORMATION CONSERNING PERSONNEL AND KEY MANAGEMENT

	2018	2017
Number of personnel on average		
Office employees	68	66

4 DEPRECIATION AND IMPAIRMENTS

EUR 1,000	2018	2017
Depreciation on Intangible assets	175	212
Depreciation on buildings and structures	10	3
Depreciation on machinery and equipment	139	351
Total	**324**	**566**

5 OTHER OPERATING EXPENSES

EUR 1,000	2018	2017
Rent expenses	1,297	1,214
Voluntary indirect personnel expenses	358	1,443
Car and travel expenses	453	494
Entertainment and marketing expenses	597	1,254
Communication and IT expenses	1,015	1,204
Other external services	1,433	1,158
Other fixed expenses	4,269	3,332
Total	**9,422**	**10,100**

Auditing fees included in other operating expenses

EUR 1,000	2018	2017
Auditing	62	62
Tax advisory services	-2	0
Other services	44	44
Total	**108**	**106**

6 FINANCIAL INCOME AND EXPENSES

EUR 1,000	2018	2017
Dividend income		
From group companies	65	65
Total	**65**	**65**
Interest and other financial income		
From group companies	9,831	7,130
From other companies	2,278	580
Fair value of currency forward	1,846	446
Other interest and financial income	73	85
Impairment and reversing from non-current investments	358	48
Total	**12,108**	**7,710**
Interest expenses		
Interest expenses to group companies	-94	-171
Interest expenses to others	-18,164	-16,893
hybrid bond interest	-3,940	-3,938
Other	-14,224	-12,956
Total	**-18,258**	**-17,065**
Other financial expenses		
Others		
Interest expenses on derivates	-579	1,902
Fair value of currency forward	-1,279	-2,968
Other financial expenses	-3,973	-1,695
Total	**-5,831**	**-2,761**
Financial income and expenses total	**-11,916**	**-12,050**

7 APPROPRIATIONS

EUR 1,000	2018	2017
Group contributions, received	0	24,884
Total	**0**	**24,884**

8 INCOME TAXES

EUR 1,000	2018	2017
Change in deferred taxes	2,956	-1,251
Total	**2,956**	**-1,251**

NOTES TO BALANCE SHEET

9 CHANGES IN NON-CURRENT ASSETS

Intangible assets

2018

EUR 1,000	Intangible assets	Other intangible expenditures	Total
Historical cost 1 Jan.	715	1,209	1,924
Increase	0	822	822
Decrease	0	-270	-270
Historical cost 31 Dec.	**715**	**1,760**	**2,476**
Accumulated depreciation and impairments, 1 Jan.	-465	-678	-1,143
Depreciation	0	-175	-175
Accumulated depreciation and impairments, 31 Dec.	**-465**	**-853**	**-1,318**
Carrying amount, 31 Dec.	**250**	**908**	**1,158**

2017

EUR 1,000	Intangible assets	Other intangible expenditures	Total
Historical cost 1 Jan.	715	1,154	1,869
Increase	0	55	55
Historical cost 31. Dec	**715**	**1,209**	**1,924**
Accumulated depreciation and impairments, 1 Jan.	-465	-466	-931
Depreciation	0	-212	-212
Accumulated depreciation and impairments, 31 Dec.	**-465**	**-678**	**-1,142**
Carrying amount, 31 Dec.	**250**	**531**	**781**

Tangible assets

2018

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Total
Historical cost 1 Jan.	41	437	1,844	2,322
Increase	0	0	58	58
Historical cost 31 Dec.	**41**	**437**	**1,901**	**2,380**
Accumulated depreciation and impairments, 1 Jan.	0	-84	-1,540	-1,624
Depreciation	0	-10	-139	-150
Accumulated depreciations of decreases	0	0	0	0
Write-off	0	0	0	0
Transfer	0	0	0	0
Accumulated depreciation and impairments, 31 Dec.	**0**	**-94**	**-1,679**	**-1,773**
Carrying amount, 31 Dec.	**41**	**343**	**222**	**607**

2017

EUR 1,000	Land and water areas	Buildings and structures	Machinery and equipment	Total
Historical cost 1 Jan.	41	208	1,619	1,869
Increase	0	229	225	454
Historical cost 31 Dec.	**41**	**437**	**1,844**	**2,322**
Accumulated depreciation and impairments, 1 Jan.	0	-81	-1,189	-1,270
Depreciation	0	-3	-351	-354
Accumulated depreciation and impairments, 31 Dec.	**0**	**-84**	**-1,540**	**-1,624**
Carrying amount, 31 Dec.	**41**	**353**	**304**	**699**

10 INVESTMENTS

EUR 1,000	2018	2017
Shares in subsidiaries		
Historical cost, 1 Jan.	262,915	261,965
Increases	2,608	950
Decreases	-2,559	0
Historical cost, 31 Dec.	**262,963**	**262,915**
Other shares and holdings		
Historical cost, 1 Jan.	2,644	2,611
Increases	15	15
Decreases	-239	-30
Impairment and reversing of impairment	358	48
Historical cost, 31 Dec.	**2,778**	**2,644**
Investments total	**265,741**	**265,559**

11 GROUP COMPANIES

	Domicile	2018	2017
SRV Rakennus Oy	Espoo	100.0	100.0
SRV Infra Oy	Kerava	100.0	100.0
SRV Voima Oy	Espoo	100.0	100.0
SRV Russia Oy	Espoo	100.0	100.0
SRV Investment S.à r.l.	Luxembourg	100.0	100.0
SRV Ehituse AS	Tallinna	100.0	100.0
Rakennusliike Purmonen Oy	Joensuu	65.0	65.0
SRV Kalusto Oy	Vihti	0.0	100.0
SRV Ream Oy	Helsinki	100.0	0.0

12 LONG-TERM AND SHORT-TERM RECEIVABLES

EUR 1,000	2018	2017
Long-term receivables		
From Group companies		
Loan receivables	1,607	0
From others		
Loan receivables	32	32
Other receivbales	636	828
Deferred tax receivable	3,878	922
Total	**4,546**	**1,782**
Long-term recaivables, total	**6,153**	**1,782**
Short-term receivables		
From Group companies		
Accounts receivable	97	130
Loan receivables	14,932	17,071
Other receivables	135,472	170,048
Accrued receivables	945	25,712
Total	**151,446**	**212,962**
From others		
Accounts receivable	457	29
Other receivables	797	612
Accrued receivables	1,832	840
Total	**3,086**	**1,481**
Short-term receivables, total	**154,532**	**214,443**

13 ACCRUED RECEIVABLES

EUR 1,000	2018	2017
Appropriations	0	24,884
Taxes	0	1,024
Interest	1,274	838
Fair value of currency forward	1,384	446
Other	119	2,329
Total	**2,777**	**29,552**

14 CHANGES IN EQUITY

EUR 1,000	2018	2017
Share capital 1 Jan.	3,063	3,063
Share capital 31 Dec.	**3,063**	**3,063**
Share premium reserve 1 Jan.	142,714	142,714
Related to incentives	1,037	0
Share premium reserve 31 Dec.	**143,751**	**142,714**
Retained earnings 1 Jan.	27,125	28,483
Dividens	-3,575	-5,958
Retained earnings 31 Dec.	**23,550**	**22,525**
Net profit for the financial year	**3,368**	**4,600**
Unrestricted shareholders' equity total	**170,669**	**169,839**
Equity 31 Dec.	**173,731**	**172,901**

15 CALCULATION ON THE DISTRIBUTABLE EQUITY

EUR 1,000	2018	2017
Share premium reserve	143,751	142,714
Retained earnings	23,550	22,525
Net profit for the financial year	3,368	4,600
Total	**170,669**	**169,839**

16 MANDATORY PROVISIONS

EUR 1,000	2018	2017
Other provisions		
Provision for share-based incentives	388	179

17 LONG-TERM LIABILITIES

EUR 1,000	2018	2017
To other companies		
Bonds	175,000	100,000
Hybrid Bond	45,000	45,000
Other loans	1,607	0
Total	**221,607**	**145,000**
Long-term liabilities total	221,607	145,000

18 SHORT-TERM LIABILITIES

EUR 1,000	2018	2017
To Group Companies		
Accounts payable	66	305
Other liabilities	5,906	20,799
Total	**5,972**	**21,104**
To other companies		
Bonds	0	75,000
Commercial papers	90,500	68,500
Pension loans	0	1,348
Accounts payable	659	616
Advances received	0	2
Accrued expenses	19,776	17,663
Other loans	621	534
Total	**111,557**	**163,663**
Short term liabilities total	**117,529**	**184,767**

19 ACCRUED LIABILITIES

EUR 1,000	2018	2017
Salaries including social costs	1,176	1,645
Accrued liability related to interest rate swap	6,677	6,098
Interest and other financial expenses	11,267	8,602
Other	657	1,318
Total	**19,776**	**17,663**

20 DERIVATIVE FINANCIAL INSTRUMENTS

On the closing date, parent company had short-term foreign exchange derivative contracts, hedging against currency risk, with capital totaling EUR 83 million. Interest rate swaps in effect at the end of the financial year have been used to hedge variable rate financial loans. In accounting, the interest rate swaps have been considered to be protective and they mature during the financial year beginning 1 January 2025.

Derivative financial instruments

EUR 1,000	2018	2017
Interest rate swaps		
Fair value negative	6,677	6,098
Nominal value of underlying instruments	100,000	100,000
Hedging instruments		
Fair value positive	1,384	446
Nominal value of underlying instruments	83,000	80,000

Fair value hierarcy of financial instruments:

Fair value hierarcy of financial instruments is described in the note 28 in SRV group notes financial risk management.

21 RISK MANAGEMENT

The group has a systematic and structured approach to risk management across business operations and processes. There are no separate or individual risk management policies or procedures for the Parent company. Refer to 28 note for the group risk management.

22 LEASING AND OTHER RENT AGREEMENTS

EUR 1,000	2018	2017
Payable in less than a year	117	133
Payable later	108	97
Total	**225**	**230**
Rental lease liabilities		
Payable in less than a year	1,293	1,495
Payable later	11,654	15,542
Total	**12,947**	**17,037**

23 OTHER LIABILITIES

EUR 1,000	2018	2017
Guarantee obligations given on behalf of Group companies	323,298	281,710
Investment commitments	26,488	28,591

The group has committed to invest 26,097 thousand euros in Voimaosakeyhtiö SF in order fo finance Hanhikivi 1 project. At the end of 2018 the investments made are 8,911 thousand euros in total.

24 RELATED PARTY TRANSACTIONS

With related parties, there were no tansactions which would not been carried out under ordinary commercial terms or which would be necessary to provide a true and fair view of the transactions.

Itemisation of management salaries and employment-based benefits

EUR 1,000	2018	2017
Salaries and other benefits	760	1,323
Share-based payments	0	331
Total	**760**	**1,654**
Salaries and other benefits		
CEO	517	587
Members of the board:		
Kokkila Ilpo, chairman	76	73
Kallasvuo Olli-Pekka, vice chairman	64	59
Alitalo Minna	52	49
Elomaa Juhani, from March 23, 2017	51	36
Hintikka Juhani, from March 23, 2017	51	35
Kokkila Timo	52	49
Members of the Board, total	**345**	**327**

The CEO's period of notice is 6 months. If SRV Group Plc dismisses the CEO a termination compensation amounting to 12 months' salary will be paid.

The President and CEO is entitled to retire at 60 years of age. The paid coluntary occupational pension insurance of the CEO was 78,042 (76,510) thousand euros.

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

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

Espoo, 15 February 2019

Ilpo Kokkila
Chairman

Olli-Pekka Kallasvuo
Vice Chairman

Minna Alitalo

Juhani Elomaa

Juhani Hintikka

Timo Kokkila

Juha Pekka Ojala
President and CEO

AUDITOR'S NOTE

Our auditor's report has been issued today.

Espoo, 21 February 2019

PricewaterhouseCoopers Oy
Authorized Public Accounting Firm

Samuli Perälä
KHT

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of SRV Yhtiöt Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion
- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of SRV Yhtiöt Oyj (business identity code 1707186-8) for the year ended 31 December 2018. The financial statements comprise:
- the consolidated balance sheet, consolidated income statement, statement of comprehensive income, statement of changes in equity, consolidated cash flow statement and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 5 to the Financial Statements.

Our Audit Approach

Overview

- Overall group materiality: 4,200,000 euros.
- Audit scope: The group audit was focused on parent company and its Finnish subsidiaries.
- Revenue recognized from construction contracts over time, estimated project margin and the related receivables and payables
- Valuation of investments in associated companies and joint ventures
- Valuation of slow moving land areas

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality
4,200,000 euros (previous year 4,000,000 euros)

How we determined it
We determined the overall materiality for the consolidated financial statements based on as a weighted average of net sales, profit before taxes and total assets.

Rationale for the materiality benchmark applied
We chose the combination described above as it, in our opinion, reflects the volume and result of the operations and the capital invested in the business.

How we tailored our group audit scope
We tailored the scope of our audit, taking into account the structure of the SRV Yhtiöt group, the accounting processes and controls, and the industry in which the group operates.

SRV Yhtiöt group consists of two business areas; Operations in Finland and International Operations. In addition Group services and services related to rental of construction equipment are reported as the other operations. As the majority of the operations are in Finland, the focus of our audit has mainly been on the parent company and its Finnish subsidiaries.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

- **Key audit matter in the audit of the group**

Revenue recognized from construction contracts over time, estimated project margin and the related receivables and payables
Refer to Accounting policies for consolidated financial statements and Notes 3, 15, 22 and 27

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

Revenue recognized based on percentage of completion includes significant management estimates affecting the recognised revenue and margin as well as the valuation of certain balance sheet items. Particularly the estimated total margin and estimated total expenses of the projects include management judgement. Estimates include also, for example, the margins of possible additional work not yet approved by customers and the possible rental liabilities related to contracts. An error in one or several of the estimates can lead to significant discrepancies in revenue recognition.

Revenue recognized from construction contracts over time is considered a key audit matter, because revenue is a significant item in the financial statements and because the percentage of completion method includes significant management judgement, which affects the revenue recognized as well as the margins of the projects.

- **How our audit addressed the key audit matter**

Our procedures included the following but was not limited to:
- We have updated our understanding of processes in relation to revenue recognition and estimates of projects as well as tested the operation of selected controls.
- We have read contracts and assessed the appropriateness of accounting principles used to recognize revenue for selected projects.
- We compared for a sample of projects the estimated net sales with the contracts.
- We assessed the reliability and accuracy of management estimates by comparing the estimated margins and total cost to complete for uncompleted projects in the previous year-end to their actual outcome.
- We had discussions with relevant personnel concerning the progress of the most significant projects, focusing especially on estimation uncertainties related to cost estimates, and read memos from selected project meetings.
- We tested the mathematic accuracy of the spreadsheets used to determine the percentage of completion as well as the revenue and margin that was recognised based on that.
- We tested a sample of new projects to ensure that they have been approved and processed in accordance with the group's decision making policy.
- We tested a sample of the first estimates of total expenses for new construction projects to ensure that they are based on appropriate documentation.

- **Key audit matter in the audit of the group**

Valuation of investments in associated companies and joint ventures
Refer to Accounting policies for consolidated financial statements and Note 16

The group's investments in associated companies and joint ventures are investments in construction projects together with other investors. After completion of the construction, the group can own and operate these investments.

The group estimates the value of these investments, for example commercial centers, based on their discounted future cash flows. The determination of discounted future cash flows includes estimates of future rental income, vacancy rate, operating expenses, yield, and, as concerns the commercial centers located in Russia, assumptions in relation to exchange rates.

Valuation of investments in associated companies and joint ventures is considered a key audit matter because they form a significant balance sheet item and their valuation includes management judgements.

- **How our audit addressed the key audit matter**

  Our procedures included the following but was not limited to:
  - Management has acquired external valuation reports concerning the most significant completed real estate owned by the associated companies and joint ventures. We read the valuation reports and discussed the most significant assumptions in the valuation models with management. Furthermore, we ascertained that the information in the valuation reports was used by management in their impairment calculations of the investments.
  - We assessed the applicability of the valuation models used by management to test the impairment of the investments in associated companies and joint ventures. Furthermore, we tested by sampling the mathematical accuracy of the calculations.
  - We, for example evaluated the appropriateness of the yields used in the above-mentioned valuation calculations by comparing to observable market data.
  - We prepared sensitivity analysis for the above-mentioned calculations prepared by management for the key variables. These variables include, for example, rental income, vacancy rate and yield.

- **Key audit matter in the audit of the group**

  Valuation of slow moving land areas

  Refer to Accounting policies for consolidated financial statements and Note 20

  Inventories consist primarily of the cost of construction work and land plot for construction projects in progress, land areas and plot-owning companies related to projects under development or for which the decision to start construction has not yet been made, as well as completed unsold apartments and buildings.

  Inventories in the balance sheet are valued at the lower of cost and net realizable value. Calculation of the net realizable value includes management judgement.

  The net realizable value of land areas depends on the intended use of the land area. The net realizable value of a land area intended to be used in a construction project is estimated as a part of the net realizable value for the whole construction project.

  Valuation of land areas is considered a key audit matter because they form a significant balance sheet item and their valuation includes management judgement.

- **How our audit addressed the key audit matter**

  Our procedures included the following but was not limited to:
  - We assessed the applicability of the valuation models used by management. Furthermore, we have tested the mathematic accuracy of the calculations on a sample basis.
  - We have discussed with management about their action plans in relation to slow moving land plots.
  - Specifically for the unconstructed land plots with the largest net realizable value, we investigated the construction plans and timetables as well as plans to change the intended use during the financial year.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the consolidated financial statements or the parent company financial statements.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

Appointment

We were first appointed as auditors by the annual general meeting on 26 March 2014.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion
- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki 21 February 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Samuli Perälä
Authorised Public Accountant (KHT)

GROUP AND SEGMENT INFORMATION BY QUARTER (UNAUDITED)

SRV Group

EUR million	10-12/2018	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Revenue	299.8	208.4	235.7	215.7	339.0	267.8	283.9	223.7
Operative operating profit	1.5	-3.1	-3.4	-5.1	14.0	8.4	1.8	2.7
Operation profit	0.1	-5.7	-5.4	-8.8	11.2	7.2	-10.3	7.3
Financial income and expenses, total	-6.3	-3.5	-4.3	-3.4	-1.8	-3.8	-5.0	0.0
Profit before taxes	-6.2	-9.1	-9.8	-12.2	9.3	3.3	-15.3	7.3
Order backlog[1]	1,832.0	1,678.5	1,734.6	1,653.0	1,547.9	1,535.7	1,594.6	1,722.0
New agreements	438.0	128.3	282.3	284.4	313.0	162.6	140.5	155.4
Earnings per share, eur[2]	-0.08	-0.14	-0.15	-0.19	0.18	0.04	-0.26	0.09
Equity per share, eur[1 2]	3.21	3.32	3.52	3.72	4.03	3.88	3.84	4.32
Share closing price, eur[1]	1.70	2.50	2.65	2.90	3.60	4.41	4.99	4.40
Equity ratio, %[1]	28.5	28.0	29.7	32.5	35.5	34.0	33.5	36.4
Net interest-bearing debt[1]	282.8	346.5	355.7	355.4	297.6	338.7	310.3	311.0
Gearing, %[1]	121.1	144.2	140.8	134.3	105.0	123.4	114.4	103.4

[1] At the end of the period

Revenue

EUR million	10-12/2018	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Operations in Finland	296.3	206.5	233.5	213.9	336.7	263.2	276.9	219.3
Business construction	182.4	159.1	165.7	154.5	198.6	173.0	180.1	164.4
Housing construction	113.9	47.4	67.8	59.3	138.1	90.2	96.8	54.8
International Operations	2.7	1.8	1.8	1.7	2.3	4.2	7.0	4.4
Other operations	4.8	4.2	4.6	5.8	4.5	4.8	4.4	4.4
Eliminations	-4.0	-4.1	-4.1	-5.7	-4.6	-4.4	-4.5	-4.5
Group, total	**299.8**	**208.4**	**235.7**	**215.7**	**339.0**	**267.8**	**283.9**	**223.7**

Operating profit

EUR million	10-12/2018	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Operations in Finland	-7.2	-1.8	-1.7	-3.7	18.2	9.7	5.7	5.0
International Operations	-6.0	-3.7	-2.7	-5.4	-5.2	-2.4	-14.0	3.2
Other operations	13.3	-0.2	-1.1	0.4	-1.8	-0.1	-2.1	-0.8
Eliminations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Group, total	**0.1**	**-5.7**	**-5.4**	**-8.8**	**11.2**	**7.2**	**-10.3**	**7.3**

Operating profit

%	10-12/2018	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Operations in Finland	-2.4	-0.9	-0.7	-1.7	5.4	3.7	2.1	2.3
International operations	-226.8	-200.7	-148.2	-314.6	-222.5	-57.5	-199.6	71.3
Group, total	**0.0**	**-2.7**	**-2.3**	**-4.1**	**3.3**	**2.7**	**-3.6**	**3.3**

Order backlog

EUR million	31.12.2018	30.9.2018	30.6.2018	31.3.2018	31.12.2017	30.9.2017	30.6.2017	31.3.2017
Operations in Finland	1,816.0	1,661.5	1,716.7	1,634.0	1,526.7	1,513.9	1,570.7	1,691.3
Business construction	1,233.3	1,019.3	1,124.7	1,065.2	920.3	850.6	950.0	1,057.7
Housing construction	582.7	642.2	592.0	568.7	606.4	663.3	620.7	633.7
International operations	16.0	16.9	18.0	19.0	21.2	21.7	23.9	30.6
Group, total	**1,832.0**	**1,678.5**	**1,734.6**	**1,653.0**	**1,547.9**	**1,535.7**	**1,594.6**	**1,722.0**
Sold order backlog	1,625	1,423	1,493	1,399	1,273	1,251	1,309	1,437
Unsold order backlog	207	256	241	254	275	284	286	285

Order backlog, housing construction in Finland

EUR million	31.12.2018	30.9.2018	30.6.2018	31.3.2018	31.12.2017	30.9.2017	30.6.2017	31.3.2017
Negotiation and construction contracts	213	210	192	150	179	195	166	196
Under construction, sold	169	196	179	185	161	195	180	164
Under construction, unsold	180	220	199	214	241	241	232	243
Completed and unsold	20	17	22	20	25	34	43	30
Housing construction, total	**583**	**642**	**592**	**569**	**606**	**663**	**621**	**634**

Invested capital

EUR million	31.12.2018	30.9.2018	30.6.2018	31.3.2018	31.12.2017	30.9.2017	30.6.2017	31.3.2017
Operations in Finland	323.8	372.4	398,5	388.7	368.4	383.2	347.6	342.9
International operations	213.0	218.8	227.1	231.2	241.7	239.5	241.4	270.1
Other operations and eliminations	74.2	72.8	39.4	30.0	-5.6	12.1	28.0	40.0
Group, total	**611.0**	**644.0**	**665.0**	**650.0**	**604.5**	**634.9**	**617.0**	**653.0**

Housing production in Finland

(units)	10-12/2018	7-9/2018	4-6/2018	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Housing sales, total	338	310	541	197	253	543	475	356
Sales, developer contracting	148	128	75	129	208	249	260	266
Sales, negotiation contracts[2]	190	182	466	68	45	294	215	90
Developer contracting								
Start-ups	0	232	42	43	172	248	316	282
Completed	298	26	141	61	319	200	221	42
Recognized in revenue	276	45	132	70	362	213	174	76
Completed and unsold	71	49	68	59	68	111	124	77
Under construction, total[1]	2,759	2,927	3,164	3,211	3,254	3,346	3,098	2,894
Construction contracts[1]	80	80	504	504	504	424	458	586
Negotiation contracts[1]	487	293	293	293	293	363	472	164
Negotiated contracts[1 2]	1,329	1,393	1,412	1,360	1,385	1,340	997	1,068
Developer contracting[1]	863	1,161	955	1,054	1,072	1,219	1,171	1,076
Of which sold[1]	559	687	605	661	602	756	720	634
Of which unsold[1]	304	474	350	393	470	463	451	442

[1] At the end of the period

[2] Investor sales, under negotiation contracts

Information for shareholders

BASIC INFORMATION ABOUT THE SHARE

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

SRV'S FINANCIAL INFORMATION IN 2019

Financial Statement Release 2018: 6 February 2019
Interim Report for January–March 2019: 25 April 2019
Interim Report for January–June 2019: 17 July 2019
Interim Report for January–September 2019: 31 October 2019

Annual Review 2018, including the Financial Statements and the Report of the Board of Directors, 22 February 2019.

SRV Group Plc's Annual General Meeting is planned to be held on Tuesday, 19 March 2019 at 4.00 pm. The Board of Directors will convene the meeting separately in due course.

SILENT PERIOD

SRV's silent period always starts 30 calendar days before the publication of an Interim Report or the Financial Statement Release. The silent period ends on the publication of an Interim Report or the Financial Statement Release.

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