SRV GROUP PLC INTERIM REPORT, 1 JANUARY–30 SEPTEMBER 2019

Revenue unchanged, weaker margins push the result into the red

January–September 2019 in brief:

- **Revenue** declined by 0.4 per cent to EUR 657.2 million (659.9 1–9/2018). Revenue declined in business construction and increased in housing construction. Revenue from housing construction grew because more developer-contracted housing units were recognised as income than in the comparison period, a total of 301 units (253).
- **Operative operating profit** totalled EUR -9.6 (-11.6) million. Operative operating profit weakened by expense entries for water damage at REDI Majakka and the dissolution of the VTBC fund, the impairment of the Etmia office property as well as write-down of inventories, amounting to EUR 8.2 million in total. In addition, operative operating profit was impacted particularly by the EUR 9.8 million weakening of the margins of two projects being completed this year. Operative operating profit was improved by slight growth in the revenue of Construction segment and a year-on-year increase in housing units recognised as income. Operative operating profit for the comparison period is burdened particularly by the losses on the construction of the REDI shopping centre.
- **Operating profit** was EUR -6.2 (-19.9) million. The change in the rouble exchange rate had the biggest impact on the operating profit of the Investments segment, which totalled EUR -5.0 (-12.1) million. The net effect of the change was EUR 3.4 (-8.3) million. The exchange rate impact, which had no effect on cash flow, was caused by the revaluation of euro-denominated loans of associated companies to roubles and hedging expenses.
- **The result before taxes** amounted to EUR -25.1 (-31.1) million, including the EUR -3.9 (0.8) million fair value revaluation of interest rate derivatives.
- **Earnings per share** were EUR -0.42 (-0.48).
- At period-end, **the order backlog** stood at EUR 1,592.6 (1,661.5) million. In January-September, the order backlog saw a year-on-year decline of 4.1 per cent. The sold share of the order backlog was 82.3 (84.8) per cent. New agreements valued at EUR 344.7 (695.0) million were signed in January–September.
- In May, SRV issued a EUR 58.4 million hybrid bond. EUR 20.5 million of the proceeds were used for early repayment of the existing hybrid bond and EUR 37.9 million for early repayment of current notes. In June, SRV extended its current long-term revolving credit facility of EUR 100 million by one year.
- **Equity ratio** was 27.2 (28.0) per cent and **gearing** was 199.1 (144.2) per cent. The adoption of IFRS 16 weakened the equity ratio and gearing, while the loan arrangement carried out in May improved them. The comparable figures (without the impact of IFRS 16) were 33.3 (28.0) per cent for the equity ratio and 131.4 (144.2) for gearing.

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

July–September 2019 in brief:

- **Revenue** in July-September amounted to EUR 227.1 (208.4) million. Revenue was increased by growth in revenue from housing construction.
- **Operative operating profit** amounted to EUR -7.0 (-3.1) million. Impairments of investments in Russia and the weaker margins of projects reduced operative operating profit.
- **Operating profit** was EUR -6.3 (-5.7) million.
- Fewer agreements were recorded in **the order backlog** than last year, EUR 123.3 (128.3) million.

Events after the period

In connection with the publication of its interim report, SRV announced that it launches a recovery programme with the short-term goal of ensuring its operative operating profit and cash flow for 2020 are positive and returning its operative operating profit for 2021 to the level of 2017. The recovery programme focuses on organisation and organisational culture reformation, lightening its balance sheet, strengthening cash flow, and cost savings. As part of the programme, the company will start co-operation negotiations concerning personnel in Finland. The estimated need for personnel reductions is 90 person-years.

On 10 October 2019, SRV revised its outlook for 2019. The company estimates that its full-year operative operating profit for 2019 will be in the red. The outlook was revised to account for impairments of investments in Russia and weaker margins in certain projects, such as due to the higher-than-anticipated additional costs caused by delays in the completion of the REDI Majakka residential tower.

On 2 October 2019, SRV and real estate investment company Antilooppi signed a development-phase agreement on the basic renovation and modernisation of historical properties in Hakaniemi, Helsinki: Siltasaarenkatu 6 and 8–10 as well as Paasivuorenkatu 4. The Siltasaari 10 project will combine three properties with a total of 36,075 gross m2 into a unique complex to serve urban residents and employees. The parties aim to sign the project management contract in late 2019, at which time the project will be included in SRV's order backlog.

Outlook for 2019

The company estimates that its full-year operative operating profit for 2019 will be in the red. The outlook was revised to account for impairments of investments in Russia and weaker margins in certain projects, such as due to the higher-than-anticipated additional costs caused by delays in the completion of the REDI Majakka residential tower.

- 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 be in the red (operative operating profit in 2018: EUR -10.0 million).

Overall review

Group key figures (IFRS, EUR million)	**1–9/ 2019**	1–9/ 2018	change	change, %	**7–9/ 2019**	7–9/ 2018	1–12/ 2018	previous 12 months
Revenue	**657.2**	659.9	-2.7	-0.4	**227.1**	208.4	959.7	956.9
Operative operating profit[1)]	**-9.6**	-11.6	1.9		**-7.0**	-3.1	-10.0	-8.1
Operative operating profit, %	**-1.5**	-1.8			**-3.1**	-1.5	-1.0	-0.8
Operating profit[*)]	**-6.2**	-19.9	13.7		**-6.3**	-5.7	-19.8	-6.1
Operating profit, %	**-0.9**	-3.0			**-2.8**	-2.7	-2.1	-0.6
Operating profit, excl. IFRS 16[2) *)]	**-9.7**	-19.9	10.2		**-7.6**	-5.7	-19.8	-0.1
Operating profit, %, excl. IFRS 16[2)]	**-1.5**	-3.0			**-3.3**	-2.7	-2.1	0.0
Financial income and expenses, total[**)]	**-18.9**	-11.2	-7.8		**-7.6**	-3.5	-17.5	-25.2
Profit before taxes	**-25.1**	-31.1	5.9		**-14.0**	-9.1	-37.3	-31.4
Net profit for the period	**-20.2**	-27.3	7.0		**-11.6**	-8.1	-31.2	-24.2
Net profit for the period, %	**-3.1**	-4.1			**-5.1**	-3.9	-3.3	-2.5
Order backlog (unrecognised)[3)]	**1,592.6**	1,661.5	-69.0	-4.1			1,816.0	
New agreements	**344.7**	695.0	-350.3	-50.4	**123.3**	128.3	1,133.0	782.7
*) net effect of currency exchange fluctuations	**3.4**	-8.3	11.7		**0.6**	-2.6	-9.8	1.9
**) derivatives included in financial income and expenses	**-5.4**	-0.6	-4.8		**-1.4**	0.5	-2.2	-6.9

1) Operative operating profit is determined by deducting the calculated rouble exchange differences included in financial items and their potential hedging impacts from operating profit. Net exchange rate differences during the review period amounted to EUR 3.4 (-8.3) million, including the effect of hedging EUR -3.4 (-0.3) million.
2) The impacts of IFRS 16 in 2019 have been adjusted out of the figure. Due to this adjustment, the figure is comparable with the figures for 2018.
3) The Group's order backlog consists of the Construction business. The unrecognised margin corresponding to the holding is no longer included in the order backlog comparison figures.

Group key figures (IFRS, EUR million)	**1–9/ 2019**	1–9/ 2018	change	change, %	1–12/ 2018
Equity ratio, %[1)]	**27.2**	28.0			28.5
Equity ratio, %, excl. IFRS 16 [2)]	**33.3**	28.0			28.5
Net interest-bearing debt[1)]	**513.2**	346.5	166.7	48.1	282.8
Net interest-bearing debt, excl. IFRS 16[2)]	**339.7**	346.5	-6.7	-1.9	282.8
Net gearing ratio, %[1)]	**199.1**	144.2			121.1
Net gearing ratio, %, excl. IFRS 16[2)]	**131.4**	144.2			121.1
Return on investment, %	**-0.2**	-3.7			-2.9
Return on investment, %, excl. IFRS 16[2)]	**-1.0**	-3.7			-2.9
Capital employed[1)]	**795.1**	664.0	131.1	19.7	611.0
Capital employed, excl. IFRS 16[2)]	**622.5**	664.0	-41.5	-6.2	611.0
Return on equity, %	**-11.0**	-13.9			-12.1
Earnings per share, EUR	**-0.42**	-0.48	0.07	-13.5	-0.56
Equity per share (without hybrid bond), EUR	**2.97**	3.32	-0.35	-10.5	3.21
Share price at end of period, EUR	**1.44**	2.50	-1.06	-42.4	1.70
Weighted average number of shares outstanding, millions	**59.6**	59.6			59.6

1) The figures for 2019 are not comparable with the figures for 2018.
2) The impacts of IFRS 16 in 2019 have been adjusted out of the figure. Due to this adjustment, the figure is comparable with the figures for 2018.

CEO's review

In terms of earnings, the January-September period was disappointing due to impairments of our investments in Russia and weaker margins of two projects being completed this year. On the other hand, slightly more residential units were completed and recognised as income than in the comparison period. Due to these reasons, we expect that operative operating profit for 2019 will be in the red. We recognised EUR 123 million in new projects in order backlog during the third quarter.

We strengthened our financial position in the spring and early summer. This has facilitated the development of our operations, earnings performance and other financing. However, it goes without saying that these steps alone will not be enough to put the company on a profitable track.

As previously expected, housing start-ups will decline both this year and the next. Demand for housing is waning outside the Greater Helsinki Area compared to previous years. Apartments in good locations – particularly small units – are selling well and investor demand remains strong. At the end of August, we signed a cooperation agreement valued at EUR 120 million with Kojamo. The agreement is for six housing sites built as development projects with a total of 527 rental housing units in the Greater Helsinki Area. The first of these housing projects was completed and recognised as income during the review period.

Occupancy rates, visitor numbers and sales at the Russian shopping centres grew. We are working to improve the attractiveness of the shopping centres and to find the best tenant mix. We are satisfied with the development of all our shopping centres, although the positive development needs to be speeded up.

I believe that SRV has been successful in urban development. We are heading in the right direction: urbanisation will continue. Kalasatama will play a stronger role in the Helsinki city centre this autumn when residents will be able to move into Majakka. Construction of the second residential tower, Loisto, utilises tower construction knowledge and is proceeding according to the plan.

Our challenges are clearly limited to certain parts of our activities, but the depth of the challenges has a wide impact on the entire company. However, with determined measures, the company's trend can be reversed. We will therefore immediately begin a recovery programme aiming at strengthening financial position and performance and improving profitability.

Saku Sipola, President & CEO

Markets

In 2019, the global economic growth has slowed down due to the uncertainty caused by the trade conflicts. The global economic growth will recover already next year, driven by the euro zone and many emerging economies. (Ministry of Finance: 7 October 2019)

The rapid slowdown in economic growth in Germany casts a shadow on the economic outlook of the euro zone. However, the outlook is expected to brighten next year. In the years ahead, Finnish economic growth will be more restrained than in earlier years. The economy will grow by about 1.5 per cent in 2019. In 2020, economic growth will slacken to 1.0 per cent. Growth in exports will remain moderate. (Ministry of Finance: 7 October 2019)

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

Urbanisation and population shift are still the general drivers of construction and will maintain the need for both housing and business construction in growth centres. According to VTT's forecast, urbanisation will continue, as Finland’s urbanisation ratio is clearly lagging behind other industrialised nations, such as Sweden. For instance, the Helsinki region’s 14 municipalities have made a joint MAL Plan, in which the target state is for the Helsinki region to have two million residents and more than a million jobs by 2050. This would mean about 500,000 more residents and 300,000 more jobs than in 2018. (Sources: Helsinki Region Trends 1/2019 & VTT’s Demand for Housing Production, 2015–2040, 01/2016).

Construction of housing has been at a record high in recent years, especially in the Greater Helsinki Area, Tampere and Turku. Housing construction is expected to slow down this year, with start-ups in Finland declining from last year’s level of about 45,600 residential units to around 38,000. The slowdown in housing construction is offset by brisk construction of housing in the Greater Helsinki Area, low interest rates and strong investor demand (Business cycle review by the Confederation of Finnish Construction Industries RT, 2/2019.)

In commercial construction, start-ups of projects other than public-sector service buildings and industrial buildings will fall this year. Construction of hospitals and schools remains brisk. Renovation construction is expected to see steady growth of about 1.5 per cent this year and the next. Civil engineering investments are forecast to swing to growth next year. According to Statistics Finland, construction costs have risen by 0.8 per cent compared with September 2018. (Source: Business cycle review by the Confederation of Finnish Construction Industries RT, 2/2019, Statistics Finland, Building Cost Index.)

Investors are maintaining a good level of interest in projects in Finnish growth centres. The value of transactions in the property market totalled EUR 9.3 billion in 2018. Office properties accounted for about EUR 3.6 billion, commercial properties for about EUR 2.2 billion, and residential properties for about EUR 1.8 billion. International investors in particular showed a great deal of interest in the Finnish market: they accounted for about 66 per cent of transaction volume. Apartments have become increasingly attractive as property investments in recent years, and interest remains high. (Source: KTI market review)

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

Earnings trends for the segments

SRV's new organisation, which is divided into the Construction and Investments segments, came into force at the beginning of 2019. As a result of this change, SRV has reported on two business segments since the first-quarter interim report of 2019: Construction and Investments. The comparison figures were published in a separate bulletin in April 2019.

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

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

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

Revenue (EUR million)	**1–9/ 2019**	1–9/ 2018	change	change, %	**7–9/ 2019**	7–9/ 2018	1–12/ 2018	previous 12 months
Construction	**654.6**	656.9	-2.3	-0.4	226.0	207.6	955.4	953.0
Investments	**4.2**	3.6	0.7	18.7	1.4	1.2	4.6	5.3
Other operations and eliminations	**-1.7**	-0.6	-1.0		-0.3	-0.4	-0.3	-1.3
Group, total	**657.2**	659.9	-2.7	-0.4	227.1	208.4	959.7	956.9

Operative operating profit (EUR million)	**1–9/ 2019**	1–9/ 2018	change	change, %	**7–9/ 2019**	7–9/ 2018	1–12/ 2018	previous 12 months
Construction	**3.5**	-5.8	9.3		-3.4	-1.6	-13.4	-4.0
Investments	**-8.4**	-3.8	-4.6		-3.7	-1.1	-7.8	-12.4
Other operations and eliminations	**-4.7**	-1.9	-2.8		0.2	-0.4	11.1	8.4
Group, total	**-9.6**	-11.6	1.9		-7.0	-3.1	-10.0	-8.1

Operative operating profit (%)	**1–9/ 2019**	1–9/ 2018	**7–9/ 2019**	7–9/ 2018	1–12/ 2018	previous 12 months
Construction	0.5	-0.9	-1.5	-0.8	-1.4	-0.4
Investments	-	-	-	-	-	-
Group	-1.5	-1.8	-3.1	-1.5	-1.0	-0.8

Operating profit (EUR million)	**1–9/ 2019**	1–9/ 2018	change	**7–9/ 2019**	7–9/ 2018	1–12/ 2018	previous 12 months
Construction*)	**3.5**	-5.8	9.3	-3.4	-1.6	-13.4	-4.0
Investments*)	**-5.0**	-12.1	7.1	-3.1	-3.7	-17.5	-10.4
Other operations and eliminations	**-4.7**	-1.9	-2.8	0.2	-0.4	11.1	8.4
Group, total*)	**-6.2**	-19.9	13.7	-6.3	-5.7	-19.8	-6.1
*) effect of currency exchange fluctuations	**3.4**	-8.3	11.7	0.6	-2.6	-9.8	1.9

Operating profit (%)	**1–9/ 2019**	1–9/ 2018	**7–9/ 2019**	7–9/ 2018	1–12/ 2018	previous 12 months
Construction	**0.5**	-0.9	-1.5	-0.8	-1.4	-0.4
Investments	**-**	-	-	-	-	-
Group	**-0.9**	-3.0	-2.8	-2.7	-2.1	-0.6

Capital employed[1] (EUR million)	**1–9/ 2019**	1–9/ 2018	change	change, %	1–12/ 2018	previous 12 months
Construction	**472.0**	286.0	186.0	65.0	221.4	407.4
Investments	**330.7**	331.7	-1.0	-0.3	336.8	335.8
Other operations and eliminations	**-7.6**	46.3	-53.9	-116.3	52.8	-1.1
Group	**795.1**	664.0	131.1	19.7	611.0	742.1

Return on investment (%)[1]	**1–9/ 2019**	1–9/ 2018	1–12/ 2018	previous 12 months
Construction	**1.6**	-2.1	-4.5	-0.8
Investments	**-0.3**	-4.7	-5.2	0.0
Group	**-0.2**	-3.7	-2.9	1.0

1) The figures for 2019 are not comparable with the figures for 2018, as the 2019 figures include the impact of IFRS 16.

Construction

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

Construction's main objective is to harness its specialist expertise in order to provide an excellent customer experience in project management and production, and to help improve the profitability of SRV's business. It takes the SRV Approach, which is based on understanding customer needs and the effective implementation of projects in collaboration with our extensive network of professional partners. This segment focuses on housing, business and infrastructure construction in selected urban growth centres, as per the company's strategy.

Construction (EUR million)	**1–9/ 2019**	1–9/ 2018	change	change, %	**7–9/ 2019**	7–9/ 2018	1–12/ 2018	previous 12 months
Revenue	**654.6**	656.9	-2.3	-0.4	226.0	207.6	955.4	953.0
- business construction	**479.3**	482.4	-3.9	-0.7	171.2	160.3	666.3	662.4
- housing construction	**175.3**	174.6	0.8	0.4	54.7	47.4	289.1	289.9
Operating profit	**3.5**	-5.8	9.3		-3.4	-1.6	-13.4	-4.0
Operating profit, %	**0.5**	-0.9			-1.5	-0.8	-1.4	-0.4
Capital employed	**472.0**	286.0	186.0	65.0			221.4	407.4
Return on investment, %	**1.6**	-2.1	3.7				-4.5	-0.8
Order backlog[1)]	**1,592.6**	1,661.5	-69.0	-4.1			1,816.0	
- business construction	**938.7**	1,019.3	-86.3	-8.5			1,233.3	
- housing construction	**653.8**	642.2	-24.4	-3.8			582.7	
Group, total[1)]	**1,551**	1,662	-111	-6.7			1,816	
- sold order backlog	**1,269**	1,409	-140	-9.9			1,612	
- unsold order backlog	**281**	253	29	11.4			204	
- sold order backlog, %	**82**	85					89	
- unsold order backlog, %	**18**	15					11	

1) The Group's order backlog consists of the Construction business. The unrecognised margin corresponding to the holding is no longer included in the order backlog comparison figures.

January–September 2019

Revenue from Construction declined to EUR 654.6 million (656.9 1–9/2018) in the January–September period. Revenue was down in business construction and increased in housing construction. Revenue from housing construction was up 0.4 per cent because more housing units were recognised as income than in the comparison period. Revenue from business construction was down 0.7 per cent.

Construction's **operating profit** rose to EUR 3.5 (-5.8) million. Operating profit was positively impacted by the completion of the REDI shopping centre contract, but was reduced by the lower margin forecasts of two projects in particular, EUR 9.8 million. The result includes EUR 4.5 million in expense entries due to water damage at REDI Majakka and EUR 0.8 million in write-down of inventories, to a total of around EUR 5.3 million.

Construction's **order backlog** stood at EUR 1,592.6 (1,661.5) million. Although the order backlog has declined slightly, it remains at a good level, and 82 per cent of the order backlog has been sold. New agreements valued at EUR 344.7 (695.0) million were recognised in January–September. The most significant agreements were REDI Loisto in the first quarter, the Finnish-Russian School in the second quarter, and Tampereen Wallesmanni, Tampereen Opaali and the Raisio production facility in the third quarter.

Construction's **capital employed** totalled EUR 472.0 (286.0) million. IFRS 16 had an accounting effect of EUR 161 million on this growth in capital employed.

July–September 2019

Revenue from Construction totalled EUR 226.0 million (207.6 7-9/2018) in the July–September period. **Operating profit** totalled EUR -3.4 (-1.6) million. New agreements entered into the **order backlog** in July-September amounted to EUR 123.3 (128.3) million.

Housing construction

January–September 2019

SRV's **revenue** from housing construction rose to EUR 175.3 million (174.6 1–9/2018) in the January–September period. 301 housing units were recognised as income in January-September, slightly more than in the corresponding period of the previous year (253). The **order backlog** for housing construction was EUR 653.8 (642.2) million.

July–September 2019

SRV's **revenue** from housing construction in July-September rose to EUR 54.7 million (47.4 7-9/2018). 98 housing units were recognised as income in July–September, more than in the corresponding period of the previous year (49). Revenue grew because more units were completed and recognised as income than in the comparison period.

Housing under construction

SRV's strategic target is to increase developer-contracted housing production in urban growth centres in the vicinity of good transport connections. For some time now, SRV has been one of the largest housing constructors in the Helsinki metropolitan area. At the end of September, SRV had a total of 2,773 (September 2018: 2,927) housing units under construction in Finland, mostly in growth centres. No housing units were under construction in Russia.

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

A total of 1,309 (1,161) developer-contracted housing units were under construction at the end of September. The number of developer-contracted units currently under construction will affect SRV's result in the future when the units are sold. The average construction period is about 18 months.

The Kalasatama Towers in Kalasatama, Helsinki are the largest construction project in SRV's history. By the end of September, 274 of the 282 units in the first residential tower (Majakka) had been sold. Majakka's completion will be delayed by the water damage that occurred in February. Some of the apartments had to be dried, and their floor and wall materials replaced. SRV is expected to incur additional costs of about EUR

7 million from this water damage. However, insurance will cover almost all of the direct repair costs. Due to delays, the indirect costs that are not covered by insurance will be substantial. To date, expense entries totalling EUR 4.5 million have been made for the estimated indirect costs. Residents will be able to move into their apartments in November-December 2019.

SRV began sales of Kalasatama's second residential tower (Loisto) in February 2019. By the end of September, 115 apartments had been sold or reserved. Loisto will rise to a height of 124 metres above sea level. Its 249 apartments are located on top of the REDI shopping centre, on floors 6–32. Construction has started and is proceeding as planned.

The developer-contracted housing projects Tampereen Wallesmanni (217 units) and Helsingin Väinämöisenrinne (66 units) were entered in the order backlog in the third quarter. Construction has been started. The apartments will be recognised as income according to level of sales completion in 2020.

A total of 715 new developer-contracted housing units targeted at consumers went on sale in January–September. In addition to the above-mentioned projects, 78 units will be completed in Kanttorinkulma, Kaarina. In Oulu, 96 units will be completed in Toppilansalmen Fyyri and 9 units in Satamarannan Ruori.

At the end of September, a total of 1,189 (1,393) units were under construction for investors, mainly in Helsinki, Espoo, Vantaa and Kerava. Opaali, which will be built on the Tampere Central Deck for Tampere Towers and will include 150 housing units and both office and retail premises, was recognised in the order backlog. In August, SRV and Kojamo Oyj signed a cooperation agreement valued at about EUR 120 million to implement rental housing in Helsinki, Espoo, Vantaa and Kerava. The agreement is for six housing sites built as development projects with a total of 527 units. The units are primarily studios and two-room apartments. The realisation of the individual projects included in the agreement requires the fulfilment of customary contractual terms and conditions. The first project was completed during the review period. In the first half of the year, Aalto and Tyrsky in Oulu (a total of 66 housing units) were sold to TA. In addition, negotiations on several investor sales packages are under way.

Completed housing units

A total of 269 (228) developer-contracted housing units were completed during January-September. The number of unsold housing units has remained low. At the end of September, there were 84 (102) unsold completed housing units, 66 (49) in Finland and 18 (53) in Russia. Although housing sales are going moderately well, a slight slowdown has been observed, particularly outside the capital city region and Tampere. Demand from private housing investors has declined compared with the previous year. Demand is currently focusing on small apartments in good locations. A total of 442 (338) developer-contracted housing units were sold during January–September.

Housing units recognised as income

In January-September, 301 (253) developer-contracted housing units were recognised as income, generating total revenue of EUR 74.8 million. A developer-contracted residential project is a project that is developed by SRV and which has not been sold when construction begins. SRV bears the risks involved in both the sale and construction of such projects, which are recognised as income when the project has been completed and as the units are sold.

Housing construction, Group units	**1–9/ 2019**	1–9/ 2018	change, units	**7–9/ 2019**	7–9/ 2018	1–12/ 2018	previous 12 months
Units sold, total	**668**	1,054	-386	**326**	315	1,400	1,014
- developer contracting	**442**	338	104	**166**	133	494	598
- investor sales	**226**	716	-490	**160**	182	906	416
Developer contracting							
- start-ups	**715**	317	398	**283**	232	317	715
- completed	**269**	228	41	**85**	26	526	567
- recognised as income	**301**	253	48	**98**	49	537	585
- completed and unsold	**84**	102	-18			116	
Under construction, total	**2,773**	2,927	-154			2,759	
- contracts	**80**	80	0			80	
- negotiated contracts	**195**	293	-98			487	
- sold to investors	**1,189**	1,393	-204			1,329	
- developer contracting	**1,309**	1,161	148			863	
- sold	**700**	687	13			559	
- unsold	**609**	474	135			304	
- sold, %	**53**	59				65	
- unsold, %	**47**	41				35	

Order backlog, housing construction (EUR million)	**9/2019**	9/2018	change	12/2018
Contracts and negotiated contracts	**191**	210	-55	213
Under construction, sold developer contracting	**182**	196	-14	169
Under construction, unsold developer contracting	**261**	220	41	180
Completed and unsold developer contracting	**21**	17	4	20
Housing construction, total	**654**	642	-24	583

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

Project name	Location	SRV, contract value, EUR million	Completion date (estimated)*	Units	Sold*	For sale*
REDI Majakka	Helsinki	106	Q4/2019	282	274	8
REDI Loisto	Helsinki	105	Q4/2021	249	36	213
Wallesmanni	Tampere	42	Q4/2020	217	44	173
Neulansilmä	Vantaa	23	Q2/2020	103	42	61
Väinämöisenrinne	Helsinki	22	Q4/2020	66	17	49
Aleksinkaarre	Kerava	22	Q4/2019	80	30	50
Luxus	Turku	14	Q4/2019	83	81	2
Kanttorinkulma	Turku	14	Q4/2019	78	45	33
Fyyri	Oulu	10	Q2/2020	96	96	0
Varikonaarre	Vantaa	9	Q4/2019	46	32	14

Total value of projects approx. EUR 367 million

*Situation at 30 September 2019.

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

Project name	Location	Developer	Completion level, %*	Completion date (estimated)*
Pihapuisto and Puistoniitty	Espoo	LocalTapiola	89	Q4/2019
Anna Sahlsteninkatu	Espoo	LocalTapiola	65	Q4/2019
Punanotko	Helsinki	Ilmarinen	37	Q2/2020
Espanranta	Tampere	Tampere Towers	34	Q2/2020
Espanhovi	Tampere	Tampere Towers	6	Q3/2020
Ilveshovi	Helsinki	LocalTapiola	56	Q4/2020
Aalto and Tyrsky	Oulu	TA	16	Q4/2020
Tikkurilan KK	Vantaa	NREP	9	Q1/2021
Louhenlinna	Helsinki	LocalTapiola	23	Q1/2021
Opaali, Tampere Deck	Tampere	Tampere Towers	3	Q1/2022

Total value of projects approx. EUR 208 million

*Situation at 30 September 2019.

Business and infrastructure construction

January–September 2019

SRV's **revenue** from business construction declined to EUR 479.3 million (482.4 1–9/2018) and the **order backlog** contracted by 7.9 per cent to EUR 938.7 (1,019.3) million.

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

July–September 2019

SRV's **revenue** from business construction amounted to EUR 171.2 million (160.3 7-9/2018) in the third quarter.

Major ongoing business and infrastructure construction projects

- Expansion of Helsinki Airport and renovation of Terminal 2

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

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

- Espoonlahti Metro Station

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

- Tampere Central Deck and arena

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

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

Wood City

For many years, SRV has been developing Wood City in the Jätkäsaari neighbourhood of Helsinki. Wood City will comprise an office building, hotel, and two apartment buildings for Helsinki Housing Production Department (ATT). This wooden quarter will also include a multi-storey car park. ATT's apartments were completed in February 2019. According to current estimates, the Wood City quarter is scheduled for completion in stages during 2020-21. The total value of the Wood City quarter is about EUR 100 million.

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

New projects

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

The largest ongoing business construction projects

Project	Location	SRV total contract value, EUR million	Project type	Completion level, %	Completion (estimate)
DEVELOPMENT PROJECTS					
Deck, southern deck and infra**	Tampere	*	Infra	73	Q3/2021
Deck, multipurpose arena**	Tampere	*	Retail	11	Q3/2021
Deck, arena hotel**	Tampere	*	Retail	0	Q3/2021
Topaasi and Kruunu**	Tampere	*	Office	11	Q3/2021
BUSINESS PREMISES					
Central Finland Hospital Nova	Jyväskylä	325	Public	76	Q3/2020
Expansion of Helsinki Airport	Vantaa	260	Retail	18	Q1/2022
HUS Bridge Hospital	Helsinki	243	Public	27	Q4/2022
Tapiola city centre (Phase 2)	Espoo	100 +	Retail	82	Q1/2020
Jokirinne Learning Centre	Kirkkonummi	33	Public	26	Q4/2020
Hämeenlinna Women's Prison	Hämeenlinna	30	Public	32	Q4/2020

Hotel Marriott	Tampere	*	Retail	75	Q4/2019
Wood City, office	Helsinki	*	Office	44	Q3/2020
Lauttasaari school	Helsinki	*	Public	78	Q4/2019
Finnish-Russian School	Helsinki	23	Public	5	Q3/2021
Espoonlahti Metro Station	Espoo	48	Public	18	Q3/2021
Monikko school centre	Espoo	39	Public	17	Q2/2021

Situation at 30 September 2019.

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

Hanhikivi-1 nuclear power plant

In 2015, SRV announced its participation in the Hanhikivi-1 nuclear power plant construction project as both an investor and project manager. SRV has made a financing commitment equating to a 1.8 per cent holding in the project to Fennovoima's main owner, Voimaosakeyhtiö SF. SRV will have the same rights and obligations as other Voimaosakeyhtiö SF shareholders. SRV has also signed a cooperation agreement with Rosatom Group and the main contractor Titan-2. SRV will act as the project manager, and the exact nature of its activities will be confirmed at a later date. The related negotiations on SRV's role are ongoing, and their content and schedule will be specified later. In December 2018, Fennovoima announced that construction will start in 2021.

Investments

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

Investments Operations (EUR million)	**1–9/ 2019**	1–9/ 2018	change	change, %	**7–9/ 2019**	7–9/ 2018	1–12/ 2018	previous 12 months
Revenue	**4.2**	3.6	0.7	18.7	**1.4**	1.2	4.6	5.3
Percentage of associated companies' profits	**3.4**	-9.8	13.2		**0.3**	-2.7	-13.1	0.2
- of which exchange rate gains/losses	**6.8**	-8.0	14.8		**1.2**	-2.6	-10.3	4.4
Hedging expenses	**-3.4**	-0.3	-3.0		**-0.6**	0.0	0.6	-2.5
Operative operating profit	**-8.4**	-3.8	-4.6		**-3.7**	-1.1	-7.8	-12.4
Operating profit *)	**-5.0**	-12.1	7.1		**-3.1**	-3.7	-17.5	-10.4
Capital employed	**330.7**	331.7	-1.0	-0.3	**330.9**	331.7	336.8	335.8
Return on investment, %	**-0.3**	-4.7	5.2				-5.2	
*) net effect of currency exchange fluctuations	**3.4**	-8.3	11.7		**0.6**	-2.6	-9.8	1.9

January–September 2019

Investments' **revenue** totalled EUR 4.2 million in the January–September period (3.6 1–9/2018). It mainly consists of revenue from shopping centre management. The startup of shopping centre management at REDI increased revenue. In accordance with SRV's operating model, revenue from associated companies' projects and joint ventures is reported under the Construction segment; one example is the Tampere Central Deck and arena project.

The **operative operating profit** totalled EUR -8.4 (-3.8) million. The occupancy rates and rental income of the shopping centres owned by associated companies improved, but earnings were burdened both by the fact that the management and financing expenses of recently opened shopping centres were higher than income and by the EUR 2.3 million impairment losses on the Etmia office property. The result includes an expense entry of EUR 0.6 million in the first quarter for the dissolution of the VTBC fund. The shares of associated companies' results included in SRV's result include not only the projects' EBITDA, but also depreciation, financial expenses and taxes.

Investments' **operating profit** was EUR -5.0 (-12.1) million. Operating profit was improved by the rouble's strengthening exchange rate. The net effect of currency exchange fluctuations was EUR 3.4 (-8.3) million, which arose from revaluation of euro-denominated loans of associated companies into roubles. Exchange rate differences with no impact on cash flow vary in each interim report in line with fluctuations in the exchange rate of the rouble.

Capital employed totalled EUR 330.7 (331.7) million. Capital employed was increased by additional investments in REDI and the Tampere Deck and arena project, as well as the strengthening of the rouble exchange rate. Capital employed was decreased by the impairment losses on Etmia, the sale of the VTBC fund and the sale of SRV's shareholder loan receivables for the REDI shopping centre to other investors. Total capital employed decreased by about EUR 1.0 million. The majority of SRV's capital employed consists of investments in associated companies.

The return on investment was -0.3 (–4.7) per cent. When calculating the return on investment, the income from interest on loans granted to associated companies and changes in the value of loans are also taken into consideration.

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

July–September 2019

Investments' **revenue** totalled EUR 1.4 million in the July–September period (1.2 7–9/2018). Revenue was generated by shopping centre management. **Operative operating profit** amounted to EUR -3.7 (-1.1) million.

Capital employed

Capital employed (EUR million)	30 Sept 2019	30 Sept 2018	31 Dec 2018
REDI, shopping centre and parking facility	**96.7**	117.9	118.4
Okhta Mall, shopping centre	**84.8**	82.7	78.4
Pearl Plaza, shopping centre	**31.0**	26.2	25.3
Tampere Central Deck and arena	**22.6**	8.6	13.8
4Daily, shopping centre	**12.5**	11.5	10.9
Plots to be developed and other holdings	**83.1**	84.8	90.0
Total	**330.7**	331.7	336.8

Capital employed largely consists of investments in subsidiaries, joint ventures and associated companies; loans issued; and accrued income from associated companies. Fluctuations in the rouble exchange rate also affect the amount of capital employed.

Shopping centres

REDI, Helsinki

The REDI Shopping Centre in Kalasatama, Helsinki opened its doors in September 2018. By the end of the September, about 88 per cent of the shopping centre's premises were leased and about 85 per cent of its 200 stores were open. The major new tenants in the shopping centre are XXL, which opened in April, and Terveystalo, which opened in August. A new shopping centre management team started work in February. Visitor numbers and sales improved as a result of marketing and a variety of events.

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

Pearl Plaza, St Petersburg

This shopping and entertainment centre in St Petersburg is still fully leased. Visitor numbers rose by 5 per cent on the comparison period in January–September. Sales in roubles saw growth of about 7 per cent compared with the corresponding period of the previous year. More of the Pearl Plaza loans were converted to roubles in February 2018 and now only about a third are euro-based.

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

Okhta Mall, St Petersburg

The Okhta Mall in downtown St Petersburg opened its doors in August 2016. SRV owns 45 per cent of the Okhta Mall directly, and another 15 per cent indirectly through the property investment company Russia Invest. Leasing has progressed according to plan. By the end of the September, the centre's occupancy rate had risen to about 97 per cent. At the end of September, 92 per cent of its stores were open. In the January–September period, sales rose by 25 per cent and visitor numbers by 13 per cent. All of the Okhta Mall loans were converted to roubles in May 2018. This reduces SRV's rouble-related exchange rate risks.

Preparatory work for the construction of the Okhta Mall multi-storey car park was launched during the review period. The construction is valued at around EUR 20 million. The final site start-up decision is expected to be made in the last quarter.

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

4Daily, Moscow

The 4Daily shopping centre opened its doors in Moscow in April 2017. SRV owns 19 per cent of the shopping centre. By the end of September, about 83 per cent of the centre's premises were leased. At the end of September, 58 per cent of its stores were open. During the review period, one grocery store agreement was terminated and new agreements were made for two smaller grocery and home appliance stores. This change seeks to better meet customer demand. Interest among potential new tenants has risen significantly. In the January–September period, sales rose by 13 per cent and visitor numbers by 27 per cent on the comparison period.

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

Other projects

SRV is a co-investor in the Tampere Central Deck and arena project. SRV has a 20 per cent holding in the arena and a 33.3 per cent holding in the other Tampere Deck sites.

SRV owns 50 per cent of the Etmia II office project in downtown Moscow. 81 per cent of Etmia had been leased by the end of September. Due to the low occupancy rate, Etmia is in a weak position to manage its loans. Revitalisation measures have not yielded results. For this reason, SRV has recognised impairment losses on EUR 2.3 million on this investment.

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

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

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

Most significant completed investment projects

Project	Holding, %	Opened	Floor area (m²)	Occupancy rate 9/2019, %	Target sales date
Pearl Plaza, shopping centre, St Petersburg	SRV 50 Shanghai Industrial Investment Company 50	August 2013	Gross floor area 96,000 Leasable area 48,000	Binding lease agreements 100	2019 –
Okhta Mall, shopping centre, St Petersburg	SRV 45 Russia Invest 55 *	August 2016	Gross floor area 144,000 Leasable area 78,000	Binding lease agreements 97	2021 –
4Daily, shopping centre, Moscow	Vicus 26 SRV 19 Blagosostoyanie 55	April 2017	Gross floor area 52,000 Leasable area 25,500	Binding lease agreements 83	2022 –
REDI, shopping centre, Helsinki	SRV 40 Ilmarinen 32 LocalTapiola 15 OP Group 13	September 2018	Gross floor area 110,650 Leasable area 64,000	Binding lease agreements 88	2022 – **

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

**According to the shareholder agreement, the sale process can be launched in 2022 at the earliest, enabling the project to be sold sometime in early 2023.

Group project development

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

Projects close to rail transport

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

Kivenlahti

In January 2016, the Trade and Competitiveness Division of the Espoo City Board reserved an area for SRV and VVO Group Plc, the current Kojamo Oy, to design the Kivenlahti Metro Centre. The plans for the area comprise about 1,300 housing units and about 35,000 m2 of commercial, office and service premises, and park-and-ride spaces. The Espoo City Council approved the city plan for the area on 29 April 2019, but a complaint has been lodged against it. Construction will begin once the complaint has been resolved – current estimate 2020–2021 – and the Metro Centre is scheduled for completion at the time the Western Metro extension is opened.

Espoonlahti

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

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

Keilaniemi

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

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. The Supreme Administrative Court overturned the complaint on 9 July 2019. 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. Construction may begin no earlier than in 2020. The final construction decision will be based on the market situation.

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

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

Land reserves 30 Sept 2019	**Business construction**	**Housing construction**	**Investments**	**Total**
Unbuilt land areas, land acquisition commitments and rented plots				
Building rights[1)], 1,000 m²	**135**	**317**	**522**	**974**
Land development agreements				
Building rights[1)], 1,000 m²	**74**	**242**	**0**	**316**

1) Building rights also include the estimated building rights/construction volume of unzoned land reserves and land areas covered by agreements in projects that are wholly or partly owned by SRV.

Financing and financial position

IFRS, EUR million	**30 Sept 2019**	30 Sept 2018	Change, %	31 Dec 2018
Equity ratio, %	**27.2**	28.0	-3.0	28.5
Equity ratio, %, excl. IFRS 16[1)]	**33.3**	28.0	18.9	28.5
Net gearing ratio, %	**199.1**	144.2	38.0	121.1
Net gearing ratio, %, excl. IFRS 16[*1)]	**131.4**	144.2	-8.9	121.1
Shareholders' equity	**257.8**	240.2	7.3	233.6
Capital employed	**795.1**	664.0	19.9	611.0
Net interest-bearing debt	**513.2**	346.5	48.1	282.8
Net interest-bearing debt, excl. IFRS 16[1)]	**339.7**	346.5	-1.9	282.8
Interest-bearing debt	**537.3**	421.5	27.5	375.9
- of which short-term	62.2	125.8	-50.6	91.8
- of which long-term	475.1	295.7	60.7	284.1
Interest-bearing debt, excl. IFRS 16[1)]	**363.9**	421.5	-13.7	375.9
Cash and cash equivalents	**24.1**	75.0		93.1
Unused binding liquidity limits and account limit agreements	**15.5**	22.0	-29.5	31.5
Unused project loans that can be drawn immediately	**10.2**	9.7	4.7	15.2

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

At the end of the period, the Group's financing reserves totalled EUR 49.8 million (106.8 9/2018), consisting of unused committed liquidity facilities and unused project loans (EUR 25.7 million) and cash and cash equivalents (EUR 24.1 million). In addition, the company has a TEL loan of about EUR 14 million at its disposal. SRV also has a EUR 100 million credit facility whose use includes certain restrictions due to an interest coverage ratio covenant. However, the credit facility can be used in full to refinance commercial papers.

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

In June, SRV extended its current long-term binding revolving credit facility of EUR 100 million with a Nordic banking consortium by one year. The new due date of this EUR 100 million facility is 16 June 2021.

SRV's financing agreements contain standard covenants. The financial covenants are equity ratio (also based on percentage of completion), net gearing, minimum liquidity, 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.

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

Net interest-bearing debt totalled EUR 513.2 (346.5) million at the end of the review period. Net interest-bearing debt rose by EUR 166.7 million on the comparison period. Lease liabilities arising from the adoption of IFRS 16 accounted for EUR 173.5 million. Excluding the impact of IFRS 16, net interest-bearing debt declined by EUR 6.8 million. Housing corporation loans account for EUR 103.5 (99.4) million of the interest-bearing debt. Cash flow from operating activities was EUR -98.9 (-27.6) million and cash flow from investing activities was EUR 12.0 (-13.6) million. Cash flow from operating activities was weakened primarily by an increase in inventories and a decrease in non-interest-bearing debt. Cash flow from operating activities will be positively affected by the completion of 540 housing units in the last quarter. The majority of housing units are sold.

Net financial expenses since the beginning of the year totalled EUR -18.9 (-11.2) million. Net financial expenses were increased by the negative fair value revaluation of a ten-year interest rate hedge (including interest expenses) to EUR -5.4 million (-0.6). When the interest level rises from its current level, a positive change in the fair value of the interest rate hedge will be recognised in the income statement, and vice versa. EUR 0.6 (1.1) million in interest expenses have been capitalised in accordance with IAS 23 since the beginning of the year. Exchange rate gains in financial expenses totalled EUR 3.9 (-2.4) million. IFRS 16 had an impact of EUR -5.0 million on financial expenses. Net financial expenses were increased by an amount of EUR -0.7 (-1.9) million due to the early redemption of a bond.

SRV's investment commitments totalled EUR 52.7 (70.7) million at the end of September, and mainly consisted of investments in Fennovoima's Hanhikivi-1 nuclear project and the Tampere Central Deck and arena project.

SRV is exposed to changes in the exchange rate of the rouble through its Russian subsidiaries. The strengthening rouble led to translation differences of EUR 10.3 (-9.0) million, which impacted both shareholders' equity and the comprehensive result for the period. In addition to currency exchange rate gains of EUR 3.9 (-2.4) million in financial income and expenses, the Group also entered similarly derived currency exchange rate gains of EUR 6.8 (-8.0) million (with no cash flow impact) under the profit accounted for by associated companies. These are primarily due to the conversion of currency-denominated loans to roubles. Currency exchange rate gains were reduced by EUR -3.4 (-0.3) million in hedging expenses.

Personnel

Personnel by segment at end of period	**30 Sept 2019**	30 Sept 2018	Percentage of Group personnel, 30 Sept 2019	31 Dec 2018
Construction	**866**	963	81	906
Investments	**125**	86	12	85
Other operations	**79**	62	7	66
Group, total	**1,070**	1,111	100	1,057

SRV employed 1,080 people (1,129 1-12/2018) on average in January-September 2019. On average, 874 (915) people worked in Construction and 133 (145) people worked in Investments. 73 (67) people worked in Group operations.

The operations of SRV Keski-Suomi and SRV Pirkanmaa were merged as from 1 May 2019 to form SRV Sisä-Suomi. The new regional unit still has offices in both Jyväskylä and Tampere. Construction projects will continue unchanged. Thanks to this organisational change, SRV is more competitive and can develop new projects and acquire construction projects in a wider area. This has no effect on employment relationships.

Changes in the Corporate Executive Team

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

Risks, risk management and corporate governance

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

The most significant operational risks relate to problems arising from the lengthy boom in the industry, capital tied up in major business construction projects, SRV’s earnings trend, availability of construction projects’ financing, the adequacy of liquidity, the development of the Russian situation, and the rouble exchange rate.

According to the latest forecasts, the strong growth that the construction industry has experienced in recent years is now levelling off, or there may even be a downswing in production. This is expected to generate a slow improvement in subcontractor availability and to relieve cost pressures in materials and subcontracting. Coupled with the prudent selection of new projects, it is also expected to improve SRV’s cost-competitiveness. Due to long-term procurement agreements, the decline in input prices may have a delayed effect on SRV’s earnings improvement. SRV’s ongoing major projects and completed shopping centre projects are employing 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 slightly due to positive cash flow and decrease in tied-up capital in the balance sheet if the company receives funding for its planned construction projects.

Net rental income from SRV’s shopping centre investments typically reaches its target level about 3–5 years after opening. Once this occurs, it is SRV’s strategy to sell the investment. Developments in rental income are impacted by factors such as general economic trends, consumer behaviour, successful shopping centre management, the shopping centre’s reputation and, in Russia, also the rouble exchange rate. Weaker-than-planned developments in different factors and the assumptions made, both when starting up shopping centres and on the scheduled sale date, may result in a need to lower the shopping centre’s acquisition-price-based value in the balance sheet.

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

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

Corporate governance and the decisions of the Annual General Meeting

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

Multi-year incentive scheme for the President and CEO

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

Shares and shareholders

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

The closing price at Nasdaq Helsinki on 30 September 2019 was EUR 1.44 (EUR 1.70 on 31 December 2018, change -17.6%). The highest share price during the reporting period was EUR 1.58 and the lowest EUR 1.43. At the end of the period, SRV's equity per share excluding the hybrid bond was EUR 2.97. On 30 September 2019, SRV had a market capitalisation of EUR 85.8 million, excluding the Group's treasury shares. 8.0 million shares were traded during the review period with a trade volume of EUR 11.9 million.

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

Outlook for 2019

The company estimates that its full-year operative operating profit for 2019 will be in the red. The outlook was revised to account for impairments of investments in Russia and weaker margins in certain projects, such as due to the higher-than-anticipated additional costs caused by delays in the completion of the REDI Majakka residential tower.

- 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 be in the red (operative operating profit in 2018: EUR -10.0 million).

Espoo, 31 October 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.

About this interim report

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

Briefing, webcast and presentation materials

A briefing for analysts, fund managers, investors and media representatives will be held on 31 October 2019, starting at 12 noon as a webcast. The webcast can be followed live at www.srv.fi/en/investors The recording will be available on the website after the presentation. The materials will also be made available on the website.

Next interim report

SRV Group Plc will publish its full-year and fourth-quarter results for 2019 on 6 February 2020. During the silent period (7 January–6 February), the company will not comment on anything relating to market outlooks, business or earnings trends.

For further information, please contact:

Saku Sipola, President & CEO, tel. +358 (0)40 551 5953, saku.sipola@srv.fi
Ilkka Pitkänen, CFO, tel. +358 (0)40 667 0906, ilkka.pitkanen@srv.fi
Maija Karhusaari, SVP, Communications and Marketing, tel. +358 (0)45 218 3772, maija.karhusaari@srv.fi

Q3

31. Oct 2019 at 8:30 AM

Key figures

EUR million	1-9/ 2019	1-9/ 2018	7-9/ 2019	7-9/ 2018	1-12/ 2018	Last 12 Months
Revenue	657.2	659.9	227.1	208.4	959.7	956.9
Operative operating profit [1)]	-9.6	-11.6	-7.0	-3.1	-10.0	-8.1
Operative operating profit, % revenue [1)]	-1.5	-1.8	-3.1	-1.5	-1.0	
Operation profit	-6.2	-19.9	-6.3	-5.7	-19.8	-6.1
Operation profit, % revenue	-0.9	-3.0	-2.8	-2.7	-2.1	
Operation profit, excl. IFRS16[2)]	-9.7	-19.9	-7.6	-5.7		-9.6
Operation profit, % revenue excl. IFRS16[2)]	-1.5	-3.0	-3.3	-2.7		
Profit before taxes	-25.1	-31.1	-14.0	-9.1	-37.3	-31.4
Profit before taxes, % of revenue	-3.8	-4.7	-6.1	-4.4	-3.9	
Net profit attributable to equity holders of the parent company	-21.1	-26.4	-11.7	-7.8	-30.1	-24.8
Return on equity, %	-11.0	-13.9			-12.1	
Return on investment, %	-0.2	-3.7			-2.9	
Return on investment % excl. IFRS16[2)]	-1.0	-3.7			-2.9	
Capital employed	795.1	664.0			611.0	
Capital employed excl. IFRS16 [2)]	622.5	664.0			611.0	
Equity ratio %	27.2	28.0			28.5	
Equity ratio excl. IFRS16, % [2)]	33.3	28.0			28.5	
Net interest-bearing debt	513.2	346.5			282.8	
Net interest-bearing debt excl. IFRS16[2)]	339.7	346.5			282.8	
Net gearing ratio, %	199.1	144.2			121.1	
Net gearing ratio excl. IFRS16, %[2)]	131.4	144.2			121.1	
Order backlog [3)]	1,592.6	1,661.5			1,816.0	
New agreements	344.7	695.0	123.3	128.3	1,133.0	
Personnel on average	1,080	1,138			1,129	
Earnings per share	-0.42	-0.48	-0.22	-0.14	-0.56	-0.49
Earnings per share (diluted)	-0.42	-0.48	-0.22	-0.14	-0.56	-0.49
Equity per share	4.36	4.07			3.97	
Equity per share (without hybrid bond), euros	2.97	3.32			3.21	
Dividend per share, euros	0.00	0.06			0.06	
Dividend payout ratio, %	0.0	neg.			neg.	
Dividend yield, %	0.0	2.4			3.5	
Price per earnings ratio	neg.	neg.			neg.	
Share price development:						
Share price at the end of the period, eur	1.44	2.50			1.70	
Average share price, eur	1.48	3.00			2.63	
Lowest share price, eur	1.43	2.40			1.66	
Highest share price, eur	1.58	4.12			4.12	
Market capitalisation at the end of the period	85.8	149.0			101.3	
Trading volume, 1 000 units	11,861	3,978			6,580	
Trading volume, %	19.9	6.7			11.0	
Weighted average number of shares outstanding during the period, 1 000 units	59,581	59,581			59,581	
Weighted average number of shares outstanding during the period (diluted) 1 000 units	59,581	59,581			59,581	
Number of shares outstanding at the end of the period,1 000 units	59,581	59,581			59,581	

[1] Operative operating profit is determined by deducting the calculated ruble currency exchange differences included in financial items and their potential hedging impacts from operating profit. Exchange rate differences during the review period amounted to EUR 3.4 (-8.3) million, of which EUR -3.4 (-0.3) million was accounted for by hedging.

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

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

Alternative performance measures used in interim reporting

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

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

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

SRV presents key figures excluding effect of IFRS 16 standard

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

Calculation of key figures

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

Q3

31. Oct 2019 at 8:30 AM

Group and Segment information by quarter

SRV Group EUR million	7-9/ 2019	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018
Revenue	227.1	207.4	222.6	299.8	208.4	235.7	215.7
Operation profit	-6.3	-3.2	3.3	0.1	-5.7	-5.4	-8.8
Financial income and expenses, total	-7.6	-7.7	-3.6	-6.3	-3.5	-4.3	-3.4
Profit before taxes	-14.0	-10.8	-0.3	-6.2	-9.1	-9.8	-12.2
Order backlog [1]	1,592.6	1,667.2	1,782.5	1,816.0	1,661.5	1,716.7	1,634.0
New agreements	123.3	71.7	149.7	438.0	128.3	282.3	284.4
Earnings per share, eur	-0.22	-0.18	-0.02	-0.08	-0.14	-0.15	-0.19
Equity per share, eur	2.97	3.15	3.28	3.21	3.32	3.52	3.72
Share closing price, eur	1.44	1.62	1.70	1.70	2.50	2.65	2.90
Equity ratio, %	27.2	28.5	24.4	28.5	28.0	29.7	32.5
Equity ratio, % excl. IFRS16 [2]	33.3	35.1	29.7	28.5	28.0	29.7	32.5
Net interest-bearing liabilities	513.2	480.2	490.8	282.8	346.5	355.7	355.4
Net interest-bearing liabilities excl. IFRS16 [2]	339.7	306.6	317.3	282.8	346.5	355.7	355.4
Net gearing, %	199.1	178.9	205.8	121.1	144.2	140.8	134.3
Net gearing, % excl. IFRS16 [2]	131.4	114.0	132.7	121.1	144.2	140.8	134.3

Revenue EUR million	7-9/ 2019	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018
Construction	226.0	206.7	221.9	298.4	207.6	234.6	214.8
- business construction	171.2	163.1	144.7	183.9	160.3	166.7	155.4
- housing construction	54.7	43.6	77.0	114.6	47.4	67.8	59.3
Investments	1.4	1.5	1.3	1.0	1.2	1.2	1.2
Other operations and eliminations	-0.3	-0.8	-0.6	0.3	-0.4	0.0	-0.3
Group, total	227.1	207.4	222.6	299.8	208.4	235.7	215.7

Operating profit EUR million	7-9/ 2019	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018
Construction	-3.4	2.0	4.8	-7.5	-1.6	-1.1	-3.2
Investments	-3.1	-1.9	0.1	-5.4	-3.7	-2.9	-5.6
Other operations and eliminations	0.2	-3.2	-1.6	13.0	-0.4	-1.5	0.0
Group, total	-6.3	-3.2	3.3	0.1	-5.7	-5.4	-8.8

Operating profit (%)	7-9/ 2019	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018
Construction	-1.5	1.0	2.2	-2.5	-0.8	-0.5	-1.5
Investments	-	-	-	-	-	-	-
Group	-2.8	-1.5	1.5	0.0	-2.7	-2.3	-4.1

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

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

Q3

31. Oct 2019 at 8:30 AM

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

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

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

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

Capital employed EUR million	30.9.19	30.6.19	31.3.19	31.12.18	30.9.18	30.6.18	31.3.18
Construction	472.0	456.3	393.3	221.4	286.0	321.8	316.7
Investments	330.7	329.3	352.4	336.8	331.7	328.3	327.9
Other operations and eliminations	-7.6	-11.8	46.2	52.8	46.3	14.9	5.5
Group, total	795.1	773.8	791.9	611.0	664.0	665.0	650.0

Housing production in Group (units)	7-9/ 2019	4-6/ 2019	1-3/ 2019	10-12/ 2018	7-9/ 2018	4-6/ 2018	1-3/ 2018
Housing sales, total	326	139	203	346	315	541	198
- sales, developer contracting	166	73	203	156	133	75	130
- sales, negotiation contracts	160	66	0	190	182	466	68
Developer contracting							
- start-ups	283	8	424	0	232	42	43
- completed	85	0	184	298	26	141	61
-recognized in revenue	116	29	156	276	45	132	70
- completed and unsold	84	97	139	116	102	126	117
Under construction, total	2,773	2,388	2,549	2,759	2,927	3,164	3,211
- construction contracts	80	80	80	80	80	504	504
- negotiation contracts	195	195	195	487	293	293	293
- negotiated contracts	1,189	1,002	1,171	1,329	1,393	1,412	1,360
- developer contracting	1,309	1,111	1,103	863	1,161	955	1,054
- of which sold	700	632	600	559	687	605	661
- of which unsold	609	479	503	304	474	350	393

Q3

31. Oct 2019 at 8:30 AM

SRV GROUP PLC THE FINANCIAL STATEMENTS, 1 JANUARY–30 SEPTEMBER 2019: TABLES

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

1) The Financial Statements Report 1 January – 30 September 2019

Accounting policies

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

Changes in accounting policies

New business areas

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

Cash flow statement

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

IFRS 16

SRV applies the IFRS16 Leases standard from 1 January 2019.

SRV as a lessee

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

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

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

Acquisition cost of an asset consists of the amount initially recognized under the lease contract, any lease payments paid by the commencement date of the lease, any initial direct costs incurred by the lessee and the costs of restoration to the original condition.

Any incentives received will be deducted from the acquisition cost of the underlying asset. Subsequent valuation of the asset item is based on the acquisition cost model, whereby the asset is valued at acquisition cost less depreciation and impairment. Depreciation is amortized over the lease period. If the lease transfers the ownership of the underlying asset to the lessee by the end of the lease term or if the acquisition cost of the underlying item takes into account that the lessee uses the option to purchase, the underlying asset is amortized over its useful life.

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

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

Plot lease agreements

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

Use of estimates

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

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

Q3

31. Oct 2019 at 8:30 AM

2) Consolidated income statement and statement of comprehensive income

Consolidated income statement EUR million	1-9/ 2019	1-9/ 2018	change MEUR	change %	7-9/ 2019	7-9/ 2018	change %	1-12/ 2018	Last 12 Months
Revenue	657.2	659.9	-2.7	-0.4	227.1	208.4	9.0	959.7	956.9
Other operating income	0.9	1.7	-0.8	-47.3	0.2	0.2	18.9	16.9	16.1
Change in inventories of finished goods and work in progress	23.2	60.6	-37.4		10.2	28.2		34.5	-2.9
Use of materials and services	-621.2	-661.6	40.4	-6.1	-223.8	-219.2	2.1	-919.3	-879.0
Employee benefit expenses	-53.6	-55.4	1.8	-3.2	-15.3	-16.5	-7.2	-75.5	-73.7
Share of profits of associated and joint venture companies	3.4	-9.8	13.2		0.3	-2.7		-13.1	0.2
Depreciation and impairments [2]	-9.5	-2.4	-7.1	298.1	-4.4	-0.9	388.9	-5.3	-12.4
Other operating expenses	-6.6	-12.8	6.3	-48.8	-0.7	-3.2	-77.7	-17.7	-11.4
Operating profit [2]	-6.2	-19.9	13.7		-6.3	-5.7		-19.8	-6.1
Financial income	7.3	4.7	2.6	54.4	1.8	1.2		5.5	8.1
Financial expenses [1)3)]	-26.2	-15.9	-10.3	64.9	-9.4	-4.7	102.6	-23.0	-33.3
Financial income and expenses, total	-18.9	-11.2	-7.8		-7.6	-3.5		-17.5	-25.2
Profit before taxes	-25.1	-31.1	5.9		-14.0	-9.1		-37.3	-31.4
Income taxes	4.9	3.8	1.1		2.3	1.0		6.1	7.2
Net profit for the period	-20.2	-27.3	7.0		-11.6	-8.1		-31.2	-24.2
Attributable to									
Equity holders of the parent company	-21.1	-26.4			-11.7	-7.8		-30.1	-24.8
Non-Controlling interests	0.9	-0.8			0.1	-0.3		-1.1	0.6
Earnings per share attributable to equity holders of the parent company	-0.42	-0.48			-0.22	-0.14		-0.56	-0.49
Earnings per share attributable to equity holders of the parent company (diluted)	-0.42	-0.48			-0.22	-0.14		-0.56	-0.49
1) of which derivative expenses fair value revaluation	-5.4	-0.6			-1.4	0.5		-2.2	
2) includes cost of IFRS16 lease agreements in depreciations and leases	-4.6	0.0	-4.6		-1.5	0.0			
3) includes cost of IFRS16 lease agreements in interest and financial expenses	-5.0	0.0	-5.0		-1.7	0.0			

Statement of comprehensive income EUR million	1-9/ 2019	1-9/ 2018	7-9/ 2019	7-9/ 2018	1-12/ 2018	Last 12 Months
Net profit for the period	-20.2	-27.3	-11.6	-8.1	-31.2	-24.2
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	0.0	0.0
Income tax relaed to components of other comprehensive income	0.0	0.0	0.0	0.0	0.0	0.0
Gains and losses arising from translating the financial statements of a foreign operation	2.1	-1.8	0.2	-0.7	-2.6	1.3
Share of other comprehensive income of associated companies and joint ventures	8.3	-7.1	0.8	-3.6	-10.2	5.2
Other comprehensive income for the period, net of tax	10.3	-9.0	1.0	-4.3	-12.8	6.5
Total comprehensive income for the period	-9.9	-36.2	-10.6	-12.4	-44.0	-17.7
Attributable to						
Equity holders of the parent company	-10.8	-35.4	-10.7	-12.1	-42.9	-18.3
Non-Controlling interests	0.9	-0.8	0.1	-0.3	-1.1	0.6

3) Consolidated balance sheet

Consolidated balance sheet EUR million	30.9.19	30.9.18	change,%	31.12.18
ASSETS				
Non-current assets				
Property, plant and equipment	5.7	11.4	-49.4	6.0
Property, plant and equipment, right -of-use asset [1]	11.8	0.0		0.0
Goodwill	1.7	1.7	0.0	1.7
Other intangible assets	1.5	1.5	5.5	1.6
Shares in associated companies and joint ventures	197.7	182.2	8.5	180.2
Other financial assets	12.0	17.3	-30.5	18.3
Receivables	5.3	1.4	289.1	0.7
Loan receivables from associated companies and joint ventures	53.2	74.3	-28.3	67.3
Deferred tax assets	25.8	16.2	59.4	18.6
Non-current assets, total	314.8	305.8	3.0	294.4
Current assets				
Inventories	475.9	472.5	0.7	438.2
Inventories, right -of-use asset [1]	160.2	0.0		0.0
Trade and other receivables	120.8	122.2	-1.2	116.8
Loan receivables from associated companies and joint ventures	0.0	0.8	-98.6	4.6
Current tax receivables (based on profit for the review period)	0.7	0.5	38.3	0.1
Cash and cash equivalents	24.1	75.0	-67.8	93.1
Current assets, total	781.8	671.0	16.5	652.7
ASSETS, TOTAL	1,096.6	976.8	12.3	947.0

Consolidated balance sheet EUR million	30.9.19	30.9.18	change,%	31.12.18
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company				
Share capital	3.1	3.1	0.0	3.1
Invested free equity fund	142.5	141.5	0.7	142.5
Translation differences	-2.5	-9.0		-12.9
Fair value reserve	0.0	0.0		0.0
Hybrid bond	82.9	45.0	84.2	45.0
Retained earnings	33.7	62.2	-45.8	58.7
Equity attributable to equity holders of the parent company, total	259.7	242.7	7.0	236.4
Non-controlling interests	-1.9	-2.5	-24.2	-2.8
Total equity	257.8	240.2	7.3	233.6
Non-current liabilities				
Deferred tax liabilities	5.7	5.0	13.5	5.1
Provisions	10.2	8.6	18.6	10.7
Interest-bearing liabilities excl. lease liabilities	303.9	295.7	2.8	284.1
Interest-bearing lease liabilities [1]	171.2	0.0		0.0
Other liabilities	12.1	7.4	62.4	9.0
Non-current liabilities, total	503.1	316.7	58.8	308.8
Current liabilities				
Trade and other payables	265.2	285.2	-7.0	303.9
Current tax payables (based on profit for the review period)	0.3	1.1	-76.7	0.1
Provisions	8.0	7.6	5.1	8.9
Interest-bearing liabilities excl. lease liabilities	60.0	125.8	-52.3	91.8
Interest-bearing lease liabilities [1]	2.1	0.0		0.0
Current liabilities, total	335.7	419.8	-20.0	404.6
Liabilities, total	838.8	736.6	13.9	713.4
EQUITY AND LIABILITIES, total	1,096.6	976.8	12.3	947.0

[1] Items related to IFRS 16 standard

4) Consolidated cash flow statement EUR million	1-9/ 2019	1-9/ 2018	1-12/ 2018	Last 12 Months
Cash flows from operating activities				
Cash receipts from customers [1]	656.4	680.0	986.1	962.5
Cash receipts from other operating income	0.9	1.7	2.1	1.3
Cash paid to suppliers and employees [1] [2]	-731.8	-695.4	-946.0	-982.4
Net cash before interests and taxes	-74.5	-13.7	42.1	-18.6
Interests received and other financial income	0.1	0.0	0.1	0.1
Interests paid and other expenses from financial costs [2]	-22.5	-15.3	-18.2	-25.4
Income taxes paid	-2.0	1.4	1.5	-1.9
Cash flows from operating activities	-98.9	-27.6	25.5	-45.8
Cash flow from investing activities				
Purchase of tangible and intangible assets	-1.9	-3.0	-4.5	-3.4
Purchase of investments	0.0	-0.9	-1.9	-0.9
Proceeds from sale of investments	5.7	0.0	0.0	5.7
Subsidiary shares bought	0.0	0.0	0.0	0.0
Subsidiary shares sold	0.0	0.0	18.6	18.6
Investments in associated companies and joint ventures	-9.1	-8.6	-14.2	-14.6
Associated companies and joint ventures sold	1.0	0.0	0.0	1.0
Increase in loan receivable from associated companies and joint ventures	-4.2	-5.6	-5.8	-4.3
Decrease in loan receivable from associated companies and joint ventures	24.9	4.6	4.6	24.9
Loans granted	-4.4	0.0	0.0	-4.4
Net cash used in investing activities	12.0	-13.6	-3.1	22.5
Cash flow from financing activities				
Proceeds from loans	35.0	88.3	97.6	44.3
Repayment of loans	-38.5	-55.6	-86.7	-69.5
Proceeds from Hybrid bond	58.4	0.0	0.0	58.4
Repayment of hybrid bond	-20.5	0.0	0.0	-20.5
Hybrid bond costs	-1.0	0.0	0.0	-1.0
Hybrid bond intrests	-4.2	-3.9	-3.9	-4.2
Change in housing corporation loans	25.2	43.3	22.2	4.1
Net change in short-term loans	-34.0	24.5	22.0	-36.5
Dividends paid	0.0	-3.6	-3.6	0.0
Repayment of lease liabilities [2]	-2.9	0.0	0.0	-2.9
Net cash flow from financing activities	17.5	92.9	47.5	-27.9
Net change in cash and cash equivalents	-69.4	51.8	69.9	-51.2
Cash and cash equivalents at the beginning of period	93.1	23.5	23.5	93.1
Effect of exchange rate changes in cash and cash equivalents	0.5	-0.2	-0.3	0.3
Cash and cash equivalents at the end of period	24.1	75.0	93.1	42.2

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

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

Q3

31. Oct 2019 at 8:30 AM

5) Statement of changes in Group equity

	Equity attributable to the equity holders of the parent company								
	Share Capital	Invested Free Equity Fund	Hybrid Bond	Trans-lation diffe rences	Fair value reserve	Reitained earnings	Total	Non-cont-rolling interests	Total equity
1 January- 30 September 2019 (EUR million)									
Equity 1 January 2019	3.1	142.5	45.0	-12.9	0.0	58.7	236.4	-2.8	233.6
Comprehensive income for the review period	0.0	0.0	0.0	10.3	0.0	-21.1	-10.8	0.9	-9.9
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share-based incentive plan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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	-20.5	0.0	0.0	-3.4	-23.9	0.0	-23.9
Hybrid bond	0.0	0.0	58.4	0.0	0.0	-0.5	57.9	0.0	57.9
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity on 30 September 2019	3.1	142.5	82.9	-2.5	0.0	33.7	259.7	-1.9	257.8
1 January- 30 September 2018 (EUR million)									
Equity 31 December 2017	3.1	141.5	45.0	-0.1	-1.1	96.6	285.0	-1.6	283.4
Change in accounting principles (IFRS 9)	0.0	0.0	0.0	0.0	1.1	-1.1	0.0	0.0	0.0
Equity 1 January 2018	3.1	141.5	45.0	-0.1	0.0	95.5	285.0	-1.6	283.4
Comprehensive income for the review period	0.0	0.0	0.0	-9.0	0.0	-26.4	-35.4	-0.8	-36.2
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	0.0	0.0	0.0	0.0	-0.2	-0.2	0.0	-0.2
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 30 September 2018	3.1	141.5	45.0	-9.0	0.0	62.2	242.7	-2.5	240.2
1 January- 31 December 2018 (EUR million)									
Equity 31 December 2017	3.1	141.5	45.0	-0.1	-1.1	96.6	285.0	-1.6	283.4
Change in accounting principles (IFRS 9)	0.0	0.0	0.0	0.0	1.1	-1.1	0.0	0.0	0.0
Equity 1 January 2018	3.1	141.5	45.0	-0.1	0.0	95.5	285.0	-1.6	283.4
Comprehensive income for the review period	0.0	0.0	0.0	-12.8	0.0	-30.1	-42.9	-1.1	-44.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	-3.6	-3.6	0.0	-3.6
Share-based incentive plan	0.0	1.0	0.0	0.0	0.0	0.0	1.0	0.0	1.0
Purchase of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share issue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs related to share issue, tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid bond	0.0	0.0	0.0	0.0	0.0	-3.2	-3.2	0.0	-3.2
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity on 31 December 2018	3.1	142.5	45.0	-12.9	0.0	58.7	236.4	-2.8	233.6

6) Group commitments and contingent liabilities (EUR million)	30.9.19	30.9.18	change %	31.12.18
Collateral given for own liabilities				
Real estate mortgages given [1)]	116.2	109.9	5.8	82.3
Other commitments				
Investment commitments given	52.7	70.7	-25.4	67.5
Plots purchase commitments	53.2	52.1	2.0	47.8

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)	9/2019 Fair value		9/2018 Fair value		12/2018 Fair value	
	Posit.	Negat.	Posit.	Negat.	Posit.	Negat.
Hedge accounting not applied						
Currency option	0.0	0.7	0.1	0.0	1.4	0.0
Interest rate swaps	0.0	10.6	0.0	5.3	0.0	6.7

	9/2019	9/2018	12/2018
Nominal values of derivative instruments			
Currency option	60.0	43.0	83.0
Interest rate swaps	100.0	100.0	100.0

7) Group and Segment Information

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

Group and Segment information

Revenue EUR million	1-9/ 2019	1-9/ 2018	change, MEUR	change %	7-9/ 2019	7-9/ 2018	1-12/ 2018	Last 12 Months
Revenue recognition at a point in time								
Construction	66.7	62.9	3.8	6.1	13.6	15.0	139.2	143.0
Investments	0.0	0.0	0.0		0.0	0.0	0.0	0.0
Revenue recognition over time								
Construction	581.9	586.9	-5.0	-0.8	209.7	189.9	802.6	797.6
Investments	2.8	2.3	0.6	25.2	1.0	0.8	2.8	3.4
Other revenue								
Construction	6.0	7.2	-1.2	-16.8	2.7	2.7	13.6	12.4
Investments	1.4	1.3	0.1	7.2	0.5	0.4	1.8	1.8
Other operations and eliminations	-1.7	-0.6	-1.0		-0.3	-0.4	-0.3	-1.3
Group, total	657.2	659.9	-2.7	-0.4	227.1	208.4	959.7	956.9

Operation profit EUR million	1-9/ 2019	1-9/ 2018	change, MEUR	change %	7-9/ 2019	7-9/ 2018	1-12/ 2018	Last 12 Months
Construction	3.5	-5.8	9.3		-3.4	-1.6	-13.4	-4.0
Investments	-5.0	-12.1	7.1		-3.1	-3.7	-17.5	-10.4
Other operations and eliminations	-4.7	-1.9	-2.8		0.2	-0.4	11.1	8.4
Group, total	-6.2	-19.9	13.7		-6.3	-5.7	-19.8	-6.1

Operating profit, %	1-9/ 2019	1-9/ 2018	7-9/ 2019	7-9/ 2018	1-12/ 2018	Last 12 Months
Construction	0.5	-0.9	-1.5	-0.8	-1.4	-0.4
Investments[2)]	-	-	-	-	-	-
Group, total	-0.9	-3.0	-2.8	-2.7	-2.1	-0.6

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

Q3

31. Oct 2019 at 8:30 AM

Assets EUR million	30.9.2019	30.9.2018	change MEUR	change, %	31.12.2018
Construction	736.3	566.3	170.0	30.0	519.7
Investments	338.0	340.7	-2.7	-0.8	345.1
Other operations and eliminations	22.3	69.8	-47.5		82.2
Group, total	1,096.6	976.8	119.8	12.3	947.0

Non-interest-bearing liabilities EUR million	30.9.2019	30.9.2018	change MEUR	change, %	31.12.2018
Construction	263.5	280.4	-16.8	-6.0	298.3
Investments	7.0	9.0	-2.0	-21.7	8.4
Other operations and eliminations	29.8	23.4	6.4	27.3	29.4
Group, total	300.4	312.8	-12.4	-4.0	336.1

Capital Employed EUR million	30.9.2019	30.9.2018	change MEUR	change, %	31.12.2018
Construction	472.0	286.0	186.0	65.0	221.4
Investments	330.7	331.7	-1.0	-0.3	336.8
Other operations and eliminations	-7.6	46.3	-53.9		52.8
Group, total	795.1	664.0	131.1	19.7	611.0

Return on investment EUR million	30.9.2019	30.9.2018	change MEUR	31.12.2018
Construction	4.1	-4.6	8.7	-11.7
Investments	-0.8	-11.9	11.1	-17.6
Group	-1.0	-17.5	16.5	-17.7

Return on investment %	30.9.2019	30.9.2018	31.12.2018
Construction	1.6	-2.1	-4.5
Investment	-0.3	-4.7	-5.2
Group	-0.2	-3.7	-2.9

8) Inventories EUR million	30.9.2019	30.9.2018	change MEUR	31.12.2018
Land areas and plot-owning companies	151.1	149.4	1.8	145.3
Construction	83.6	89.3	-5.7	81.9
Investments	67.3	59.8	7.5	63.2
Work in progress	295.2	293.2	2.0	261.2
Construction	295.2	293.2	2.0	261.2
Shares in completed housing corporations and real estate companies	23.7	21.9	1.8	25.1
Construction	19.3	17.3	2.0	20.7
Investments	4.4	4.6	-0.2	4.4
Other inventories	166.1	8.0	158.1	6.6
Construction	164.8	8.0	156.8	6.6
Investments	1.3	0.0	1.3	0.0
Inventories, total	636.1	472.5	163.6	438.2
Construction	562.8	407.8	155.0	370.3
Investments	73.0	64.4	8.6	67.6

9) Related party transactions

EUR million 30.9.19	Salaries and compensation	Sale of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities
Management and the Board of Directors	1.7	0.0	0.0	0.0	0.0	0.0
Joint ventures	0.0	35.3	0.0	0.3	15.4	0.0
Associated companies	0.0	1.3	0.0	1.9	58.5	0.0
Other related parties	0.0	0.0	0.0	0.0	0.0	0.0
Total	1.7	36.6	0.0	2.2	73.9	0.0

30.9.18	Salaries and compensation	Sale of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities
Management and the Board of Directors	2.0	0.0	0.0	0.0	0.0	0.0
Joint ventures	0.0	85.2	0.0	0.6	31.4	0.0
Associated companies	0.0	2.0	0.0	2.2	50.4	0.0
Other related parties	0.0	0.0	0.0	0.0	0.0	0.0
Total	2.0	87.1	0.0	2.8	81.8	0.0

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