SRV GROUP PLC'S FINANCIAL STATEMENT RELEASE 1 JANUARY - 31 DECEMBER 2018

The order backlog rose to EUR 1.8 billion, cash flow positive despite the loss-making result

January-December 2018 in brief:

- **Revenue** declined by 14 per cent to EUR 959.7 (1,116.1 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).

October–December 2018 in brief:

- **Revenue** declined to EUR 299.8 (339.0 10-12/2017) million. The primary reason behind the lower revenue was the decrease in revenue from housing construction in Finland.
- **Operative operating profit** declined to EUR 1.5 (14.0) million. Operating profit was weakened by a rise in costs due to the market situation, longer delivery periods and particularly the higher-than-expected costs of the REDI shopping centre. The costs of REDI rose by a further EUR 11.1 million in the fourth quarter. 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 had a positive impact on the result for the quarter.

- **Operating profit** was EUR 0.1 (11.2) million. The rouble exchange rate in International Operations had an impact of EUR -1.4 (-2.8) million on operating profit.
- **The result before taxes** was EUR -6.2 (9.3) million.
- **Earnings per share** were EUR -0.08 (0.18).
- The company announced a new segment structure effective as from 1 January 2019. In Construction, we'll be focusing on efficient project management and implementation, as well as high-quality construction and an excellent customer experience. We have gathered all of our property investment expertise together under Investments.

This interim report has been prepared in accordance with IAS 34, and the disclosed information is unaudited.

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.

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).

CEO's review

2018 was our weakest year in terms of our result. Even though operative operating profit was slightly positive in the last quarter, we posted a loss for the full year. Although we rigorously screen new projects and are continually gaining experience in implementing complex projects, the sector's rapid growth rate has been reflected in cost pressures and poor earnings trends in some projects. In particular, the higher-than-expected costs of the REDI shopping centre and continued geopolitical uncertainty in Russia pushed SRV's full-year result for 2018 into the red.

In spite of the sector's strong growth and cost pressures, many of our projects progressed well. For instance, Helsinki's New Children's Hospital was opened in September 2018. In the Tampere Deck project, work has begun on the deck's support structures and shell tile, and the parking facility and population shelter are also under construction. We also have many major projects under construction in the field of school and hospital construction, such as the Jokirinne Learning Centre in Kirkkonummi, a new building at Tampere University Hospital, Central Finland Hospital Nova in Jyväskylä, and HUS's Siltasairaala Hospital in Helsinki.

In the last quarter, we booked a total of EUR 438 million in new orders into our order backlog. The most significant of these was the startup of the Terminal 2 extension project at Helsinki Airport. Our order backlog is strong, EUR 1.8 billion, 18 per cent larger than a year earlier. 89 per cent of the order backlog has been sold.

SRV operates shopping centres in Russia and Finland, and our shopping centre business accounts for 17 per cent of our revenue. The REDI shopping centre opened in September in the Kalasatama, Helsinki, and during the early months our investments have focused on creating awareness and increasing visitor numbers. Visitor numbers fell somewhat short of targets in the first few months, but we believe that 2019 will bring the desired results. Visitor numbers at Pearl Plaza in St Petersburg, Russia, rose by 5 per cent to 9.6 million in 2018. Strong sales growth was also seen. The Pearl Plaza shopping centre is ready for sale, and we are currently looking into this.

Work to improve the balance sheet structure and liquidity is progressing. During 2018, we released over EUR 90 million in capital employed in the balance sheet, mainly by boosting working capital and divesting plots. In December, we divested the entire share capital of SRV Kalusto Oy to Ramirent Finland for EUR 21 million. This transaction has enabled us to create an even better foundation on which to further develop equipment rental and construction processes on our construction sites.

Our new organisation, which is divided into the Construction and Investments segments, came into force at the beginning of the year. We believe that the new segments will result in sharper leadership, enhance capital management, and increase transparency. In Construction, we'll be focusing on efficient project management and implementation, as well as high-quality construction and an excellent customer experience. We have gathered all of our property investment expertise together under Investments. This leaves us better equipped to succeed in the increasing competition and changing market conditions.

We have clear goals for 2019: efficient construction in our projects, improving profitability, and further developing our balance sheet structure. We believe that 2019 will yield a better result, and that both our operating result and cash flow will be in the black. Rental income from our shopping centres is also expected to rise in both Finland and Russia.

I'd like to extend a big thank you for the past year to our dedicated personnel and all of our partners!

Juha Pekka Ojala, President and CEO

Overall review

Group key figures (IFRS, EUR million)	**1–12/ 2018**	1–12/ 2017	change	change, %	**10–12/ 2018**	10–12/ 2017
Revenue	**959.7**	1,114.4	-154.7	-13.9	**299.8**	339.0
Operative operating profit[1)]	**-10.0**	27.0	-37.0		**1.5**	14.0
Operative operating profit, %	**-1.0**	2.4			**0.5**	4.1
Operating profit[*)]	**-19.8**	15.3	-35.1		**0.1**	11.2
Operating profit, %	**-2.1**	1.4			**0.0**	3.3
Financial income and expenses, total[**)]	**-17.5**	-10.7	-6.8		**-6.3**	-1.8
Profit before taxes	**-37.3**	4.6	-41.9		**-6.2**	9.3
Net profit for the period	**-31.2**	5.8			**-4.0**	11.4
Net profit for the period, %	**-3.3**	0.5			**-1.3**	3.4
Order backlog	**1,832.0**	1,547.9	284.1	18.4		
New agreements	**1,133.0**	771.4	361.5	46.9	**438.0**	313.0
[*)] net effect of currency exchange fluctuations	**-9.8**	-11.7	1.9	-16.3	**-1.4**	-2.8
[**)] derivatives included in financial income and expense	**-2.2**	0.3	-2.5		**-1.6**	-0.3

[1)] 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.

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

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 company 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.

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		

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.

Revenue (EUR million)	**1–12/ 2018**	1–12/ 2017	change	change, %	**10–12/ 2018**	10–12/ 2017
Operations in Finland	**950.1**	1,096.1	-145.9	-13.3	**296.3**	336.7
International Operations	**8.0**	18.0	-9.9	-55.3	**2.7**	2.3
Other operations and eliminations	**1.5**	0.3	1.2	333.3	**0.8**	0.0
Group, total	**959.7**	1,114.4	-154.7	-13.9	**299.8**	339.0

Operative operating profit (EUR million)	**1–12/ 2018**	1–12/ 2017	change	change, %	**10–12/ 2018**	10–12/ 2017
Operations in Finland	**-14.3**	38.6	-52.9		**-7.2**	18.2
International Operations	**-8.1**	-6.7	-1.3		**-4.6**	-2.3
Other operations and eliminations	**12.4**	-4.8	17.2		**13.3**	-1.8
Group, total	**-10.0**	27.0	-37.0		**1.5**	14.0

Operative operating profit (%)	**1–12/ 2018**	1–12/ 2017	**10–12/ 2018**	10–12/ 2017
Operations in Finland	**-1.5**	3.5	**-2.4**	5.4
International Operations	**-100.4**	-37.4	**-172.4**	-100.9
Group, total	**-1.0**	2.4	**0.5**	4.1

Operating profit (EUR million)	**1–12/ 2018**	1–12/ 2017	change	change, %	**10–12/ 2018**	10–12/ 2017
Operations in Finland	**-14.3**	38.6	-52.9		**-7.2**	18.2
International Operations*)	**-17.8**	-18.4	0.6		**-6.0**	-5.2
Other operations and eliminations	**12.4**	-4.8	17.2		**13.3**	-1.8
Group, total*)	**-19.8**	15.3	-35.1		**0.1**	11.2
*) effect of currency exchange fluctuations	**-9.8**	-11.7	1.9	-16.3	**-1.4**	-2.8

Operating profit (%)	**1–12/ 2018**	1–12/ 2017	**10–12/ 2018**	10–12/ 2017
Operations in Finland	**-1.5**	3.5	**-2.4**	5.4
International Operations	**-222.2**	-102.3	**-226.8**	-222.5
Group, total	**-2.1**	1.4	**0.0**	3.3

Order backlog (EUR million)	**12/2018**	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		

Operations in Finland

Operations in Finland (EUR million)	**1–12/ 2018**	1–12/ 2017	change	change, %	**10–12/ 2018**	10–12/ 2017
Revenue	**950.1**	1,096.1	-145.9	-13.3	**296.3**	336.7
- business construction	**661.8**	716.1	-54.4	-7.6	**182.4**	198.6
- housing construction	**288.4**	379.9	-91.5	-24.1	**113.9**	138.1
Operating profit	**-14.3**	38.6	-52.9	-137.1	**-7.2**	18.2
Operating profit, %	**-1.5**	3.5			**-2.4**	5.4
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		

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.

October-December 2018

SRV's **revenue** from housing construction in Finland decreased to EUR 113.9 (138.1) million in the October-December period, with 276 (362) developer-contracted residential units recognised as income. Revenue declined because fewer units were completed and recognised as income than in the comparison period.

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.

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.

No new developer-contracted housing projects for consumers went on sale in October-December. In October-December, the following housing project for investors was sold:

- Anna Sahlsteninkatu 10, built close to the services of Leppävaara in Espoo. A total of 85 apartments will be built. It is estimated that the project will be completed in early 2020.

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.

Housing construction in Finland (units)	**1–12/ 2018**	1–12/ 2017	change, units	**10–12/ 2018**	10–12/ 2017
Units sold, total	**1,386**	1,627	-241	**338**	253
- developer contracting	**480**	983	-503	**148**	208
- investor sales [2]	**906**	644	262	**190**	45
Developer contracting					
- start-ups	**317**	1,018	-701	**0**	172
- completed	**526**	782	-256	**298**	319
- recognised as income	**523**	825	-302	**276**	362
- 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)	**12/2018**	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

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.

The largest developer-contracted housing projects under construction in Finland

Project name	Location	SRV, contract value, EUR million	Completion date (estimated)*	Units	Sold*	For sale*
REDI Majakka	Helsinki	106	Q3/2019	282	275	7
Piruetti	Espoo	31	Q1/2019	113	80	33
Neulansilmä	Vantaa	23	Q1/2020	103	38	65
Aleksinkaarre	Kerava	22	Q4/2019	80	22	58
Luxus	Turku	14	Q4/2019	83	62	21
Smokki	Helsinki	13	Q2/2019	32	17	15
Holvi	Jyväskylä	12	Q4/2019	43	19	24
Varikonaarre	Vantaa	9	Q4/2019	46	19	27
Basilika	Kerava	8	Q4/2019	42	1	41

Total value of projects approx. EUR 238 million

* Situation as of 31 December 2018.

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

Project name	Location	Developer	Completion level, %*	Completion date (estimated)*
Wood City	Helsinki	ATT	90	Q1/2019
Aleksinkulma and park	Kerava	Ilmarinen	87	Q1/2019
Aleksinhuippu	Kerava	LocalTapiola	83	Q1/2019
Pihapuisto and Puistoniitty	Espoo	LocalTapiola	52	Q3/2019
Anna Sahlsteninkatu	Espoo	LocalTapiola	17	Q1/2020
Punanotko	Helsinki	Ilmarinen	15	Q2/2020
Ilveshovi	Helsinki	LocalTapiola	17	Q3/2020
Louhenlinna	Helsinki	LocalTapiola	6	Q1/2021

Total value of projects approx. EUR 205 million

* 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.*

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.

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

October-December 2018

SRV's **revenue** from business construction amounted to EUR 182.4 (198.6) million in the fourth quarter.

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 LocalTapiola. 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.

The largest ongoing business construction projects

Project	Location	SRV total contract value, EUR million	Project type	Completion level, %	Completion (estimate)
DEVELOPMENT PROJECTS					
Deck, southern deck and infra**	Tampere	*	Infra	52	Q3/2021
Deck, multipurpose arena**	Tampere	*	Retail	7	Q3/2021
Deck, arena hotel**	Tampere	*	Retail	0	Q3/2021
Topaasi ja Kruunu**	Tampere	*	Retail	3	Q3/2021
BUSINESS PREMISES					
Central Finland Hospital Nova	Jyväskylä	290	Public	55	Q3/2020
Expansion of Helsinki Airport	Vantaa	250	Retail	1	Q1/2022
HUS Siltasairaala	Helsinki	243	Public	9	Q4/2022
TAYS Etupiha	Tampere	170	Public	88	Q2/2019
Tapiola city centre (Phase 2)	Espoo	100 +	Retail	48	Q1/2020
Kehä 1 Keilaniemi	Espoo	81	Infra	82	Q4/2019
Jokirinne Learning Centre	Kirkkonummi	33	Public	2	Q4/2020

Hämeenlinna Women's Prison	Hämeenlinna	30	Public	1	Q4/2022
Autokeskus Konala	Helsinki	*	Retail	75	Q2/2019
Jätkäsaari comprehensive school	Helsinki	*	Public	62	Q3/2019
Hotel Marriot	Tampere	*	Retail	32	Q4/2019
Wood City, office	Helsinki	*	Office	12	Q3/2020
Lauttasaari school	Helsinki	*	Public	32	Q4/2019

Situation as of 31 December 2018.

*The value of individual contracts has not been made public.
**The total value of the Tampere Deck and Arena project is EUR 550 million.

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)

International Operations (EUR million)	**1–12/ 2018**	1–12/ 2017	change	change, %	**10–12/ 2018**	10–12/ 2017
Revenue	**8.0**	18.0	-9.9	-55.3	**2.7**	2.3
Percentage of associated companies' profits	**-12.2**	-13.0	0.7		**-2.4**	-1.3
- of which exchange rate gains/losses	**-10.3**	-9.2	-1.2	13.0	**-2.4**	-0.7
Hedging expenses	**0.6**	-2.5	3.1		**0.9**	-2.1
Operative operating profit	**-8.1**	-6.7	-1.3		**-4.6**	-2.3
Operative operating profit, %	**-100.4**	-37.4			**-172.4**	-100.9
Operating profit*)	**-17.8**	-18.4	0.6		**-6.0**	-5.2
Operating profit, %	**-222.2**	-102.3			**-226.8**	-222.5
Order backlog	**16.0**	21.2	-5.3	-24.7		
*) net effect of currency exchange fluctuations in operating profit	**-9.8**	-11.7	1.9	-16.3	**-1.4**	-2.8

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.

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.

October-December 2018

The revenue from International Operations grew to EUR 2.7 (2.3) million in the October–December period. Operating loss totalled EUR -6.0 (-5.2) million. The increase in operating loss was influenced also by the net effect of currency exchange fluctuations by EUR -1.4 (-2.8) million.

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.

The most significant completed projects

Site	Holding, %	Opened	Floor area (m^2)	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 *	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

*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.

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 m2 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 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.

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 m^2	**135**	**344**	**694**	**1,172**
Land development agreements				
Building rights[1)], 1,000 m^2	**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.

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

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, 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

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 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.

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 and Marketing.

Risks, risk management and corporate governance

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

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 OMX 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.

Espoo, 5 February 2019

Board of Directors

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

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Key figures EUR million	1-12/ 2018	1-12/ 2017	10-12/ 2018	10-12/ 2017
Revenue	**959.7**	1,114.4	299.8	339.0
Operative operating profit *) 1)	**-10.0**	27.0	1.5	14.0
Operative operating profit, % revenue 1)	**-1.0**	2.4	0.5	4.1
Operation profit	**-19.8**	15.3	0.1	11.2
Operation profit, % revenue	**-2.1**	1.4	0.0	3.3
Profit before taxes	**-37.3**	4.6	-6.2	9.3
Profit before taxes, % of revenue	**-3.9**	0.4	-2.1	2.8
company	**-30.1**	6.0	-3.7	11.3
Return on equity, %	**-12.1**	2.0		
Return on investment, %	**-2.9**	3.1		
Return on investment, construction % 1)	**1.9**	7.4		
Return on investment, real estate development % 1)	**-4.9**	-4.8		
Capital employed	**611.0**	604.5		
Capital employed, construction 1)	**285.1**	276.6		
Capital employed, real estate development 1)	**326.8**	327.9		
Equity ratio %	**28.5**	35.5		
Net interest-bearing debt	**282.8**	297.6		
Gearing ratio, %	**121.1**	105.0		
Order backlog	**1,832.0**	1,547.9		
New agreements	**1,133.0**	771.4	438.0	313.0
Personnel on average	**1,129**	1,134		
Earnings per share	**-0.56**	0.05	-0.08	0.18
Earnings per share (diluted)	**-0.56**	0.05	-0.08	0.18
Equity per share	**3.97**	4.78		
Equity per share (without hybrid bond), euros	**3.21**	4.03		
Dividend per share, euros	**0.06**	0.10		
Dividend payout ratio, %	**neg.**	209.9		
Dividend yield, %	**3.5**	2.8		
Price per earnings ratio	**neg.**	75.6		
Share price development:				
Share price at the end of the period, eur	**1.70**	3.60		
Average share price, eur	**2.63**	4.60		
Lowest share price, eur	**1.66**	3.52		
Highest share price, eur	**4.12**	5.74		
Market capitalisation at the end of the period	**101.3**	214.5		
Trading volume, 1 000 units	**6,580**	6,362		
Trading volume, %	**11.0**	10.7		
Weighted average number of shares outstanding during the period, 1 000 units	**59,581**	59,540		
Weighted average number of shares outstanding during the period (diluted) 1 000 units	**59,581**	59,540		
Number of shares outstanding at the end of the period,1 000 units	**59,581**	59,581		
*)Effect of currency exchange fluctuations	**-9.8**	-11.7	-1.4	-2.8

1) Alternative performance measures used in interim reporting

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

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

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

SRV presents the capital employed in the construction and property development businesses in the interim report, 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 S own projects. As these two businesses differ in nature, the company considers it justified to begin providing additional information about the capital employed in these and the return on investment. The construction busir includes all of the capital required for construction and developer contracting for housing production, as well as t required plots of land. The property development business consists of projects for commercial premises in which company is an investor, and the primary intention is to sell the projects several years after construction is comple and the property has attained a normal occupancy rate and standard. The property development operations rep on commercial premises that are under development and completed and where the company acts premises that under development and completed and where the company acts as a longer-term investor. Plots that the compa 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 ar profitability levels.

Construction generates a stable operating profit, the requirement for capital employmnet is lower and the turno rate is higher. Property development ties up more capital for a longer period. In the construction business, reven and profit are realised more rapidly than in the property business, where profits are usually only obtained when sites are sold off.

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Calculation of key figures

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

Group and Segment information by quarter

SRV Group 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
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	**-0.08**	-0.14	-0.15	-0.19	0.18	0.04	-0.26	0.09
Equity per share, eur [1)]	**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 and eliminations	**0.8**	0.1	0.4	0.1	0.0	0.4	0.0	0.0
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 and eliminations	**13.3**	-0.2	-1.1	0.4	-1.8	-0.1	-2.1	-0.8
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**

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Order backlog EUR million	**31.12.18**	**30.9.18**	**30.6.18**	**31.3.18**	**31.12.17**	**30.9.17**	**30.6.17**	**31.3.17**
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	**31.12.18**	**30.9.18**	**30.6.18**	**31.3.18**	**31.12.17**	**30.9.17**	**30.6.17**	**31.3.17**
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

Capital employed EUR million	**31.12.18**	**30.9.18**	**30.6.18**	**31.3.18**	**31.12.17**	**30.9.17**	**30.6.17**	**31.3.17**
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**	664.0	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	**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 [1)]	**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)]	**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

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SRV GROUP PLC THE FINANCIAL STATEMENTS, 1 JANUARY–31 DECEMBER 2018

1) The Financial Statements Report 1 January – 31 December 2018

Accounting policies

This Financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting. In preparing this Financial statements release, SRV has applied the same accounting policies as in its annual financial statements for 2017, however so that the Group has introduced as of 1 January 2018 the new or revised IFRS standards and IFRIC interpretations published by the IASB mentioned in the accounting policies of the annual financial statements for 2017.

Changes in accounting policies

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 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

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 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 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, debt securities held as 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.

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Changes in classification were as follows as of 1 January 2018:

	Classification		Carrying amounts 1. January 2018		
	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 liabilities 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 liabilities at fair value through profit and loss	Financial assets and liabilities 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 through profit and loss	Financial assets and liabilities 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	-

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 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.

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.

Use of estimates

The preparation of the Financial Statements in accordance with IFRS requires Group management to make estimates and assumptions that affect both the values of assets and liabilities on the balance sheet date, and income and expenditure for the financial period. Judgements also have to be made in applying the accounting principles. As these estimates and assumptions are based on current perceptions of the situation on the balance sheet date, they involve risks and uncertainties. Actual results may therefore differ from the estimates and assumptions. The key accounting estimates and judgement-based solutions are presented in greater detail in the accounting principles of the consolidated financial statements for 2017.

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

2) Consolidated income statement and statement of comprehensive income

Consolidated income statement EUR million	**1-12/ 2018**	1-12/ 2017	change MEUR	change %	**10-12/ 2018**	10-12/ 2017	change %
Revenue	**959.7**	1,114.4	-154.7	-13.9	299.8	339.0	-11.6
Other operating income	**16.9**	2.4	14.5	592.0	15.2	1.3	1,053.4
Change in inventories of finished goods and work in progress	**34.5**	1.9	32.6	1,749.7	-26.1	-15.2	
Use of materials and services	**-919.3**	-985.6	66.3	-6.7	-257.7	-283.0	-8.9
Employee benefit expenses	**-75.5**	-77.7	2.2	-2.8	-20.1	-19.5	3.2
Share of profits of associated and joint venture companies	**-13.1**	-13.4	0.3		-3.3	-1.5	125.7
Depreciation and impairments	**-5.3**	-5.7	0.4	-7.5	-2.9	-2.8	1.8
Other operating expenses	**-17.7**	-21.0	3.2	-15.5	-4.9	-7.3	-33.1
Operating profit	**-19.8**	15.3	-35.1		0.1	11.2	
Financial income	**5.5**	5.3	0.2	4.1	0.8	1.2	
Financial expenses *)	**-23.0**	-16.0	-7.0	43.8	-7.1	-3.0	136.1
Financial income and expenses, total	**-17.5**	-10.7	-6.8		-6.3	-1.8	
Profit before taxes	**-37.3**	4.6	-41.9		-6.2	9.3	
Income taxes	**6.1**	1.2	4.9		2.3	2.0	
Net profit for the period	**-31.2**	**5.8**	-37.0		**-4.0**	**11.4**	
Attributable to							
Equity holders of the parent company	**-30.1**	6.0			-3.7	11.3	
Non-Controlling interests	**-1.1**	-0.2			-0.3	0.1	
Earnings per share attributable to equity holders of the parent company	**-0.56**	0.05			-0.08	0.18	
Earnings per share attributable to equity holders of the parent company (diluted)	**-0.56**	0.05			-0.08	0.18	
*) of which derivative expenses fair value revaluation	**-2.2**	0.3			-1.6	-0.3	

Statement of comprehensive income EUR million	**1-12/ 2018**	1-12/ 2017	**10-12/ 2018**	10-12/ 2017
Net profit for the period	**-31.2**	5.8	-4.0	11.4
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Financial assets available for sale	**0.0**	0.0	0.0	0.0
Income tax relaed to components of other comprehensive income	**0.0**	0.0	0.0	0.0
Gains and losses arising from translating the financial statements of a foreign operation	**-2.6**	-1.1	-0.7	-0.3
Share of other comprehensive income of associated companies and joint ventures	**-10.2**	-7.0	-3.1	-1.9
Other comprehensive income for the period, net of tax	**-12.8**	-8.1	-3.8	-2.2
Total comprehensive income for the period	**-44.0**	-2.2	-7.8	9.1
Attributable to				
Equity holders of the parent company	**-42.9**	-2.1	-7.5	9.1
Non-Controlling interests	**-1.1**	-0.2	-0.3	0.1

3) Consolidated balance sheet

Consolidated balance sheet EUR million	**31.12.18**	31.12.17	change %
ASSETS			
Non-current assets			
Property, plant and equipment	**6.0**	11.0	-45.4
Goodwill	**1.7**	1.7	0.0
Other intangible assets	**1.6**	1.5	3.3
Shares in associated companies and joint ventures	**180.2**	190.5	-5.4
Other financial assets	**18.3**	16.0	14.6
Receivables	**0.7**	0.9	-23.0
Loan receivables from associated companies and joint ventures	**67.3**	66.8	0.7
Deferred tax assets	**18.6**	11.7	58.7
Non-current assets, total	**294.4**	300.2	-1.9
Current assets			
Inventories	**438.2**	418.8	4.6
Trade and other receivables	**116.8**	145.1	-19.5
Loan receivables from associated companies and joint ventures	**4.6**	0.0	
Current tax receivables (based on profit for the review period)	**0.1**	1.0	-94.3
Cash and cash equivalents	**93.1**	23.5	296.5
Current assets, total	**652.7**	588.4	10.9
ASSETS, TOTAL	**947.0**	**888.5**	6.6

Consolidated balance sheet EUR million	**31.12.18**	31.12.17	change,%
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	**3.1**	3.1	0.0
Invested free equity fund	**142.5**	141.5	0.7
Translation differences	**-12.9**	-0.1	
Fair value reserve	**0.0**	-1.1	
Hybrid bond	**45.0**	45.0	0.0
Retained earnings	**58.7**	96.6	-39.3
Equity attributable to equity holders of the parent company, total	**236.4**	285.0	-17.1
Non-controlling interests	**-2.8**	-1.6	69.6
Total equity	**233.6**	283.4	-17.6
Non-current liabilities			
Deferred tax liabilities	**5.1**	5.1	-1.1
Provisions	**10.7**	8.8	21.6
Interest-bearing liabilities	**284.1**	170.8	66.3
Other liabilities	**9.0**	17.7	-49.4
Non-current liabilities, total	**308.8**	202.4	52.6
Current liabilities			
Trade and other payables	**303.9**	244.5	24.3
Current tax payables (based on profit for the review period)	**0.1**	0.1	-48.4
Provisions	**8.9**	7.8	13.8
Interest-bearing liabilities	**91.8**	150.3	-38.9
Current liabilities, total	**404.6**	402.8	0.5
Liabilities, total	**713.4**	605.1	17.9
EQUITY AND LIABILITIES, total	**947.0**	**888.5**	6.6

4) Consolidated cash flow statement EUR million	**1-12/ 2018**	**1-12/ 2017**
Cash flows from operating activities		
Cash receipts from customers	977.4	1,082.9
Cash receipts from other operating income	2.1	2.4
Cash paid to suppliers and employees	-937.3	-1,098.6
Net cash before interests and taxes	**42.1**	**-13.2**
Interests received and other financial income	0.1	0.4
Interests paid and other expenses from financial costs	-18.2	-22.1
Income taxes paid	1.5	2.4
Cash flows from operating activities	**25.5**	**-32.5**
Cash flow from investing activities		
Purchase of tangible and intangible assets	-4.5	-3.5
Purchase of investments	-1.9	-2.0
Subsidiary shares sold	18.6	0.0
Investments in associated companies and joint ventures	-14.2	-0.4
Increase in loan receivable from associated companies and joint ventures	-5.8	-2.6
Decrease in loan receivable from associated companies and joint ventures	4.6	0.0
Net cash used in investing activities	**-3.1**	**-8.5**
Cash flow from financing activities		
Proceeds from loans	97.6	16.9
Repayment of loans	-86.7	-28.3
Hybrid bond intrests	-3.9	-3.9
Change in housing corporation loans	22.2	14.0
Net change in short-term loans	22.0	17.5
Dividends paid	-3.6	-6.0
Net cash flow from financing activities	**47.5**	**10.1**
Net change in cash and cash equivalents	**69.9**	**-30.9**
Cash and cash equivalents at the beginning of period	23.5	54.6
Effect of exchange rate changes in cash and cash equivalents	-0.3	-0.2
Cash and cash equivalents at the end of period	**93.1**	**23.5**

5) Statement of changes in Group equity

	Equity attributable to the equity holders of the parent company								
	Share Capital	Invested Free Equity Fund	Hybrid Bond	Trans-lation diffe rences	Fair value reserve	Reitained earnings	**Total**	Non-cont-rolling interests	**Total equity**
1 January- 31 December 2018 (EUR million)									
Equity on 31 December 2017	3.1	141.5	45.0	-0.1	-1.1	96.6	**285.0**	-1.6	**283.4**
Change in accounting principles (IFRS 9)	0.0	0.0	0.0	0.0	1.1	-1.1	**0.0**	0.0	**0.0**
Equity 1 January 2018	3.1	141.5	45.0	-0.1	0.0	95.5	**285.0**	-1.6	**283.4**
Comprehensive income for the review period	0.0	0.0	0.0	-12.8	0.0	-30.1	**-42.9**	-1.1	**-44.0**
Dividends paid	0.0	0.0	0.0	0.0	0.0	-3.6	**-3.6**	0.0	**-3.6**
Share-based incentive plan	0.0	1.0	0.0	0.0	0.0	0.0	**1.0**	0.0	**1.0**
Purchase of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Sale of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Share issue	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Costs related to share issue, tax	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Hybrid bond	0.0	0.0	0.0	0.0	0.0	-3.2	**-3.2**	0.0	**-3.2**
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Equity on 31 December 2018	3.1	142.5	45.0	-12.9	0.0	58.7	**236.4**	-2.8	**233.6**
1 January- 31 December 2017 (EUR million)									
Equity 1 January 2017	3.1	141.5	45.0	8.0	-1.1	100.6	**297.1**	-1.8	**295.3**
Comprehensive income for the review period	0.0	0.0	0.0	-8.1	0.0	6.0	**-2.1**	-0.2	**-2.3**
Dividends paid	0.0	0.0	0.0	0.0	0.0	-6.0	**-6.0**	0.0	**-6.0**
Share-based incentive plan	0.0	0.0	0.0	0.0	0.0	-1.0	**-1.0**	0.0	**-1.0**
Purchase of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Sale of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Share issue	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Costs related to share issue, tax	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**	0.0	**0.0**
Hybrid bond	0.0	0.0	0.0	0.0	0.0	-3.2	**-3.2**	0.0	**-3.2**
Other changes [1)]	0.0	0.0	0.0	0.0	0.0	0.2	**0.2**	0.3	**0.5**
Equity on 31 December 2017	3.1	141.5	45.0	-0.1	-1.1	96.6	**285.0**	-1.6	**283.4**

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

6) Group commitments and contingent liabilities (EUR million)	**31.12.18**	**31.12.17**	change **%**
Collateral given for own liabilities			
Real estate mortgages given [1)]	**82.3**	70.0	17.6
Other commitments			
Investment commitments given	**67.5**	81.9	-17.7
Plots purchase commitments	**47.8**	41.5	15.2
Contingent liabilities (rented plots)	**169.3**	105.8	59.9

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

Liability of derivative instruments (EUR million)	**12/2018** Fair value		**12/2017** Fair value	
	Posit.	Negat.	Posit.	Negat.
Hedge accounting not applied				
Currency option	1.4	0.0	0.4	0.0
Interest rate swaps	0.0	6.7	0.0	6.1

	12/2018	**12/2017**
Nominal values of derivative instruments		
Currency option	83.0	80.0
Interest rate swaps	100.0	100.0

7) Group and Segment Information

SRV Group's segments are Operations in Finland, International Operations and Other operations.

Group and Segment information

Revenue EUR million	**1-12/ 2018**	1-12/ 2017	change, MEUR	change %	**10-12/ 2018**	10-12/ 2017
Revenue recognition at a point in time						
Operations in Finland	**137.7**	209.2	-71.5	-34.2	**75.8**	89.9
International operations	**1.5**	3.2	-1.8	-54.2	**0.5**	0.6
Revenue recognition over time						
Operations in Finland	**800.7**	877.8			**215.0**	239.4
International operations	**4.1**	12.4			**1.0**	1.2
Other operations	**0.4**	0.0			**0.2**	0.0
Other revenue						
Operations in Finland	**11.7**	9.1	2.6	28.9	**5.5**	7.5
International operations	**2.5**	2.3	0.2	7.4	**1.1**	0.6
Other operations and eliminations	**1.1**	0.4	0.7	184.6	**0.6**	0.0
Group, total	**959.7**	1,114.4	-154.7	-13.9	**299.8**	339.0

Operation profit EUR million	**1-12/ 2018**	1-12/ 2017	change, MEUR	change %	**10-12/ 2018**	10-12/ 2017
Operations in Finland	**-14.3**	38.6	-52.9		**-7.2**	18.2
International operations	**-17.8**	-18.4	0.6		**-6.0**	-5.2
Other operations and eliminations	**12.4**	-4.8	17.2		**13.3**	-1.8
Group, total	**-19.8**	15.3	-35.1		**0.1**	11.2

Operating profit, %	**1-12/ 2018**	1-12/ 2017	**10-12/ 2018**	10-12/ 2017
Operations in Finland	**-1.5**	3.5	**-2.4**	5.4
International Operations	**-222.2**	-102.3	**-226.8**	-222.5
Group, total	**-2.1**	1.4	**0.0**	3.3

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Assets EUR million	**31.12.2018**	31.12.2017	change MEUR	change, %
Operations in Finland	**620.2**	613.4	6.8	1.1
International operations	**231.2**	266.5	-35.2	-13.2
Other operations and eliminations	**95.6**	8.7	86.9	997.6
Group, total	**947.0**	888.5	58.5	6.6

Liabilities EUR million	**31.12.2018**	31.12.2017	change MEUR	change, %
Operations in Finland	**410.1**	386.9	23.2	6.0
International operations	**167.0**	169.8	-2.8	-1.6
Other operations and eliminations	**136.3**	48.4	87.9	181.5
Group, total	**713.4**	605.1	108.3	17.9

Capital Employed EUR million	**31.12.2018**	31.12.2017	change MEUR	change, %
Operations in Finland	**323.8**	368.4	-44.6	-12.1
International operations	**213.0**	241.7	-28.7	-11.9
Other Operations	**74.2**	-5.6	79.8	
Group, total	**611.0**	604.5	6.5	1.1

Return on investment %	**31.12.2018**	31.12.2017
Operations in Finland	**-3.8**	11.4
International operations	**-7.7**	-6.7
Group, total	**-2.9**	3.1

8) Inventories EUR million	**31.12.2018**	31.12.2017	change MEUR
Land areas and plot-owning companies	**145.3**	186.3	-41.0
Operations in Finland	**62.8**	101.7	-38.9
International operations	**82.5**	84.6	-2.1
Work in progress	**261.2**	195.3	65.9
Operations in Finland	**261.1**	195.3	65.9
International operations	**0.1**	0.0	0.1
Shares in completed housing corporations and real estate companies	**25.1**	29.7	-4.6
Operations in Finland	**22.6**	25.0	-2.4
International operations	**2.5**	4.8	-2.3
Other inventories	**6.6**	7.5	-0.9
Operations in Finland	**6.6**	7.5	-0.9
International operations	**0.0**	0.0	0.0
Inventories, total	**438.2**	418.8	19.4
Operations in Finland	**353.1**	329.4	23.7
International operations	**85.1**	89.4	-4.3

9) Related party transactions

EUR million **31.12.18**	**Salaries and compensation**	**Sale of goods and services**	**Purchase of goods and services**	**Interest income**	**Receivables**	**Liabilities**
Management and the Board of Directors	2.5	0.0	0.0	0.0	0.0	0.0
Joint ventures	0.0	119.3	0.0	0.8	32.4	0.0
Associated companies	0.0	2.9	0.0	3.3	52.9	0.0
Other related parties	0.0	0.0	0.0	0.0	0.0	0.0
Total	**2.5**	**122.2**	**0.0**	**4.1**	**85.3**	**0.0**

31.12.17	**Salaries and compensation**	**Sale of goods and services**	**Purchase of goods and services**	**Interest income**	**Receivables**	**Liabilities**
Management and the Board of Directors	3.6	0.0	0.0	0.0	0.0	0.0
Joint ventures	0.0	150.3	0.1	0.6	18.4	0.0
Associated companies	0.0	10.1	0.0	3.4	53.1	0.0
Other related parties	0.0	0.0	0.0	0.0	0.0	0.0
Total	**3.6**	**160.4**	**0.1**	**4.0**	**71.5**	**0.0**