SRV GROUP PLC
FINANCIAL STATEMENT RELEASE 1 JANUARY - 31 DECEMBER 2020

Positive trend in profitability and strong cash flow, result burdened by revaluations

January-December 2020 in brief:

- **Revenue** declined by 8.1 per cent to EUR 975.5 million (1,060.9 1−12/2019). Revenue declined mainly because fewer developer-contracted housing units were recognised as income than in the comparison period, a total of 515 (833).
- **Operative operating profit** amounted to EUR 5.8 (-96.8) million. Operative operating profit was improved particularly by construction sites' favourable earnings trends. Operative operating profit was significantly negatively impacted by changes in the valuation of balance sheet items in the Investments segment, which had a combined net impact of around EUR -12.3 million. The decrease in rental income from shopping centres due to the coronavirus pandemic also had a negative impact on operative operating profit. Operative operating profit for the comparison period was burdened by impairments of EUR 96.5 million, the weakening of margins by EUR 11 million and other exceptional items amounting to EUR 7.9 million.
- **Operating profit** was EUR 1.5 (-93.0) million. Operating profit was influenced by the change in the exchange rate of the rouble, which had a net impact of EUR -4.4 (3.8) million. The exchange rate impact, which largely had no effect on cash flow, was caused by the valuation of the euro-denominated loans of associated companies in roubles, hedging expenses and changes in the market value of hedges.
- **The result before taxes** was EUR -28.0 (-122.4) million. This includes currency exchange rate losses with no cash flow impact of EUR -18.0 million (exchange rate gains of 11.9). In addition, the result includes a total of EUR -13.8 million in revaluations with no cash flow impact.
- **Cash flow from business and investment activities** totalled EUR 73.0 (-16.7) million. Cash flow was improved particularly by the positive cash flow from the construction business, the realisation of holdings in both REDI and the Tampere Deck and Arena as well as the release of capital due to the sale of contract sites to investors.
- **Earnings per share** were EUR -0.15 (-1.52). The comparison figure has been adjusted for share issues.
- At period-end, **the order backlog** stood at EUR 1,153.4 (1,344.2) million. New agreements valued at EUR 707.1 (487.6) million were signed in January–December, a year-on-year increase of 44.2 per cent. The sold share of the order backlog was 86.4 (80.5) per cent.
- In spite of the **coronavirus pandemic**, we have been able to keep our construction sites running during the pandemic. The construction sites have progressed mainly as planned. That said, precautionary measures against the pandemic have caused additional costs. The pandemic slowed down housing sales in the second quarter, but sales recovered towards the end of the year. The restrictions imposed by the Russian authorities on shopping centre operations impacted on the result for the review period.
- During the first half of the year, the company carried out a significant number of measures to improve its balance sheet and liquidity as part of its recovery programme. These measures improved both the equity ratio and gearing. Rouble exchange rate movements and revaluations in turn weakened the equity ratio and gearing. The **equity ratio** was 22.6 (21.2) per cent and **gearing** was 159.7 (240.3) per cent. Excluding the impact of IFRS 16, equity ratio was 27.8 (26.4) per cent and gearing was 82.1 (151.2). Equity ratio in accordance with the loan covenant calculation was 28.7 per cent. The equity ratio level was affected by the high amount of cash and cash equivalents

on the balance sheet date, EUR 96.7 million. The company can improve its equity ratio by using cash and cash equivalents to repay debts.

- The company publishes alternative key figures that have been adjusted to remove the impact of IFRS 16 Leases on the balance sheet and result. The company also discloses its operative operating profit, which is determined by deducting the calculated rouble exchange differences included in financial items and their potential hedging impacts from operating profit.

October–December 2020 in brief:

- **Revenue** in October-December amounted to EUR 292.5 (403.8) million. Revenue declined mainly because fewer developer-contracted housing units were recognised as income than in the comparison period, a total of 235 (532).
- **Operative operating profit** amounted to EUR -6.8 (-87.2) million. Operative operating profit was improved particularly by construction sites' favourable earnings trends. Operative operating profit was negatively impacted by changes in the valuation of balance sheet items in the Investments segment, which had a combined negative impact of around EUR -12.3 million. The decrease in rental income from shopping centres due to the coronavirus pandemic also had a negative impact on operative operating profit. The operative operating profit for the comparison period was burdened by EUR 92.9 million in impairments.
- **Operating profit** was EUR -8.0 (-86.8) million.
- The year-on-year decrease in new contracts recognised in **the order backlog** was 1.5 per cent, amounting to EUR 140.7 (142.9) million.

Events after the period

- SRV announced its new strategy and long-term financial objectives for 2021-24 on 4 February 2021.
- On 14 January 2021, SRV appointed Jouni Forsman as Senior Vice President, Business Premises in the Helsinki metropolitan area and as a member of the Corporate Executive Team.
- On 13 January 2021, SRV specified its estimate of operative operating profit for 2020 due to changes in the valuation of certain balance sheet items in the Investments segment.

Recovery programme measures H1/2020:

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

60 million credit facility would be terminated. The remaining amount of the facility was EUR 51 million.
- At the end of May, SRV carried out written procedures to extend the one-year tenor of its EUR 100 million (of which EUR 62.1 million is outstanding) senior unsecured callable fixed-rate notes due 23 March 2021 and the one-and-a-half-year tenor of its EUR 75 million senior unsecured callable fixed-rate notes due 27 March 2022 as well as to amend certain terms and conditions of these notes.
- In May, the company organised a directed share issue for hybrid holders. In the issue, about EUR 75 million of the EUR 92 million principal of the hybrid bonds and accrued interest was converted into shares. As a result of the implementation of the share issue, the total outstanding principal of the 2016 hybrid bonds is approximately EUR 11.8 million and the outstanding principal of the 2019 hybrid bonds is approximately EUR 3.6 million. The share issue increased the total number of SRV shares by 71,468,395 to 131,967,970. The new shares were entered in the Trade Register on 19 May 2020.
- The company held a rights issue in June. The rights issue yielded gross proceeds of about EUR 50 million for the company. Due to the share issue, SRV's number of shares rose by 131,049,371 from 131,967,970 to a total of 263,017,341 shares. The new shares were entered in the Trade Register on 18 June 2020.
- At the end of June, the company terminated the undrawn portion, amounting to EUR 9 million, of its EUR 60 million credit facility. The remaining credit facility will be repaid in the amount of EUR 11 million in December 2021 and EUR 40 million in January 2022.

Outlook for 2021

During 2021, SRV's revenue and result will be affected by several factors in addition to general economic trends, such as: the timing and amount of income recognition for SRV's own projects, which are recognised as income upon delivery; the part of the order backlog that is recognised as income over time mainly consists of contracting; trends in the order backlog's profit margins; the start-up of new contracts and development projects; and the rouble exchange rate and the development of the Russian economy. To date, the impacts of the pandemic have been moderate on the whole, but its effects on the construction market are unclear and cause uncertainty regarding the outlook for the future. The result for 2021 is also affected by the fact that the company has not been able to start up developer-contracted housing projects in line with the target schedule of the recovery programme. In 2021, the company continues to focus on reducing its debt-to-equity ratio and strengthening strong cash flow.

SRV will revise the definition of operative operating profit in order to improve comparability and transparency in reporting in 2021. The old definition of operative operating profit has been used in this financial statement release, with the exception of the outlook for 2021:

- Consolidated revenue for 2021 is expected to amount to EUR 900 – 1,050 million (revenue in 2020: EUR 975.5 million).
- Operative operating profit is expected to improve on 2020 and to amount to EUR 16-26 million (operative operating profit for 2020 in accordance with the new definition: EUR 15.8 million).

The new definition of operative operating profit also adjusts items affecting comparability. The new definition used in providing the outlook for 2021 is:

Operative operating profit = Operating profit +/- exchange rate gains and losses of associated companies and joint ventures as well as income and expenses from currency hedging +/- items affecting comparability

Items affecting comparability = Impairments of asset items and their reversal, gains and losses from exceptional handovers of asset items, and income and expenses due to changes in the Group structure

Operative operating profit's reconciliation table

SRV (IFRS, EUR million)	1-12/2020
Revenue	**1.5**
-/+ exchange rate gains and losses of associated companies and joint ventures and -/+ income and expenses from currency hedging	**-4.4**
+/- Items affecting comparability	
-/+ Impairments of asset items and their reversal	-12.3
-/+ gains and losses from exceptional handovers of asset items	2.3
-/+ income and expenses due to changes in the Group structure	0.0
Items affecting comparability in total	**-9.9**
Operative operating profit in accordance with the new definition	**15.8**

SRV will publish the comparison data for 2020 in a separate release during the first quarter.

Overall review

Group key figures (IFRS, EUR million)	**1–12/ 2020**	1–12/ 2019	change	change, %	**10-12/ 2020**	10-12/ 2019
Revenue	**975.5**	1,060.9	-85.4	-8.1	**292.5**	403.8
Operative operating profit1)	**5.8**	-96.8	102.6		**-6.8**	-87.2
Operative operating profit, %	**0.6**	-9.1			**-2.3**	-21.6
Operating profit*)	**1.5**	-93.0	94.5		**-8.0**	-86.8
Operating profit, %	**0.2**	-8.8			**-2.8**	-21.5
Operating profit, excl. IFRS 162) *)	**-2.7**	-94.3	91.6		**-9.5**	-84.6
Operating profit, %, excl. IFRS 162)	**-0.3**	-8.9			**-3.3**	-21.0
Financial income and expenses, total**)	**-29.4**	-29.3	-0.1		**-6.5**	-10.4
Profit before taxes	**-28.0**	-122.4	94.4		**-14.5**	-97.2
Net profit for the period	**-25.1**	-103.6	78.5		**-10.6**	-83.4
Net profit for the period, %	**-2.6**	-9.8			**-3.6**	-20.6
Order backlog (unrecognised)3)	**1,153.4**	1,344.2	-190.9	-14.2		
New agreements	**707.1**	487.6	219.4	45.0	**140.7**	142.9
*) net effect of currency exchange fluctuations	**-4.4**	3.8	-8.1		**-1.3**	0.4
**) derivatives included in financial income and expenses	**-1.9**	-3.7	1.9		**-0.2**	1.6

1) Operative operating profit for 2020 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 -4.4 (3.8) million, of which the effect of currency hedging was EUR 5.5 (-3.8) million.

2) The figure has been adjusted to remove the impacts of IFRS 16.
3) The Group's order backlog consists of the Construction business.

Group key figures (IFRS, EUR million)	**1–12/ 2020**	1–12/ 2019	change	change, %
Equity ratio, %	**22.6**	21.2		
Equity ratio, %, excl. IFRS 16 [1)]	**27.8**	26.4		
Net interest-bearing debt	**289.1**	422.0	-133.0	-31.5
Net interest-bearing debt, excl. IFRS 16[1)]	**152.9**	271.9	-119.0	-43.8
Net gearing ratio, %	**159.7**	240.3		
Net gearing ratio, %, excl. IFRS 16[1)]	**82.1**	151.2		
Return on investment, %	**-0.8**	-15.2		
Return on investment, %, excl. IFRS 16[1)]	**-2.0**	-17.5		
Capital employed	**566.8**	625.3	-58.6	-9.4
Capital employed, excl. IFRS 16[1)]	**436.0**	479.4	-43.4	-9.1
Return on equity, %	**-14.1**	-50.6		
Earnings per share, EUR [2)]	**-0.15**	-1.52	1.37	
Equity per share (without hybrid bond), EUR [2)]	**0.65**	1.31	-0.66	-50.4
Share price at end of period, EUR [3)]	**0.59**	1.36	-0.77	-56.6
Weighted average number of shares outstanding, millions[2)]	**173.9**	72.1		

1) The figure has been adjusted to remove the impacts of IFRS 16.
2) The comparison figures have been adjusted to reflect share issues.
3) The comparison figures have not been adjusted to reflect share issues.

January-December 2020

The Group's **revenue** declined by 8.1 per cent to EUR 975.5 million (1,060.9 1–12/2019). Revenue declined mainly because fewer developer-contracted housing units were recognised as income than in the comparison period, a total of 515 (833).

The Group's **operative operating profit** amounted to EUR 5.8 (-96.8) million. Operative operating profit was improved particularly by construction sites' favourable earnings trends. Operative operating profit was significantly negatively impacted by changes in the valuation of balance sheet items in the Investments segment, which had a combined impact of around EUR -12.3 million. The decrease in rental income from shopping centres due to the coronavirus pandemic also had a negative impact on operative operating profit. Operative operating profit for the comparison period was burdened by impairments of EUR 96.5 million, the weakening of margins by EUR 11 million and other exceptional items amounting to EUR 7.9 million.

The Group's **operating profit** was EUR 1.5 (-93.0) million. Operating profit was influenced by the change in the exchange rate of the rouble, which had a net impact of EUR -4.4 (3.8) million. The exchange rate impact, which largely had no effect on cash flow, was caused by the valuation of the euro-denominated loans of associated companies in roubles, hedging expenses and changes in the market value of hedges.

Construction sites' favourable earnings trends contributed to the Construction business's operating profit of EUR 27.4 million. The EUR -22.4 million operating profit of the Investments business was affected particularly by revaluations and the restrictions imposed by the Russian authorities on shopping centre operations and the effect of exchange rates.

At period-end, the Group's **order backlog** stood at EUR 1,153.4 (1,344.2) million. New agreements valued at EUR 707.1 (487.6) million were signed in January–December, a year-on-year increase of 45.0 per cent. The most significant new projects were new facilities for the Helsinki Upper Secondary School of Languages, the construction of 149 rental apartments for the United Bankers property fund and the construction of 74 rental apartments for Taaleri Real Estate Fund. The sold share of the order backlog was 86.4 (80.5) per cent.

Financial income and expenses amounted to EUR -29.4 (-29.3) million. Net financial expenses included EUR 3.7 (4.1) million in dividend and interest income, exchange rate differences amounting to EUR -8.2 (4.3) million arising from the conversion of subsidiary and associated company loans, which did not have an impact on cash flow, interest paid on derivatives and fair value changes amounting to EUR -1.9 (-3.7) million and interest expenses of EUR -12.3 (-13.1) million, of which EUR 0.5 (0.7) million was capitalised in accordance with IAS 23 as from the beginning of the year. In addition, financial expenses included EUR -5.7 (-6.5) million in interest under IFRS 16 and EUR -1.5 (-10.8) million in impairments, and EUR -4.1 (-4.2) million in other financial expenses, including expenses related to financing arrangements.

The Group's **profit before taxes** totalled EUR -28.0 (-122.4) million. This includes currency exchange rate losses with no cash flow impact of EUR -18.0 million (exchange rate gains of 11.9). In addition, the result includes a total of EUR -13.8 million in revaluations with no cash flow impact.

The Group's **earnings per share** were EUR -0.15 (-1.52). The comparison figure has been adjusted for share issues.

During the first half of the year, the company carried out a significant number of measures to improve its balance sheet and liquidity as part of its recovery programme. These measures improved both the equity ratio and gearing. Rouble exchange rate movements and revaluations in turn weakened the equity ratio and gearing. The **equity ratio** was 22.6 (21.2) per cent and **gearing** was 159.7 (240.3) per cent. Excluding the impact of IFRS 16, equity ratio was 27.8 (26.4) per cent and gearing was 82.1 (151.2). Equity ratio in accordance with the loan covenant calculation was 28.7 per cent. The equity ratio level was affected by the high amount of cash and cash equivalents on the balance sheet date, EUR 96.7 million. The company can improve its equity ratio by using cash and cash equivalents to repay debts.

CEO's review

In 2020, we worked hard and got things done. Thanks to the successful implementation of our recovery programme, we significantly bolstered our balance sheet and financial position, and confidence in SRV improved substantially during the report year. The controllability and profitability of construction improved. In spite of the difficult pandemic situation, the sales figures of the Russian shopping centres recovered almost to the same level as in 2019 when restrictions were relaxed in the latter part of the year. After the end of the review period, we completed our strategy work. We published the results of these efforts and our revised financial objectives for 2021-2024 in connection with these annual results.

Our operational activities developed well during the year, but we still have much to gain in the improvement of profitability, especially in housing construction in the Capital Area and boosting efficiency throughout our chain of operations. The earnings trend in construction remained favourable during the review period and our ongoing projects progressed largely in line with plans. However, operative operating profit was impacted by changes in the valuation of balance sheet items in the Investments segment, which had a combined negative impact of around EUR -12 million. These changes in value consist of a decrease in the value of the additional sales price of the REDI shopping centre, the reclassification of the Pearl Plaza shopping centre and changes in the value of two other asset items.

In the fourth quarter, we recognised a school project, three rental housing projects, one office and retail premises project and a hydroelectric power plant in our order backlog. Our intake of new agreements during the review period outperformed the previous period. Although our order backlog declined, it remains strong in both business and housing construction. Of our new projects, the Helsinki Upper Secondary School of Languages will be implemented as a lifecycle project, with SRV taking on responsibility for the design, implementation, maintenance and upkeep of the property for 20 years. It is the fourth lifecycle project that we have won in a short period of time. This is exactly the kind of expertise that our concept of lifecycle-wise construction is based on. In the next phases, we will offer lifecycle-wise construction to our customers in projects sold to investors and in cooperative contracts.

Towards the end of the year, housing sales continued to be extremely strong and the number of unsold completed housing units has remained moderate. In Finland, there are 92 unsold housing units, while the remaining units in Russia were sold in 2020. Sales of our largest projects – Loisto in Helsinki and Wallesmanni in Tampere – are progressing in line with plans. We started up the construction of a developer-contracted housing project in Helsinki that had been on hold for around a year and a half. These apartments will be recognised as income in 2022. Where possible, we are seeking to increase the number of good developer-contracted projects alongside projects sold to investors in a controlled manner so that our product offering is a better match for both demand and our financial objectives.

After coronavirus restrictions were relaxed in Russia, the sales volumes of the country's shopping centres recovered vigorously, almost reaching the same level as a year ago. The company's holding in the Pearl Plaza shopping centre was previously designated as an asset held for sale. The second wave of the pandemic was the main reason why the sales negotiations ended without reaching an agreement. We are now focusing on developing the operations of the shopping centre and will look into its potential sale when the market situation improves.

The exceptional arrangements implemented to prepare for the coronavirus pandemic in construction operations ushered in some additional costs during the fourth quarter as well, but we have avoided the most serious consequences and our sites have remained in operation in spite of the unusual circumstances. To date, the impacts of the pandemic have been moderate on the whole, but its effects on the construction market are still unclear and cloud the outlook for the future.

We will continue to develop our business and will start executing our revised strategy with our renewed Corporate Executive Team. I believe that the wide variety of expertise and new perspectives represented on the Corporate Executive Team, combined with the strong skills of our employees, will substantially bolster our customer focus, improvement of profitability and execution of our new strategy.

We have outlined in our strategy that our objective is to create a new lifecycle-wise reality, where decisions related to construction ensure well-being, value and profitability – for years and generations to come. The strategy aims to develop a long-term competitive advantage, an excellent customer experience, open up opportunities for lifecycle services, and improve profitability and reduce indebtedness. I would like to warmly thank our customers, financiers, all partners and employees for your strong commitment and excellent work. Together towards a lifecycle-wise reality!

Saku Sipola, President & CEO

Markets

The second wave of the Covid-19 pandemic put the brakes on economic growth towards the end of 2020. Finland's GDP is expected to contract by 3.3 per cent in 2020. Economic decision-makers are more bullish about the future thanks to the rollout of vaccines in the spring. The Finnish economy is expected to recover in 2021 and GDP to swing to growth of 2.5 per cent. Efforts to manage the pandemic and support measures will maintain public expenditure at a high level, and the general government deficit will remain large. (Source: Ministry of Finance)

Urbanisation continues in Finland and the population shift maintains demand for both housing and business construction, especially in growth centres, which are SRV's strategic focal points. Although the measures taken to combat the pandemic restricted economic activity in many sectors, construction activity outperformed expectations in 2020 and was almost as high as in the previous year. However, a decline in the number of permits and tighter financing indicate that the contraction will accelerate, and the Confederation of Finnish Construction Industries predicts that construction will fall by 4 per cent in 2021. As financing becomes tighter, construction will increasingly focus on large cities. (Source: Confederation of Finnish Construction Industries RT)

Thus far, housing construction has withstood the impacts of the pandemic better than expected and the volume of housing construction remained relatively high in 2020 (about 35,000 housing start-ups). The tighter financing for housing production and general uncertainty will reduce production this year and the number of housing start-ups is expected to decline to 31,000 units. However, low interest rates and consumers' desire to buy homes will maintain demand at a good level. (Source: Confederation of Finnish Construction Industries RT)

The slowdown in business construction is felt particularly outside large cities. The volume of public construction is continuing to decline to 4.9 million cubic metres. Public construction is supported by urbanisation and the ageing of both the building stock and the population. Retail and office construction will remain at a historical low of 4.1 million cubic metres and the outlook is weakened by the uncertainty surrounding demand for premises due to the pandemic. The strong drop in industrial construction in the previous year will level off and in 2021 the volume of start-ups will remain at the 2020 level of 8.7 million cubic metres. The implementation of planned large-scale projects complicates forecasting. (Source: Confederation of Finnish Construction Industries RT)

The coronavirus crisis muted the investment market in spring 2020. However, interest among foreign and Finnish investors in properties located in Finnish growth centres has strengthened – these properties represent an attractive investment category for capital looking for stable returns. The coronavirus crisis has impacted different real-estate sectors in different ways. Due to the crisis, investor demand has increasingly focused on rental apartments in large cities and this demand is expected to remain strong in the years ahead, too. Investors are also interested in logistics, public services premises, good offices and grocery store properties. On the other hand, the crisis has weakened the outlook for shopping centre properties. Interest in hotel properties is currently low, too, but this sector is expected to recover quickly. (Source: KTI & Newsec)

The Russian economy was severely impacted by the plunging oil market and the coronavirus pandemic in 2020. Service sectors such as hospitality and restaurants have suffered from the measures taken to limit the pandemic. Russia's GDP is estimated to have contracted by around 4 per cent in 2020, but it is expected that consumer and corporate confidence will improve this year due to the introduction of coronavirus vaccines. Moderate growth of 2–3 per cent is forecast for 2021–2022. (Source: Bofit & East Office)

Earnings trends for the segments

The Construction segment covers all of SRV's construction activities, including the capital and plots required for developer-contracted housing production. It is SRV's intention to develop, build and sell these plots to a faster schedule than those we report on in the Investments segment. Construction encompasses housing construction, business construction, infrastructure construction, project development, technical units and procurement, as well as internal services in Finland and Russia. Operationally, Construction is divided into four business units: 1) Regional Units, 2) Housing, Helsinki Metropolitan Area, 3) Business Premises, Helsinki Metropolitan Area and 4) construction within Operations in Russia and Estonia.

Investments 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 long-term ownership, are also reported on under 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 properties.

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

Revenue (EUR million)	**1–12/ 2020**	1–12/ 2019	change	change, %	**10-12/ 2020**	10-12/ 2019
Construction	**970.0**	1,057.7	-87.7	-8.3	**292.0**	403.1
Investments	**4.8**	5.9	-1.1	-18.5	**0.9**	1.7
Other operations and eliminations	**0.7**	-2.6	3.3		**-0.3**	-0.9
Group, total	**975.5**	1,060.9	-85.4	-8.1	**292.5**	403.8

Operative operating profit (EUR million)	**1–12/ 2020**	1–12/ 2019	change	change, %	**10-12/ 2020**	10-12/ 2019
Construction	**27.4**	7.0	20.3	288.8	**8.7**	3.6
Investments	**-18.0**	-96.3	78.3		**-14.2**	-87.9
Other operations and eliminations	**-3.5**	-7.6	4.0		**-1.3**	-2.9
Group, total	**5.8**	-96.8	102.6		**-6.8**	-87.2

Operative operating profit (%)	1–12/ 2020	1–12/ 2019	10-12/ 2020	10-12/ 2019
Construction	2.8	0.7	3.0	0.9
Investments	-	-	-	-
Group	0.6	-9.1	-2.3	-21.6

Operating profit (EUR million)	1–12/ 2020	1–12/ 2019	change	change, %	10-12/ 2020	10-12/ 2019
Construction	27.4	7.0	20.3	288.8	8.7	3.6
Investments*)	-22.4	-92.5	70.1		-15.4	-87.5
Other operations and eliminations	-3.5	-7.6	4.0		-1.3	-2.9
Group, total*)	1.5	-93.0	94.5		-8.0	-86.8
*) effect of currency exchange fluctuations	-4.4	3.8	-8.1		-1.3	0.4

Operating profit (%)	1–12/ 2020	1–12/ 2019	10-12/ 2020	10-12/ 2019
Construction	2.8	0.7	3.0	0.9
Investments	-	-	-	-
Group	0.2	-8.8	-2.8	-21.5

Capital employed[1)] (EUR million)	1–12/ 2020	1–12/ 2019	change	change, %
Construction	386.8	372.9	13.9	3.7
Investments	171.9	245.7	-73.9	-30.1
Other operations and eliminations	8.1	6.7	1.4	20.4
Group	566.8	625.3	-58.6	-9.4

Return on investment (%)[1)]	1–12/ 2020	1–12/ 2019
Construction	7.6	3.0
Investments	-14.3	-32.6
Group	-0.8	-15.2

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

Construction

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

One of Construction's main objectives is to enhance the profitability of SRV's business and provide an excellent customer experience as a professional in project management and production implementation. It takes the SRV Approach, which is based on understanding customer needs and the effective implementation of projects in collaboration with our extensive network of professional partners.

Construction (EUR million)	**1–12/ 2020**	1–12/ 2019	change	change, %	**10–12/ 2020**	10–12/ 2019
Revenue	**970.0**	1,057.7	-87.7	-8.3	**292.0**	403.1
- business construction	**680.7**	679.7	1.0	0.1	**186.7**	200.5
- housing construction	**289.3**	377.9	-88.6	-23.4	**105.3**	202.6
Operating profit	**27.4**	7.0	20.3	288.8	**8.7**	3.6
Operating profit, %	**2.8**	0.7			**3.0**	0.9
Capital employed 2)	**386.8**	372.9	13.9	3.7		
Return on investment, % 2)	**7.6**	3.0	4.6	152.9		
Order backlog1)	**1,153.4**	1,344.2	-190.9	-14.2		
- business construction	**718.2**	861.5	-143.3	-16.6		
- housing construction	**435.2**	482.7	-47.5	-9.8		
Group, total1)	**1,153**	1,344	-191	-14.2		
- sold order backlog	997	1,082	-85	-7.9		
- unsold order backlog	157	263	-106	-40.3		
- sold order backlog, %	86.4	80.5				
- unsold order backlog, %	13.6	19.5				

1) The Group's order backlog consists of the Construction business.
2) The allocation of deferred tax assets and liabilities has been changed. They are now fully allocated to the Other operations and eliminations unit. The key figure also includes assets designated as held for sale in the balance sheet.

January-December 2020

Revenue from Construction decreased to EUR 970.0 million (1,057.7 1–12/2019) **in the January–December period.** Revenue from housing construction was down 23.4 per cent. Revenue declined mainly because fewer developer-contracted housing units were recognised as income than in the comparison period, a total of 515 (833).

Construction's **operating profit** rose to EUR 27.4 (7.0) million. Operating profit was improved particularly by construction sites' favourable earnings trends. The profitability trend was particularly favourable in business construction. On the other hand, fewer apartments were completed and recognised as income than in the comparison period, which had a negative impact on operating profit. Operating profit for the comparison period was burdened by the weakening of margins by EUR 11 million and other exceptional items amounting to EUR 7.9 million.

Construction's **order backlog** stood at EUR 1,153.4 (1,344.2) million. Several of the new projects entered into the order backlog during the January–December period were for investors and public-sector organisations of good financial standing, and none of SRV's capital will be tied up in these projects. The company has enhanced its project selection process in the manner described in the recovery programme. Although the order backlog has declined, it remains at a good level, and 86.4 (80.5) per cent of the order backlog has been sold. New agreements valued at EUR 707.1 (487.6) million were recognised in the order backlog in January–December.

The most significant projects recorded in the order backlog in the fourth quarter of the year were a school project in Helsinki, three rental housing projects in Tampere, an office and retail premises project in Tikkurila and the Kuhankoski hydroelectric power plant. Projects entered into the order backlog in the third quarter included premises for the Finnish Security and Intelligence Service, a design contract for the Uusikaupunki education and wellness campus, and a housing project with 47 units for Tampereen Vuokra-asunnot. Major projects recognised in the second quarter were the basic renovation of operating theatres at HUS Jorvi Hospital, the Siuntio education and wellness campus, which will be implemented as a lifecycle project, the Jousenkaari school in Espoo, the Hovirinta school in Kaarina, the Ojanko bus depot in Vantaa and the residential buildings Lumo One and Piispanristi for Kojamo. The basic renovation project for the Finnish National Theatre was recognised in the first quarter. Work on the basic renovation project of the Finnish National Theatre has begun in phases. The renovation of the section completed in the 1950s is ongoing. Due to a complaint lodged with the Administrative Court about the deviation decision concerning the building permit of the project, the startup of work on the section completed in the 1930s has been postponed until the complaint has been resolved.

Construction's **capital employed** totalled EUR 368.8 (372.9) million.

October-December 2020

Revenue from Construction totalled EUR 292.0 million (403.1 10–12/2019) in the October–December period. **Operating profit** was EUR 8.7 (3.6) million. New agreements entered into the **order backlog** in October-December amounted to EUR 140.7 (142.9) million.

Housing construction

January-December 2020

Revenue from housing construction declined to EUR 289.3 million (377.9 1–12/2019) **in the January–December period.** Revenue declined mainly because fewer developer-contracted housing units were recognised as income than in the comparison period, a total of 515 (833). The **order backlog** in housing construction was EUR 435.2 (482.7) million.

October-December 2020

Revenue from housing construction declined to EUR 105.3 million (202.6 10–12/2019) in the October–December period. 235 housing units were recognised as income in October-December, fewer than in the corresponding period of the previous year (532).

Housing under construction

SRV's strategic focus in housing production has shifted from developer contracting projects to development projects in growth centres with good transport connections. For some time now, SRV has been one of the largest housing constructors in the Helsinki metropolitan area. At the end of December, SRV had a total of 2,127 (2,142 housing units under construction in Finland, mostly in growth centres. No housing units were under construction in Russia.

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

There were 383 (835) developer-contracted housing units under construction at the end of December. The number of developer-contracted units currently under construction will affect SRV's result in the future when the units are sold. The average construction period is about 18 months. The company has decided to initiate developer-contracted projects for housing in Louhela (Vantaa) and Toppila (Oulu). RS sale readiness has not been achieved yet for these projects and they are not included in the order backlog. In December, one developer-contracted housing construction project was started in Pitäjänmäki, Helsinki after being on hold for 1.5 years.

The Kalasatama towers being built in Kalasatama, Helsinki comprise the largest construction project in SRV's history. By the end of December, a total of 181 housing units in the second residential tower, Loisto, had been either sold or reserved. Loisto will rise to a height of 124 metres above sea level. Its 249 apartments are located on top of the REDI shopping centre, on floors 6–32. Construction is proceeding according to plan and Loisto is scheduled for completion in autumn 2021. Residents moved into the first tower, Majakka, during November and December 2019. The construction of the third residential tower, Lumo One (previously called Kompassi), began in April 2020 for Kojamo.

At the end of December, a total of 1,375 (1,032) units were under construction for investors, mainly in Helsinki, Espoo, Vantaa and Tampere.

In March 2020, SRV and Kojamo Oyj signed a cooperation agreement valued at about EUR 197 million to build rental housing in Helsinki and Espoo. The agreement is for six housing construction projects with a total of 676 units, to be built as development projects. The units are primarily studio flats and one-room flats with a living room. The construction of four of these projects, with 547 housing units, has begun. Three of these projects were recorded in the order backlog in March and the fourth in April. The realisation of the individual projects included in the agreement requires the fulfilment of customary contractual terms and conditions.

The agreement signed in March is a continuation to the cooperation agreement signed in August 2019, which is valued at about EUR 120 million and covers the construction of rental housing in Helsinki, Espoo, Vantaa and Kerava. The agreement is for six housing construction projects with a total of 527 units, to be built as development projects. The units are primarily studio flats and one-room flats with a living room. The realisation of the individual projects included in the agreement requires the fulfilment of customary contractual terms and conditions. The first project was completed in Kerava in autumn 2019. A contractor agreement for the second project, comprising 95 housing units, was signed in June. Its construction in Matinkylä, Espoo began in July.

The most significant housing construction projects under development

Kivenlahti

In January 2016, the Trade and Competitiveness Division of the Espoo City Board reserved an area for SRV and VVO Group Plc, the current Kojamo Oy, to design the Kivenlahti Metro Centre. The plans for the area comprise about 1,300 housing units and about 35,000 square metres of commercial, office and service premises, plus park-and-ride spaces. Espoo City Council approved the city plan for the area on 29 April 2019, but a complaint was lodged against the area's parking solutions. The Administrative Court rejected this complaint and the Supreme Administrative Court did not grant permission to appeal. The city plan is thus now in force in all respects. Construction will begin once the plot conveyance has been completed (current estimate 2021). The Metro Centre is scheduled for completion in conjunction with the opening of the Western Metro extension.

Espoonlahti

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

The City of Espoo has leased the plot to serve as provisional premises for the Lippulaiva shopping centre until 2022, which means construction can begin only when Pikkulaiva has been moved out of the way.

Keilaniemi

SRV is continuing the preparation of its residential tower project in Keilaniemi, Espoo. A total of four residential towers – two of them SRV's – and a parking facility are planned for Keilaniemi. The area's city plan is in force, and the project hinges on tunnelling for Ring Road I. The tunnel was opened to traffic in June 2019, and the finishing works on the park deck were completed at the end of 2019.

As part of the overall implementation of the project, SRV bought together with Hypo the plots for two residential towers from the City of Espoo on 29 October 2019. SRV has not as yet made a final decision on the construction of the towers. Construction begins no earlier than in 2022. The final construction decision will be based on the market situation. If realised, the Keilaniemi residential towers would be the tallest residential buildings in Finland, with the tallest soaring to a height of almost 145 metres.

Vermonniitty and Säteri along the Raide-Jokeri rapid tramline

Raide-Jokeri is a rapid tramline that will link Itäkeskus in Helsinki to Keilaniemi in Espoo. It will also enable numerous residential sites to be built along the line. For instance, SRV is planning to build housing in the vicinity of the future Vermonniitty station in cooperation with SATO and Ilmarinen. It will have a total of almost 2,000 housing units.

Processing of the city plan for Säterinkallionkulma in Leppävaara is in progress. The city is planning housing for about 800 people in Säterinkulma. A complaint on the city plan has been lodged with the administrative court.

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. Plans for wellness and health services are being developed for Tower A, and negotiations with the tenants are under way. Tower A may contain shops, care services, premises for other services, and office space. In December 2019, the project was granted a deviation decision in the city plan, which permits care and assisted living facilities to be located in Tower A.

The demolition of the Pohjola Building has been completed and the first apartment building for LocalTapiola was completed in August. Construction of the second apartment building sold to LocalTapiola is under way. Construction of the third apartment building for Kojamo was launched in March. 800 apartments have been planned for the area.

Completed housing units

A total of 520 (808) developer-contracted housing units were completed in January-December. The number of unsold housing units has remained low. At the end of December, there were 92 (87) unsold completed housing units, 92 (76) in Finland. All remaining housing units in Russia have been sold during the year and no new ones have been started. Housing sales slowed in April as a result of the pandemic-related restrictions placed on meetings and public viewings. Housing sales showed signs of picking up in May-June. During the summer and autumn, sales returned to almost normal levels, and the rest of the year went well. 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 354 (649) developer-contracted housing units were sold during January–December.

Housing units recognised as income

In January-December, 515 (833) developer-contracted housing units were recognised as income, generating total revenue of EUR 107.2 million. A developer-contracted residential project is a project that is developed by SRV and which has not been sold when construction begins. SRV bears the risks involved in both the sale and construction of such projects, which are recognised as income when the project has been completed and as the units are sold.

Housing construction, Group units	**1–12/ 2020**	1–12/ 2019	change, units	**10–12/ 2020**	10–12/ 2019
Units sold, total	**1,266**	937	329	**327**	269
- developer contracting	**354**	649	-295	**104**	207
- investor sales	**912**	288	624	**223**	62
Developer contracting					
- start-ups	**68**	780	-712	**68**	65
- completed	**520**	808	-288	**282**	539
- recognised as income	**515**	833	-318	**235**	532
- completed and unsold	**92**	87	5		
Under construction, total	2,127	2,142	-15		
- contracts	**0**	80	-80		
- negotiated contracts	**369**	195	174		
- sold to investors	**1,375**	1,032	343		
- developer contracting	**383**	835	-452		
- sold	**210**	371	-161		
- unsold	**173**	464	-291		
- sold, %	**55**	44			
- unsold, %	**45**	56			

Order backlog, housing construction (EUR million)	**12/2020**	12/2019	change
Contracts and negotiated contracts	**202**	141	60
Under construction, sold developer contracting	**77**	79	-2
Under construction, unsold developer contracting	**128**	232	-104
Completed and unsold developer contracting	**28**	30	-2
Housing construction, total	**435**	483	-48

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

Project name	**Location**	**SRV, contract value, EUR million**	**Completion date (estimated)***	**Units**	**Sold***	**For sale***
REDI Loisto	Helsinki	105	Q4/2021	249	132	117
Väinämöisenrinne	Helsinki	22	Q2/2021	66	64	2
Ilmarisenpuisto	Helsinki	20	Q2/2022	68	14	54

Total value of projects approx. EUR 147 million

* Situation at 31 December 2020.

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

Project name	Location	Developer	Completion level, %*	Completion date (estimated)*
Tikkurila Central Block	Vantaa	NREP	84	Q2/2021
Louhenlinna	Helsinki	LocalTapiola	91	Q1/2021
Tammelan Kustaa	Tampere	OP	84	Q1/2021
Kullervonkoti	Helsinki	Kojamo	52	Q3/2021
Runoratsunkatu 11	Espoo	Kojamo	51	Q4/2021
Joukahaisenpiha	Helsinki	Kojamo	33	Q4/2021
Kannen Opaali	Tampere	Tampere Towers	21	Q4/2022
Piispanristi	Espoo	Kojamo	19	Q3/2022
Lumo One	Helsinki	Kojamo	40	Q3/2022
Tammelan Engel	Tampere	Taaleri	3	Q2/2022

Total value of projects approx. EUR 287 million

*Situation at 31 December 2020.

Business and infrastructure construction

January-December 2020

Revenue from business construction rose slightly to EUR 680.7 million (679.7 1–12/2019) and **the order backlog** contracted by 16.6 per cent to EUR 718.2 (861.5) million.

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

October-December 2020

Revenue from business construction decreased slightly in the fourth quarter to EUR 186.7 million (200.5 10-12/2019) and new projects valued at EUR 58.1 (111.4) million were entered in **the order backlog**.

Major ongoing business and infrastructure construction projects

- Siltasairaala Hospital

Construction work on HUS Bridge Hospital, SRV’s most significant ongoing hospital project, has been carried out on schedule as planned. SRV’s share of this cooperative project management contract being implemented under a target budget is around EUR 245 million. Interior construction and building system installation are ongoing on the site. According to the target schedule, they will be completed in June 2022, making it possible to open the hospital in 2023.

Basic renovation and modernisation of Siltasaari 10

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

Expansion of Helsinki Airport and renovation of Terminal 2

Helsinki Airport's Terminal 2 extension project involves building a new section for check-in, security control, baggage drop and greeting passengers, as well as a travel centre combining different forms of transport and a parking facility. 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 contract for the implementation phase of the project was signed in June 2019. The terminal extension section has progressed to the interior construction stage, and the first section – a new parking facility next to the existing P5 facility – was completed in summer 2020. In January 2021, Finavia also decided to gradually start alteration works on Terminal 2, which are included in SRV's contract package, ahead of schedule. This involves the complete refurbishment of the arrival and departure halls, measuring 35,000 m^2, and their integration into the flight gate area and centralised baggage hall.

Espoonlahti Metro Station

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

Tampere Deck and Arena

In February, SRV sold approximately 75 per cent of its holding in the Deck and Arena to its co-investors. These co-investors also acquired five-sixths of the Ranta-Tampella housing project. After the transaction, SRV's holding in the project is 8.3 per cent. SRV's role as project contractor has not changed. SRV recognised an earlier profit margin elimination equivalent to this holding during the review period, and from now on the construction project margin will be recognised as income as the project is completed.

The Deck and Arena project will be built in the heart of Tampere on top of the railway station. It includes a multipurpose arena, residential towers, office and business premises, and a hotel. Topaasi ja Kruunu – to be built on the Tampere Deck – is a hybrid building. A residential tower with 105 housing units will be built on top of its office section. The sale of Topaasi apartments is under way. At the end of December, 63 per cent had been either reserved or sold. Opaali, the second tower to be built on the Tampere Deck, will be a modern 16-storey building with 148 apartments. The sale of Opaali apartments is under way.

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

Wood City

For many years, SRV has been developing Wood City in the Jätkäsaari neighbourhood of Helsinki. Wood City will comprise an office building, hotel, and two apartment buildings for HEKA. In addition, a shared-use multi-storey car park has been completed for the quarter. Housing Production's apartments were completed in February 2019. At the beginning of the fourth quarter, SRV handed over the completed multi-storey car park and Supercell office building on schedule. SRV intended to start building the hotel planned for the Wood City quarter in spring 2020, but investor negotiations had to be halted due to the coronavirus pandemic. The outlook for the hotel market currently still looks uncertain. If the outlook improves, the project can be started up on a rapid schedule in 2021.

The most significant business and infrastructure construction projects under development

Bunkkeri in Jätkäsaari

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

A complaint has been lodged with the Administrative Court of Helsinki on the decision of the City Council to sell Plot 5 in Block 20811 in District 20 (Länsisatama) of the City of Helsinki and the Bunkkeri building located there as well as the related implementation of the decision. With its decision on 15 June 2018, the Administrative Court rejected the complainant's demand to forbid and halt the execution of the sale decision. With its decision on 5 October 2018, the Supreme Administrative Court upheld the decision of the Administrative Court and did not forbid the execution of the sale decision. The complaint on the sale decision of the City Council was rejected by the Administrative Court in June 2020. Permission to appeal has been sought from the Supreme Administrative Court.

New projects

The most significant new business construction contracts entered into the order backlog in January–December were: in the fourth quarter, the Helsinki Upper Secondary School of Languages and Upper Secondary School for Adults as well as business premises for Sponda in Vantaa; in the third quarter, premises for the Finnish Security and Intelligence Service, a design contract for the Uusikaupunki education and wellness campus, and the start of the implementation phase of the Market Square Hotel in Oulu; in the second quarter, the basic renovation of operating theatres at HUS Jorvi Hospital, the Siuntio education and wellness campus, which will be implemented as a lifecycle project, the Jousenkaari school in Espoo, the Hovirinta school in Kaarina and the Ojanko bus depot in Vantaa; and in the first quarter, the basic renovation contract for the Finnish National Theatre, new STUK business premises being built for Senate Properties, and the Lumijälki 2 logistics premises for Sagax in Vantaa.

The largest ongoing business construction projects

Project	Location	SRV total contract value, EUR million	Project type	Completion level, %	Completion (estimate)
DEVELOPMENT PROJECTS					
Deck, southern deck and infra**	Tampere	*	Infrastructure	93	Q4/2021
Deck, multipurpose arena**	Tampere	*	Retail	55	Q4/2021
Deck, arena hotel**	Tampere	*	Retail	52	Q4/2021
Topaasi ja Kruunu**	Tampere	*	Hybrid	81	Q3/2021
Vantaan Lumijälki	Vantaa	*	Logistics	53	Q3/2021
BUSINESS PREMISES					
Monikko Learning Centre	Espoo	39	Public sector	90	Q2/2021
Finnish-Russian School	Helsinki	25	Public sector	64	Q3/2021
Espoonlahti Metro Station	Espoo	48	Public sector	69	Q3/2021
Siltasaari 10	Helsinki	51	Retail	37	Q3/2021
T2 Alliance, phase 1	Vantaa	260	Public sector	67	Q1/2022
Kirkkonummi Wellbeing Centre	Kirkkonummi	32	Public sector	25	Q2/2022
Siuntio education and wellness campus	Siuntio	37	Public sector	9	Q2/2022
Open Innovation House	Espoo	25	Public sector	5	Q2/2022
Oulu Market Square Hotel	Oulu	*	Retail	32	Q2/2022
HUS Bridge Hospital	Helsinki	243	Public sector	69	Q4/2022
STUK commercial premises	Vantaa	46	Public sector	28	Q4/2021
HUS Jorvi, basic renovation of operating theatres	Espoo	39	Public sector	8	Q1/2023
Basic renovation of the Finnish National Theatre	Helsinki	40	Public sector	7	Q2/2023
Helsinki Upper Secondary School of Languages and Upper Secondary School for Adults	Helsinki	38	Public sector	0	Q3/2023

Situation at 31 December 2020.

*The value of individual contracts has not been made public.
**The total value of the Tampere Deck and Arena project is EUR 550 million, of which EUR 317 million has been entered into SRV's order backlog to date.

Hanhikivi-1 nuclear power plant project

In 2015, SRV announced its participation in the Hanhikivi-1 nuclear power plant construction project as both an investor and project manager. SRV has made a financing commitment equating to a 1.8 per cent holding in the project to Fennovoima's main owner, Voimaosakeyhtiö SF. SRV will have the same rights and obligations as other Voimaosakeyhtiö SF shareholders. SRV has also signed a cooperation agreement with Rusatom Group and the main contractor Titan-2. SRV will act as the project manager, and the exact nature of its activities will be confirmed at a later date. The related negotiations on SRV’s role are ongoing, and their content and schedule will be specified later. In April 2020, Fennovoima announced that construction will start in 2021. No building permit has been granted yet and therefore no decision on the startup of construction has been made thus far.

Investments

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

Investments segment (EUR million)	**1–12/ 2020**	1–12/ 2019	change	change, %	**10–12/ 2020**	10–12 / 2019
Revenue	**4.8**	5.9	-1.1	-18.5	**0.9**	1.7
Percentage of associated companies' profits	**-13.4**	2.8	-16.2		**-1.7**	-0.7
- of which exchange rate gains/losses	**-9.9**	7.6	-17.5		**-1.1**	0.8
Currency hedging, net	**5.5**	-3.8	9.4		**-0.2**	-0.5
Operative operating profit	**-18.0**	-96.3	78.3		**-14.2**	-87.9
Operating profit *)	**-22.4**	-92.5	70.1		**-15.4**	-87.5
Capital employed	**171.9**	245.7	-73.9	-30.1		
Return on investment, %	**-14.3**	-32.6	18.3			
*) net effect of currency exchange fluctuations	**-4.4**	3.8	-8.1		**-1.3**	0.4

January-December 2020

Investments’ **revenue** totalled EUR 4.8 million in the January–December period (5.9 1–12/2019). It mainly consists of revenue from shopping centre management. In accordance with SRV’s operating model, revenue from associated companies’ projects and joint ventures is reported under the Construction segment.

The **operative operating profit** totalled EUR -18.0 (-96.3) million. In addition to SRV’s Group companies, the result contains shares of the results of the associated companies that own the Okhta Mall and Pearl Plaza shopping centres, including not only their operating margin, but also depreciation, financial expenses and taxes. Operative operating profit was significantly negatively impacted by changes in the valuation of balance sheet items in the Investments segment, which had a combined impact of around EUR -12.3 million. Pearl Plaza was reclassified as a holding in associated companies and joint ventures during the fourth quarter when the sales negotiations ended without reaching an agreement. Due to this reclassification, an impairment recognised in 2019 was reversed, with a positive impact of about EUR 6.9 million on operative operating profit for 2020. The value of the additional sales price of the REDI shopping centre was decreased by EUR 13.0 million during the fourth quarter on the basis of an updated cash flow-based forecast. In addition, a write-down of about EUR 5.4 million for SRV's holding in Okhta Mall and a write-down of EUR 0.8 million for the Ratsumestarinkatu 6 commercial property in Porvoo were recognised in operative operating profit. The company also recognised EUR 0.5 million in income with a cash flow impact due to the final dissolution of the investment in the VTBC fund. The decrease in rental income from shopping centres due to the coronavirus pandemic also had a negative impact on operative operating profit.

In the case of the Russian subsidiary, a EUR 3.1 million provision for expenses that was recognised in the second quarter of the year was dissolved in the third quarter when the court of second instance overturned the ruling on compensation by the court of first instance. The dissolution of the provision had an impact of EUR 2.7 million at the September exchange rate, and thus the euro-denominated result for the review period is burdened by expenses of EUR 0.4 million. The plaintiff has appealed to the court of third instance, but proceedings have not as yet begun. The lawsuit concerned an agreement for an electrical connection that was never implemented.

The coronavirus pandemic that began at the end of the first quarter of 2020 has negatively impacted shopping centre operations by undermining tenants' ability to do business. The authorities restricted the opening of stores in March-August, which weakened the operational capabilities of shopping centres and reduced their rental income. Shopping centres opened gradually in the third quarter, which was reflected in the rising visitor numbers and sales in August to September. Shopping centres remained open in October-December, but the coronavirus restrictions continued to have an impact on the business of some of the tenants. The decline in rental income has short-term impacts on the liquidity and loan management capabilities of shopping centres. SRV has agreed on arrangements with banks and co-investors in the shopping centres to secure financing for the shopping centres during the period in which the restrictions set by the authorities are in effect.

The coronavirus restrictions imposed in Russia vary from city to city. In St Petersburg, most of the tenants in the shopping centres managed by SRV closed their doors on 28 March, in compliance with official regulations, and only essential services such as pharmacies and grocery stores remained open. Most of the shops could be opened again in July-August. In Moscow, shopping centres closed their doors about one week earlier than in St Petersburg, and the operations of tenants there returned closer to normal earlier than in St Petersburg as restrictions were gradually lifted.

Investments' **operating profit** was EUR -22.4 (-92.5) million. The net effect of currency exchange fluctuations was EUR -4.4 (3.8) million, which arose from valuation of the euro-denominated loans of associated companies in roubles and the net impact of currency hedging. Exchange rate differences with no impact on cash flow vary in each interim report in line with fluctuations in the exchange rate of the rouble.

Capital employed totalled EUR 171.9 million (245.7 12/2019). Capital employed was reduced by the divestment of SRV's holding in REDI and a change in the value of its additional sales price receivable in the last quarter, as well as a decrease in the company's holding in the Tampere Deck and Arena project in the first quarter. In addition, a capital return of about EUR 7 million from Pearl Plaza in the first quarter reduced capital employed. However, the reclassification of Pearl Plaza in the fourth quarter increased capital employed by around EUR 7 million compared with the previous year. Capital employed was reduced by write-downs of two properties and increased by investments in the Okhta Mall parking facility and Voimaosakeyhtiö SF. In addition, the weakening of the rouble exchange rate also affected capital employed. Capital employed was reduced by a net exchange rate impact of EUR -4.4 million included in operating profit and exchange rate losses on financial expenses amounting to EUR -8.2 million. Translation differences had a total impact of EUR -18.6 million on capital employed. Total capital employed decreased by about EUR 73.8 million compared with the beginning of the year.

The **return on investment** was -14.3 (-32.6) per cent. When calculating the return on investment, the income from interest on loans granted to associated companies and changes in the value of loans are also taken into consideration.

SRV is a co-investor in three shopping centre projects through its associated companies. SRV is also responsible for leasing, marketing and managing premises in completed shopping centres. SRV intends to sell its holdings once stable rental income has been achieved or the market situation allows. Stable rental income is usually reached 3–4 years after opening. The coronavirus pandemic that began during the first quarter of 2020 has negatively impacted shopping centre operations by undermining tenants' ability to do business. This has temporary negative impacts on shopping centres' rental income. However, as mentioned in the risk section, due to the coronavirus pandemic and economic uncertainty in Russia, it is possible that the sale of Russian shopping centres may be postponed.

October-December 2020

Investments' **revenue** totalled EUR 0.9 million in the October–December period (1.7 10–12/2019). Revenue was generated by shopping centre management. **Operative operating profit** amounted to EUR -14.2 (-87.9) million.

Capital employed

Capital employed (EUR million)	**31 Dec 2020**	31 Dec 2019
Okhta Mall, shopping centre	**67.1**	88.6
Pearl Plaza, shopping centre	**17.3**	25.3
Tampere Deck and Arena	**9.0**	25.8
4Daily, shopping centre	**5.6**	7.0
REDI, shopping centre and parking facility	**0**	24.6
Plots and other holdings	**72.8**	74.4
Total	**171.9**	245.7

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

Shopping centres

REDI, Helsinki

The company sold its holding of about 40 per cent in the REDI shopping centre in February 2020 and recorded a EUR 13.5 million sales price receivable related to the possible additional future sales price of EUR 50 million agreed in connection with the transaction. Due to the updated cash flow-based forecast for the REDI shopping centre, SRV has booked a change in the value of the additional sales price receivable, which has a negative impact of about EUR 13 million on operative operating profit for 2020.

The business operations of SRV REAM Oy, which was responsible for operating the REDI shopping centre, were sold to CBRE Finland on 25 June 2020. Its employees, a total of eight persons, transferred to the employ of CBRE Finland on 1 September 2020 under their existing terms of employment. The transaction had a very minor impact on the company's income statement and balance sheet.

Pearl Plaza, St Petersburg

This shopping and entertainment centre in St Petersburg is fully leased. Visitor numbers fell by 29 per cent year-on-year during the January–December period as a result of the coronavirus pandemic that began in March. Sales in roubles saw a decline of 23.0 per cent compared with the corresponding period of the previous year. Visitor numbers and sales grew in the first quarter, but when the coronavirus restrictions came into force in the second quarter, both visitor numbers and sales plummeted. Strong recovery was seen in August-September and it continued in October-December, especially in sales figures, which rebounded to almost the same level as a year earlier.

On 31 December 2019, SRV's holding in the Pearl Plaza shopping centre was designated as an asset held for sale and measured at its probable selling price less costs of sale, as its sale during the next 12 months was considered likely.

Negotiations on the sale of Pearl Plaza progressed well in early 2020, when it was considered highly likely that a deal would be made. The coronavirus pandemic slowed down the negotiations. The second wave of the pandemic was ultimately the major reason why the sales negotiations ended without reaching an agreement. The property was reclassified as a holding in associated companies and joint ventures. In line with its strategy, SRV will continue to develop the property and intends to sell its holding when the market situation allows.

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. The shopping centre's occupancy rate stood at about 95.8 per cent at the end of December. About 91 per cent of its stores were open in December. Sales decreased by 22 per cent in January–December and visitor numbers fell by 35 per cent as a result of the coronavirus pandemic that began in March. Visitor numbers and sales grew in the first quarter, but when the coronavirus restrictions came into force in the second quarter, both visitor numbers and sales plummeted. Strong recovery was seen in August-September and it continued towards the end of the year, especially in sales figures, which rebounded to almost the same level as a year earlier.

Okhta Mall's parking facility is under construction and it will be completed in the first quarter of 2021. Its construction is valued at about EUR 20 million. SRV also owns the Okhta City plot – a major future development project – next to the Okhta Mall. 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 in the Moscow region opened its doors in April 2017. SRV owns 19 per cent of the shopping centre. By the end of December, about 86 per cent of the centre's premises were leased. In December, 73 per cent of its stores were open. In the January–December period, sales rose by 31 per cent and visitor numbers by 2 per cent on the comparison period. Visitor numbers and sales grew in the first quarter, but when the coronavirus restrictions came into force in the second quarter, both visitor numbers and sales plummeted. The recovery that began in the third quarter remained strong during the rest of the year.

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. The plots will enable further development in the area when premises demand permits. SRV has an agreement with the international sports store giant Decathlon for the construction of a store building and the sale of part of the Mira-II plot. Construction of the Decathlon store building has been started up. The value of the contract was recognised in SRV's order backlog in December.

Other projects

On 7 February 2020, SRV sold five-sixths of its holding in the Ranta-Tampella housing project (which is part of the Tampere Deck and Arena project) to its co-investors, as well as three-fourths of its shares and partnership interests in the Tampere Deck and Arena project. After these transactions, SRV was left with an approximately 8.33 per cent holding in the Tampere Deck and Arena project.

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

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

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

Most significant completed investment projects, 31 December 2020

Project	Holding, %	Opened	Floor area (m^2)	Occupancy rate 12/2020, %	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	2021 –
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 95.8	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 86	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.

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

Land reserves 31 Dec 2020	**Business construction**	**Housing construction**	**Investments**	**Total**
Unbuilt land areas, land acquisition commitments and rented plots				
Building rights[1], 1,000 m^2	**131**	**274**	**522**	**927**
Land development agreements				
Building rights[1], 1,000 m^2	**61**	**201**	**0**	**262**

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

Financing and financial position

IFRS, EUR million	**31 Dec 2020**	31 Dec 2019	Change, %
Equity ratio, %	**22.6**	21.2	6.4
Equity ratio, %, excl. IFRS 16[1]	**27.8**	26.4	5.3
Net gearing ratio, %	**159.7**	240.3	-33.5
Net gearing ratio, %, excl. IFRS 16[*1]	**82.1**	151.2	-45.7
Shareholders' equity	**181.0**	175.6	3.1
Capital employed	**566.8**	625.3	-9.4
Net interest-bearing debt	**289.1**	422.0	-31.5
Net interest-bearing debt, excl. IFRS 16[1]	**152.9**	271.9	-43.8
Interest-bearing debt	**385.8**	449.7	-14.2
- of which short-term	**17.4**	25.6	-32.2
- of which long-term	**368.4**	424.1	-13.1
Interest-bearing debt, excl. IFRS 16[1]	**249.7**	299.6	-16.7
Cash and cash equivalents	**96.7**	27.7	248.9
Unused binding liquidity limits and account limit agreements	**0.0**	10.0	-100.0
Unused project loans that can be drawn immediately	**20.0**	2.3	771.5

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

In February 2020, the company agreed on the replacement of its EUR 100 million revolving credit facility with the bank syndicate; the facility was replaced with two separate revolving credit facilities, one of EUR 60 million and one of EUR 40 million. At the end of June, the company made an agreement with the bank syndicate whereby the undrawn portion, amounting to EUR 9 million, of the EUR 60 million credit facility will be terminated. The remaining amount of the facility is EUR 51 million, which was fully drawn as of 31.12.2020. According to the repayment plan updated in April, EUR 11 million of the remaining EUR 51 million credit facility will be repaid in December 2021 and EUR 40 million in January 2022. EUR 40 million credit facility will be used to financing future construction projects and its maturity date is January 2022 or another repayment period agreed for the separate construction projects. At the end of December, EUR 30.5 million of the EUR 40 million credit facility limit was unused.

As part of its recovery programme, the company implemented many measures in April-June to improve its balance sheet position, finance ability and liquidity. In April and June, the company agreed on changes to the payment schedule of two liquidity facilities with the bank syndicate and agreed to halve the minimum operating margin levels contained in their agreements, as a precautionary measure against potentially weakened profit margins resulting from the coronavirus pandemic.

In May, the company organised a directed share issue for the holders of the two outstanding hybrid bonds. In the issue, about EUR 75 million of the EUR 92 million principal of the hybrid bonds and accrued interest was converted into shares. As a result of the implementation of the share issue, the total outstanding principal of the 2016 hybrid bonds is approximately EUR 11.8 million and the outstanding principal of the 2019 hybrid bonds is approximately EUR 3.6 million. The share issue increased the total number of SRV shares by 71,468,395 to 131,967,970. The new shares were entered in the Trade Register on 19 May 2020.

At the end of May, SRV carried out written procedures to extend the one-year tenor of its EUR 100 million (of which EUR 62.1 million is outstanding) senior unsecured callable fixed-rate notes due 23 March 2021 and the one-and-a-half-year tenor of its EUR 75 million senior unsecured callable fixed-rate notes due 27 March 2022 as well as to amend certain terms and conditions of these notes. The new due dates are 23 March 2022 for the EUR 100 million senior unsecured callable fixed-rate notes (whose outstanding principal amounts to EUR 62.1 million) and 27 September 2023 for the EUR 75 million senior unsecured callable fixed-rate notes.

In June, the company organised a rights issue in which SRV received gross income of approximately EUR 50 million. Due to the share issue, SRV's number of shares rose by 131,049,371 from 131,967,970 to a total of 263,017,341 shares. The new shares were entered in the Trade Register on 18 June 2020. The capital loan of EUR 9 million drawn on 30 March was used for payment in accordance with its terms and conditions, and was converted into equity.

Thanks to the abovementioned arrangements and the positive development of cash flow, the company's balance sheet position and liquidity improved substantially. That said, impairments of investments and the additional sales price receivable of REDI weakened the balance sheet position and key figures, but did not impact on cash flow and liquidity. At the end of the period, the Group's financing reserves totalled EUR 116.8 million (40.0 12/2019), consisting of unused project loans (EUR 20.0 million) and cash and cash equivalents (EUR 96.7 million). At the end of December, the company's equity ratio (excluding the impact of IFRS 16) was 27.8 per cent (26.4 1-12/2019) and gearing (excluding the impact of IFRS 16) was 82.1 per cent. The equity ratio calculated as per the covenants of financing agreements was 28.7 per cent, as the covenant calculation took into account the recognition of income from developer-contracted projects on the basis of percentage of completion. The equity ratio level was affected by the high amount of cash and cash equivalents on the balance sheet date. The company can manage the equity ratio level by repaying its debts.

The financial covenants of SRV's financing agreements are equity ratio, net gearing, minimum operating margin, minimum cash, the interest coverage ratio and certain other restrictions. The interest coverage ratio is the ratio of the Group's operating margin (EBITDA) to its net financial expenses. The interest cover ratio is tested only if and when new loan financing is withdrawn; the covenant does not prevent the refinancing of existing sources of financing. The main covenants of the financing agreements are presented in note 11 to the financial statement release.

The covenant levels of these financing agreements are determined on the basis of the accounting principles in force when the loan agreements were signed. Recognition of income on the basis of percentage of completion in developer contracting projects and the inclusion of capital loans into equity are taken into consideration in the calculation of the equity ratio covenant. The loan agreements also contain some other deviations from traditional covenant calculation methods. The covenants for all loan agreements were met on 31 December 2020.

Net interest-bearing debt totalled EUR 289.1 (422.0) million at the end of the review period. Net interest-bearing debt saw a year-on-year decrease of EUR 132.9 million. Excluding the impact of IFRS 16, net interest-bearing debt totalled EUR 152.9 million, representing a fall of EUR 119.0 million on the comparison period. Housing corporation loans account for EUR 40.7 (50.4) million of the interest-bearing debt. Cash flow from operating activities was EUR 46.3 (-10.7) million and cash flow from investing activities was EUR 26.6 (-5.9) million. Cash flow from operating activities was boosted by capital released due to the sale of contract sites to investors and the handover of developer-contracted housing in the latter part of the year and negatively impacted by the acquisition of new plots. VAT payment arrangements agreed upon with the tax authorities also had a positive impact, while the significant decrease in factoring had a negative impact on cash flow. The cash flow from investments was positively affected by the sale of holdings in REDI and Tampere Deck and Arena. The cash flow impact of share issues, after expenses, was EUR 46.4 million during the review period, including the EUR 9 million capital loan converted into shares.

Net financial expenses since the beginning of the year totalled EUR -29.4 (-29.3) million. Net financial expenses included EUR 3.7 (4.1) million in dividend and interest income, exchange rate differences amounting to EUR -8.2 (4.3) million arising from the conversion of subsidiary and associated company loans, which did not have an impact on cash flow, interest paid on derivatives and fair value changes amounting to EUR -1.9 (-3.7) million and interest expenses of EUR -12.3 (-13.1) million, of which EUR 0.5 (0.7) million was capitalised in accordance with IAS 23 as from the beginning of the year. In addition, financial expenses included EUR -5.7 (-6.5) million in interest under IFRS 16, EUR -1.5 (-10.8) million in impairments, and EUR -4.1 (-4.2) million in other financial expenses, including expenses related to financing arrangements.

SRV's investment commitments totalled EUR 26.4 (51.7) million at the end of December, and mainly consisted of investments in Fennovoima’s Hanhikivi-1 nuclear power plant project and the Tampere Deck and Arena project.

SRV is exposed to changes in the exchange rate of the rouble through its Russian subsidiaries, associated companies and joint ventures. The weakening rouble led to translation differences of EUR -18.6 (11.5) million, which impacted both shareholders' equity and the comprehensive result for the period. In addition to currency exchange rate losses with no cash flow impact amounting to EUR -8.2 (4.3) million in financial income and expenses, the Group also entered similarly derived currency exchange rate losses of EUR -9.8 (7.6) million with no cash flow impact under the profit accounted for by associated companies, which are due primarily to the conversion of currency-denominated loans to roubles and the weaker rouble exchange rate. Currency exchange rate losses were reduced by EUR 5.5 (-3.8) million in net hedging returns. The total impact on shareholders’ equity was EUR -31.1 million. The exchange rate risk position is presented in note 12 to the financial statement release.

Personnel

Personnel by segment at end of period	**31 Dec 2020**	31 Dec 2019	Percentage of Group personnel, 31 Dec 2020
Construction	**768**	836	82
Investments	**114**	132	12
Other operations	**50**	76	5
Group, total	**932**	1,044	100

SRV employed an average of 991 people in January–December (1,080 1–12/2019). On average, 810 (867) people worked in Construction and 124 (139) people worked in Investments. 56 (74) people worked in Group operations.

During the second quarter, SRV started up numerous new sites and carried out a recruiting campaign that led to the hiring of more employees, especially for site supervision tasks. The company continued its recruitment campaign in the third quarter and hired employees for expert roles and on-site managerial positions.

In April, SRV reached, for the first time, the highest safety level in the annual classification carried out by the Vision Zero Forum of the Finnish Institute of Occupational Health: I – World Class Achievement. A total of 29 companies reached the highest level in this nationwide classification of occupational safety. SRV was the only construction company among them. The company's aim is zero accidents at every site.

Changes in the Corporate Executive Team

Changes occurred in both the Team's composition and areas of responsibility on 3 December 2020, when Henri Sulankivi was appointed to the Team with responsibility for Regional Units. At the same time, Juha Toimela's area of responsibility changed to Business Premises, Helsinki Metropolitan Area (formerly Business Premises, Regional Units and Infrastructure) and Kimmo Kurki took responsibility for Internal Services and Infrastructure (formerly Internal Services). The Group's Corporate Executive Team saw further changes on 1 January 2021, when Jarkko Rantala was appointed CFO in addition to his previous area of responsibility. Miia Eloranta was appointed Senior Vice President, Communications and Marketing as of 4 January 2021, and Kristiina Sotka Senior Vice President, Human Resources as of 1 February 2021.

The members of SRV's Corporate Executive Team are:

- Saku Sipola, President & CEO
- Timo Nieminen, Executive Vice President, Deputy CEO, Senior Vice President, Strategic Project Development
- Jarkko Rantala, CFO (as from 1 January 2021)
- Kim Jolkkonen, Senior Vice President, Housing, Helsinki Metropolitan Area
- Henri Sulankivi, Senior Vice President, Regional Units (as from 3 December 2020)
- Jussi Tuisku, Senior Vice President, Russia and Estonia
- Miia Eloranta, Senior Vice President, Communications and Marketing (as from 4 January 2021)
- Kristiina Sotka, Senior Vice President, Human Resources (as from 1 February 2021)
- Johanna Metsä-Tokila, Senior Vice President, General Counsel
- Antti Nummi, Senior Vice President, Business Development
- Kimmo Kurki, Senior Vice President, Internal Services and Infrastructure
- Jouni Forsman, Senior Vice President, Business Premises, Helsinki Metropolitan Area (as from 15 March 2021)

Maija Karhusaari left the Group and the Corporate Executive Team on 4 January 2021, Ilkka Pitkänen resigned from the employ of the Group on 31 January 2021 and stepped down from the Corporate Executive Team on 31 December 2020, and Juha Toimela will leave the Group and the Corporate Executive Team on 1 March 2021.

The changes have no impact on reporting.

Risks, risk management and corporate governance

SRV has published a separate Corporate Governance Statement in its Annual Review and on the company's website. More detailed information about the company's business risks and risk management has been provided in the 2019 Notes to the Financial Statements and Annual Review, and published on the company's website on 2 March 2020. Corresponding reports for 2020 will be provided on 5 March 2021 when the company publishes its 2020 Financial Statements.

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

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

The main risk is currently posed by the coronavirus pandemic and its impact not only on the operating conditions and business of SRV, its customers and other partners, but also its broader effects on general economic development. Any cases of illness, quarantines and the restrictions imposed by countries have a negative impact on the business performance of various parties because they weaken or prevent access to personnel resources and materials. The uncertainty caused by this situation also weakens the confidence of companies and private individuals and their outlook for the future. This reduces investments and consumption, and temporarily puts economic development in reverse.

Many countries started to lift restrictions in the early summer 2020, but had to tighten them again in the latter part of the year as the pandemic took a turn for the worse. The seriousness of the situation will be significantly impacted if the pandemic is prolonged further. The scheduling and effectiveness of Covid-19 vaccinations will be decisive. In spite of the pandemic, construction activity in Finland remained at a higher level than expected in 2020. However, the Confederation of Finnish Construction Industries estimates that construction will decline by about 4 per cent in 2021. Thus far, the coronavirus pandemic has only caused relatively minor problems to SRV's construction operations in Finland. The developing impacts of the pandemic are being assessed closely and the necessary measures are being taken proactively to maintain health and wellbeing, prevent the spread of the pandemic and ensure business continuity. Over the longer term, the population shift into SRV's main business areas in Finland's key growth centres will continue, laying down a good foundation for operations when the situation returns to normal. The aforementioned risks have been addressed in the accounting principles for this financial statement release.

SRV's ongoing major projects and completed shopping centre projects are tying up a great deal of capital, as does developer-contracted construction. The availability and price of financing are critical to the company's business. As part of its previously announced recovery programme, the company carried out numerous measures, such as divestments of assets, refinancing and two share issues during the first part of 2020. As a result, the company's balance sheet and financing position and liquidity improved significantly by the end of the second quarter. However, availability of financing for developer contracting projects and certain guarantees remains challenging.

Financing for developer-contracted projects is ensured with sales of projects, project-specific credit and the use of the company's general financing reserves. The company only starts up projects for which financing has been secured. The implementation of new orders recognised in the order backlog in 2020 will not require any financing from SRV, with the exception of developer-contracted housing projects. The company will only consider launching other new projects if there is sufficient demand and the necessary financing can be assured with the aid of the company's general financing reserves and the sale of project-specific receivables to financial institutions and project-specific loans negotiated separately before the start-up of the project in question. Receivables can be sold for the purpose of liquidity management only within the limits allowed.

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 value in the balance sheet. The prolongation of the coronavirus pandemic and economic uncertainty in Russia might mean that the sale of Russian shopping centres will be postponed. SRV's investments in shopping centres are minority interests in associated companies. The initiation of their sale or the timing of the sale are agreed upon in the shareholder agreement of each investment. That is, SRV cannot decide on the sale of projects or their date of sale on its own. If, on the other hand, the shareholder agreement permits the other shareholders to sell the property before it reaches its optimal financial value, and they decide to do so, this may lead to the need to reduce the balance sheet value of the shopping centre.

Negotiations on the sale of the Pearl Plaza shopping centre ended without reaching an agreement during the review period. In line with its strategy, SRV still intends to divest the shopping centre, but it is not possible to predict when exactly it will do so.

SRV has made a financing commitment equating to a 1.8 per cent holding in the Hanhikivi-1 nuclear power plant project to Fennovoima's main owner, Voimaosakeyhtiö SF. SRV has the same rights and obligations as other Voimaosakeyhtiö SF shareholders. In April 2020, Fennovoima announced that construction will start in 2021. The balance sheet value of the investment is EUR 10.7 million, which corresponds to the amount that SRV has invested in the project. The current and future value of the investment involves risks, particularly with regard to the longer-term price of electricity.

In its Russian business, fluctuations in the rouble exchange rate expose SRV to translation and transaction risks. A ten per cent weakening of the rouble against the euro on the reporting date would have had an impact of about EUR -6.3 million on the Group's equity translation differences. A ten per cent weakening in the exchange rate would correspondingly have an impact of about EUR -4.9 million on SRV's earnings if the effect of currency hedging were not taken into account. The exact rouble hedging rate varies over time. SRV's transaction risk largely comprises the euro-denominated loans of associated companies that are partly owned by SRV. The remaining exchange rate risk is hedged in accordance with the hedging policy approved by the Board of Directors.

SRV Group Plc's Russian subsidiary, of which SRV Group Plc indirectly owns 51 per cent, is involved in legal proceedings in Russia. A court of first instance ruled that SRV's subsidiary must pay EUR 3.1 million in compensation to a counterparty. This sum was recognised in full as a provision for expenses in the second quarter. However, the court of second instance overturned the ruling of the court of first instance in August due to an appeal by the subsidiary, as a result of which this EUR 3.1 million provision was dissolved in the third-quarter result. The counterparty lodged an appeal against the decision with the court of third instance during the review period. The appeal proceedings are ongoing.

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

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

The company continuously monitors the needs of customers and the market situation, and seeks to react rapidly to changes. Large development projects that tie up a great amount of capital are especially vulnerable to fluctuations and risks. In its own development projects, the company is currently pursuing more projects carried out with partners, and in contracting it seeks to utilise cost-flexible means of implementation that do not require financing from the company. The company might also lose markets to new or growing competitors or business models. SRV seeks to manage these risks by retaining its position as one of the top companies in its field by investing in the development of its systems and own customer-focused, flexible and networked operating model (SRV Approach).

Retention of skilled employees, hiring of competent new employees and maintaining a partner network for professional implementation also pose risks to operations. The company takes care of the health and safety of its employees with well-run health services, systematic guidelines and monitoring. In addition, the company continuously offers its personnel opportunities to engage in training, development and communal activities. Efficient and committed action to achieve the company's objectives also reduces the likelihood that various risks will materialise.

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

Corporate governance and the decisions of the Annual General Meeting

SRV Group Plc's Annual General Meeting was held on 26 March 2020. SRV published stock exchange releases on the decisions of the Annual General Meeting and the organisation of the Board of Directors on 26 March 2020. 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.

Changes to the multi-year incentive scheme of the President and CEO

On 17 December 2020, the Board of Directors of SRV Group Plc decided on changes to the share-based incentive scheme of President and CEO Saku Sipola. The changes concern the number of acquisition rights, the subscription price of the acquisition rights and the periods during which the acquisition rights can be exercised. The purpose of the changes is to ensure that the incentive effect of the scheme remains at its previous level by taking into account the changes in the number of the company's shares caused by SRV's 2020 rights issues. The incentive effect of the scheme is based on the value increase of SRV Group Plc's shares.

As a result of the changes, Sipola has the right to acquire 1,000,000 shares at a subscription price of EUR 0.55 per share. The basis for determining the subscription price is the volume-weighted average price of SRV's share on Nasdaq Helsinki in continuous trading from 1 August to 30 November 2020. After the changes, the acquisition rights can be exercised in the following three periods: the first begins on 1 March 2022 and ends on 28 February 2023, the second begins on 1 March 2023 and ends on 31 August 2024, and the third begins on 1 September 2024 and ends on 31 August 2026. During the first and second exercise periods, the acquisition rights holder is entitled to exercise 300,000 acquisition rights and during the third period 400,000 acquisition rights.

The share-based incentive scheme has been described in the stock exchange release published on 25 June 2019: https://www.srv.fi/en/releases/srv-group-plcs-board-of-directors-resolved-on-a-multi-year-incentive-scheme-for-the-president-and-ceo/

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 263,017,341. The company has one class of shares.

Before the two share issues organised in May and June, the number of registered shares was 60,499,575.

In the directed share issue held in May, a total of 71,468,395 new SRV shares were issued with a subscription price of EUR 1.05 per share. The subscriptions were paid by setting off hybrid bonds issued by SRV and the interest accrued on them up to 30 April 2020. The new shares were registered on 19 May 2020 in the Trade Register maintained by the Finnish Patent and Registration Office. Trading in the new shares began on 20 May 2020 on the stock exchange list maintained by Nasdaq Helsinki Ltd.

A total of 131,049,371 new shares were subscribed for in the rights issue in June. The subscription price of the shares was EUR 0.38 per share. The shares were registered on 18 June 2020 in the Trade Register maintained by the Finnish Patent and Registration Office. Trading in the new shares began on 22 June 2020 on the stock exchange list maintained by Nasdaq Helsinki Ltd. As a result of the registration of the new shares, the total number of shares issued by SRV is 263,017,341.

On 6 July 2020, SRV announced that it had assigned a total of 67,950 treasury shares to the members of the company's share-based incentive plan. The earnings period for the scheme was the calendar years 2017-2019. After the assignment, SRV Group Plc holds 850,649 treasury shares (0.3 per cent of the total number of shares and combined number of votes).

The closing price at Nasdaq Helsinki on 31 December 2020 was EUR 0.59 (EUR 1.00 on 31 December 2019, change -41.0%). The highest share price during the reporting period was EUR 1.10 and the lowest EUR 0.45. The highest and lowest prices quoted for the review period and the price at the end of the previous year are adjusted for share issues. At the end of the period, SRV's equity per share excluding the hybrid bond was EUR 0.65. On 31 December 2020, SRV had a market capitalisation of EUR 154.7 million, excluding the Group's treasury shares. 45.5 million shares were traded during the review period with a trade volume of EUR 28.8 million.

Financial objectives

SRV's strategy and all of its operations are guided by the 2021–2024 strategic financial objectives that were approved in February 2021:

- Operative operating profit: 6 per cent by the end of the period.

- Gearing excluding the impact of IFRS 16: 40-60 per cent by the end of the period.
- As the company gradually reduces its indebtedness, SRV expects that it will pay dividends in accordance with its dividend policy no earlier than for the 1 January–31 December 2023 financial year. The longer-term objective is to distribute dividend of 30-50 per cent of the annual result, taking into account the capital needs of business operations.

The updated definition of operative operating profit is used in these financial objectives (see Outlook for 2021).

Outlook for 2021

During 2021, SRV's revenue and result will be affected by several factors in addition to general economic trends, such as: the timing and amount of income recognition for SRV's own projects, which are recognised as income upon delivery; the part of the order backlog that is recognised as income over time mainly consists of contracting; trends in the order backlog's profit margins; the start-up of new contracts and development projects; and the rouble exchange rate and the development of the Russian economy. To date, the impacts of the pandemic have been moderate on the whole, but its effects on the construction market are unclear and cause uncertainty regarding the outlook for the future. The result for 2021 is also affected by the fact that the company has not been able to start up developer-contracted housing projects in line with the target schedule of the recovery programme. In 2021, the company continues to focus on reducing its debt-to-equity ratio and strengthening strong cash flow.

SRV will revise the definition of operative operating profit in order to improve comparability and transparency in reporting in 2021. The old definition of operative operating profit has been used in this financial statement release, with the exception of the outlook for 2021:

- Consolidated revenue for 2021 is expected to amount to EUR 900 – 1,050 million (revenue in 2020: EUR 975.5 million).
- Operative operating profit is expected to improve on 2020 and to amount to EUR 16-26 million (operative operating profit for 2020 in accordance with the new definition: EUR 15.8 million).

The new definition of operative operating profit also adjusts items affecting comparability. The new definition used in providing the outlook for 2021 is:

Operative operating profit = Operating profit +/- exchange rate gains and losses of associated companies and joint ventures as well as income and expenses from currency hedging +/- items affecting comparability

Items affecting comparability = Impairments of asset items and their reversal, gains and losses from exceptional handovers of asset items, and income and expenses due to changes in the Group structure

Operative operating profit’s reconciliation table

SRV (IFRS, EUR million)	**1-12/2020**
Revenue	**1.5**
-/+ exchange rate gains and losses of associated companies and joint ventures and -/+ income and expenses from currency hedging	**-4.4**
+/- Items affecting comparability	

-/+ Impairments of asset items and their reversal	-12.3
-/+ gains and losses from exceptional handovers of asset items	2.3
-/+ income and expenses due to changes in the Group structure	0.0
Items affecting comparability in total	**-9.9**
Operative operating profit in accordance with the new definition	**15.8**

SRV will publish the comparison data for 2020 in a separate release during the first quarter.

Proposal for the distribution of profits

The parent company's distributable funds on 31 December 2020 are EUR 262,165,834.13, of which net profit for the financial year is EUR -11,924,838.45. The Board of Directors proposes to the General Meeting that no dividend be paid for the 2020 financial year.

Espoo, 4 February 2021

Board of Directors

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

About this interim report

This interim report has been prepared in accordance with IAS 34, and the disclosed information is unaudited. The figures in parentheses are the comparison figures for 2019.

Briefing, webcast and presentation materials

A briefing for analysts, fund managers, investors and media representatives will be held on 4 February 2021, starting at 10:00 EET as a webcast. The webcast can be followed live at www.srv.fi/sijoittajat. The recording will be available on the website after the presentation. The materials will also be made available on the website.

Next interim report

SRV Group Plc will publish its first-quarter results for 2021 on 29 April 2021. During the silent period (30 March–29 April), the company will not comment on anything relating to market outlooks, business or earnings trends.

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Key figures EUR million	1-12/ 2020	1-12/ 2019	10-12/ 2020	10-12/ 2019
Revenue	975.5	1,060.9	292.5	403.8
Operative operating profit [1)]	5.8	-96.8	-6.8	-87.2
Operative operating profit, % revenue [1)]	0.6	-9.1	-2.3	-21.6
Operation profit	1.5	-93.0	-8.0	-86.8
Operation profit, % revenue	0.2	-8.8	-2.8	-21.5
Operation profit, excl. IFRS16[2)]	-2.7	-94.3	-9.5	-84.6
Operation profit, % revenue excl. IFRS16[2)]	-0.3	-8.9	-3.3	-21.0
Profit before taxes	-28.0	-122.4	-14.5	-97.2
Profit before taxes, % of revenue	-2.9	-11.5	-5.0	-24.1
Net profit attributable to equity holders of the parent company	-22.8	-104.4	-10.6	-83.3
Return on equity, %	-14.1	-50.6		
Return on investment, % [4) 6)]	-0.8	-15.2		
Return on investment % excl. IFRS16[2) 5)]	-2.0	-17.5		
Capital employed	566.8	625.3		
Capital employed excl. IFRS16 [2)]	436.0	479.4		
Equity ratio %	22.6	21.2		
Equity ratio excl. IFRS16, % [2)]	27.8	26.4		
Net interest-bearing debt	289.1	422.0		
Net interest-bearing debt excl. IFRS16[2)]	152.9	271.9		
Net gearing ratio, %	159.7	240.3		
Net gearing ratio excl. IFRS16, %[2)]	82.1	151.2		
Order backlog [3)]	1,153.4	1,344.2		
New agreements	707.1	487.6	140.7	142.9
Personnel on average	991	1,080		
Earnings per share [4)]	-0.15	-1.52	-0.05	-1.18
Earnings per share (diluted) [4)]	-0.15	-1.52	-0.05	-1.18
Equity per share [4)]	0.71	2.46		
Equity per share (without hybrid bond), euros [4)]	0.65	1.31		
Dividend per share, euros	0.00	0.00		
Dividend payout ratio, % [4)]	0.0	0.0		
Dividend yield, % [4)]	0.0	0.0		
Price per earnings ratio	neg.	neg.		
Share price development:				
Share price at the end of the period, eur	0.59	1.36		
Average share price, eur	0.60	1.36		
Lowest share price, eur	0.45	1.25		
Highest share price, eur	1.10	2.19		
Market capitalisation at the end of the period [4)]	154.7	98.1		
Trading volume, 1 000 units [4)]	45,524	14,412		
Trading volume, % [4)]	26.2	20.0		
Weighted average number of shares outstanding during the period, 1 000 units [4)]	173,891	72,149		
Weighted average number of shares outstanding during the period (diluted) 1 000 units [4)]	173,925	72,149		
Number of shares outstanding at the end of the period,1 000 units [4)]	262,167	72,149		

[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 reporting period amounted to EUR -4.4 (3.8) million, of which EUR 5.5 (-3.8) million was accounted for by hedging.

[2] The effects of IFRS16 have been adjusted from the figure.

[3] The Group's order backlog consists of the Construction business.

[4] Comparative data is share issue adjusted.

[5] In calculation the key ration, only the profit for the review period has been annualised.

Alternative performance measures used in interim reporting

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

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

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

SRV presents key figures excluding effect of IFRS 16 standard

The company publishes alternative key figures, that is, IFRS 16 key figures that have been adjusted to exclude the impact of the IFRS 16 Leases standard on the balance sheet and result.

Calculation of key figures

Return on equity, %	=	100 x	Net profit 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 (interim periods annualized) / Invested capital, average
Return on investment, % excl. IFRS16	=	100 x	Operating profit excl. IFRS16 bookings + interest and other financial income (incl. exchange rate gains and losses) + Financial receivables write-down and sales loss (interim periods annualized) / 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 Earnings per share
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

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Group and Segment information by quarter

SRV Group EUR million	10-12/ 2020	7-9/ 2020	4-6/ 2020	1-3/ 2020	10-12/ 2019	7-9/ 2019	4-6/ 2019	1-3/ 2019
Revenue	292.5	209.9	265.0	208.1	403.8	227.1	207.4	222.6
Operation profit	-8.0	1.7	3.3	4.5	-86.8	-6.3	-3.2	3.3
Financial income and expenses, total	-6.5	-8.8	-3.1	-11.1	-10.4	-7.6	-7.7	-3.6
Profit before taxes	-14.5	-7.0	0.2	-6.6	-97.2	-14.0	-10.8	-0.3
Order backlog [1)]	1,153.4	1,280.3	1,332.4	1,361.5	1,344.2	1,592.6	1,667.2	1,782.5
New agreements	140.7	154.4	213.7	198.2	142.9	123.3	71.7	149.7
Earnings per share, eur	-0.05	-0.01	0.02	-0.11	-1.18	-0.18	-0.15	-0.02
Equity per share, eur	0.65	0.69	0.75	1.03	1.31	2.45	2.60	2.71
Share closing price, eur	0.59	0.53	0.48	0.94	1.36	1.44	1.62	1.70
Equity ratio, %	22.6	23.8	25.3	20.4	21.2	27.2	28.5	24.4
Equity ratio, % excl. IFRS16 [2)]	27.8	29.6	30.6	25.8	26.4	33.3	35.1	29.7
Net interest-bearing liabilities	289.1	341.7	307.4	400.4	422.0	513.2	480.2	490.8
Net interest-bearing liabilities excl. IFRS16 [2)]	152.9	194.9	177.0	254.1	271.9	339.7	306.6	317.3
Net gearing, %	159.7	177.4	148.5	260.2	240.3	199.1	178.9	205.8
Net gearing, % excl. IFRS16 [2)]	82.1	98.4	83.5	160.2	151.2	131.4	114.0	132.7

Revenue EUR million	10-12/ 2020	7-9/ 2020	4-6/ 2020	1-3/ 2020	10-12/ 2019	7-9/ 2019	4-6/ 2019	1-3/ 2019
Construction	292.0	209.1	264.1	204.9	403.1	226.0	206.7	221.9
- business construction	186.7	157.8	182.2	154.0	200.5	171.2	163.1	144.9
- housing construction	105.3	51.3	81.9	50.8	202.6	54.7	43.6	77.0
Investments	0.9	1.1	1.2	1.6	1.7	1.4	1.5	1.3
Other operations and eliminations	-0.3	-0.3	-0.2	1.6	-0.9	-0.3	-0.8	-0.6
Group, total	292.5	209.9	265.0	208.1	403.8	227.1	207.4	222.6

Operating profit EUR million	10-12/ 2020	7-9/ 2020	4-6/ 2020	1-3/ 2020	10-12/ 2019	7-9/ 2019	4-6/ 2019	1-3/ 2019
Construction	8.7	5.2	7.4	6.2	3.6	-3.4	2.0	4.8
Investments	-15.4	-3.8	-1.7	-1.4	-87.5	-3.1	-1.9	0.1
Other operations and eliminations	-1.3	0.3	-2.4	-0.2	-2.9	0.2	-3.2	-1.6
Group, total	-8.0	1.7	3.3	4.5	-86.8	-6.3	-3.2	3.3

Operating profit (%)	10-12/ 2020	7-9/ 2020	4-6/ 2020	1-3/ 2020	10-12/ 2019	7-9/ 2019	4-6/ 2019	1-3/ 2019
Construction	3.0	2.5	2.8	3.0	0.9	-1.5	1.0	2.2
Investments	-	-	-	-	-	-	-	-
Group	-2.8	0.8	1.2	2.2	-21.5	-2.8	-1.5	1.5

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

[2)] The effects of IFRS16 have been adjusted from the figure.

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Order backlog EUR million	31.12.20	30.9.20	30.6.20	31.3.20	31.12.19	30.9.19	30.6.19	31.3.19
- business construction	718.2	825.8	837.9	858.4	861.5	938.7	1,066.8	1,158.4
- housing construction	435.2	454.5	494.6	503.1	482.7	653.8	600.4	624.1
Group, total [1)]	1,153.4	1,280.3	1,332.4	1,361.5	1,344.2	1,592.6	1,667.2	1,782.5
- sold order backlog	997	1,113	1,142	1,153	1,082	1,311	1,402	1,496
- unsold order backlog	157	168	191	208	263	281	265	286

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

Order backlog, housing construction in Group EUR million	31.12.20	30.9.20	30.6.20	31.3.20	31.12.19	30.9.19	30.6.19	31.3.19
Negotiation and construction contracts	202	187	210	191	141	191	168	181
Under construction, sold	77	100	94	104	79	182	167	157
Under construction, unsold	128	147	162	183	232	261	244	253
Completed and unsold	28	21	28	25	30	21	22	33
Housing construction, total	435	455	495	503	483	654	600	624

Capital employed EUR million	31.12.20	30.9.20	30.6.20	31.3.20	31.12.19	30.9.19	30.6.19	31.3.19
Construction	386.8	417.4	391.9	403.0	372.9	462.6	448.1	385.0
Investments	171.9	181.1	193.7	193.1	245.7	331.5	330.3	353.5
Other operations and eliminations	8.1	6.4	28.0	-2.3	6.7	1.0	-4.6	53.4
Group, total	566.8	605.0	613.6	593.7	625.3	795.1	773.8	791.9

Housing production in Group (units)	10-12/ 2020	7-9/ 2020	4-6/ 2020	1-3/ 2020	10-12/ 2019	7-9/ 2019	4-6/ 2019	1-3/ 2019
Housing sales, total	327	130	445	364	269	326	139	203
- sales, developer contracting	104	83	59	108	207	166	73	203
- sales, negotiation contracts	223	47	386	256	62	160	66	0
Developer contracting								
- start-ups	68	0	0	0	65	283	8	424
- completed	282	96	142	0	539	85	0	184
-recognized in revenue	235	127	128	25	532	98	42	161
- completed and unsold	92	45	76	60	87	84	97	139
Under construction, total	2,127	2,076	2,316	2,168	2,142	2,773	2,388	2,549
- construction contracts	0	80	80	80	80	80	80	80
- negotiation contracts	369	247	247	247	195	195	195	195
- negotiated contracts	1,375	1,152	1,296	1,006	1,032	1,189	1,002	1,171
- developer contracting	383	597	693	835	835	1,309	1,111	1,103
- of which sold	210	341	385	454	371	700	632	600
- of which unsold	173	256	308	381	464	609	479	503

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

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Accounting policies

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

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

Impacts of the coronavirus on SRV's financial reporting

SRV continuously assesses how the coronavirus epidemic is developing and its potential impacts on financial reporting.

As part of its previously announced recovery programme, the company carried out numerous measures, such as divestments of assets, refinancing and two share issues during the first part of the year.

SRV has made use of several stimulus measures introduced in response to the coronavirus epidemic. The most significant of these are payment arrangements for VAT and compulsory employer contributions. The company is updating its accounting principles to take these arrangements into consideration. Trade and other payables related to ordinary operations that involve the obligation to pay interest when payments are delayed or when payment arrangements have been instituted are classified as non-interest-bearing liabilities even after interest is incurred. At the end of the review period, other liabilities included EUR 47.4 million in tax liabilities for which the tax authorities had granted payment arrangements by the end of the period. In accordance with these payment arrangements, the company must repay the tax liabilities in even instalments such that they have been repaid in full in June 2022. Interest of 2.5 per cent is paid on the liabilities covered by the payment arrangement.

The potential risks arising from the coronavirus pandemic that, if realised, could impact the company's result, balance sheet and cash flows are described below. Other potential coronavirus-related risks to SRV's business have been described in the section of the Financial Statement release titled 'Risks, risk management and corporate governance'.

Potential financial risks associated with the coronavirus pandemic

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

The pandemic and its associated restrictions are affecting both the company's subcontractors and employees. Impacts on subcontractors may lead to a rise in material prices and increased problems and disruptions in material delivery logistics. Combined with sickness absences and restrictions on the movement of SRV personnel, they could lead to delays or the suspension of work on construction sites. This could in turn have a negative impact on the amount of revenue that can be recognised from projects and when it can be recognised, and also on project profit margins and the profitability of SRV's business.

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

The coronavirus-related restrictions placed on the business activities of shopping centre tenants, including any potential rent reductions for tenants have led and may lead in lower income from the shopping centres operated by SRV in Russia. They may have an impact on the value of loan receivables, either those from the associated companies that own the Russian shopping centres or those of SRV's holdings in associated companies. Lower-than-expected rental income could also affect the additional sale price that may potentially be obtained from the sale of the REDI Shopping Centre. The value of the additional sales price of the REDI shopping centre was decreased by EUR 13.0 million during the fourth quarter on the basis of an updated cash flow-based forecast.

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

Use of estimates

The preparation of the Financial Statements in accordance with IFRS requires Group management to make estimates and assumptions that affect both the values of assets and liabilities on the balance sheet date, and income and expenditure for the financial period. Judgements also have to be made in applying the accounting principles. As these estimates and assumptions are based on current perceptions of the situation on the balance sheet date, they involve risks and uncertainties. Actual results may therefore differ from the estimates and assumptions. The key accounting estimates and judgement-based solutions are presented in greater detail in the accounting principles of the consolidated financial statements for 2019.

This Financial statement has been prepared on a going concern basis, as SRV's management considers that there are no material uncertainties concerning the ability to continue as a going concern. In addition to the coronavirus-related risks detailed above, the future development of the Group's operations will be affected by factors such as its earnings trend, availability of financing for projects that tie up capital, sufficiency of liquidity, and the development of the situation in Russia and the rouble exchange rate. The Group's management has made estimates of the future revenues, operating margins, investments, financial position, the expected cash flows from investments and loan receivables of associated and joint ventures and working capital requirements of the companies.

SRV has estimated the impacts of the risks caused by the coronavirus epidemic on the Financial Statement income statement and balance sheet. In particular, the company has assessed whether there are indications of the impairment of assets or the need to update provisions or other accounting estimates.

On 31 December 2019, SRV's holding in the Pearl Plaza shopping centre was designated as an asset held for sale and measured at its probable selling price less costs of sale, as its sale during the next 12 months was considered likely. Negotiations on the sale of Pearl Plaza progressed well in early 2020, when it was considered highly likely that a deal would be made. The coronavirus pandemic slowed down the negotiations. The second wave of the pandemic was ultimately the major reason why the sales negotiations ended without reaching an agreement. Pearl Plaza was reclassified as a holding in associated companies and joint ventures during the fourth quarter when the sales negotiations ended without reaching an agreement. Due to this reclassification, an impairment recognised in 2019 was reversed, with a positive impact of about EUR 6.9 million on operating profit for 2020 and combined retrospectively its share of the joint venture result for the financial year 2020.

In addition, a write-down of about EUR 5.4 million for SRV's holding in Okhta Mall and a write-down of EUR 0.8 million for the Ratsumestarinkatu 6 commercial property in Porvoo were recognised in operative operating profit. The company also recognised EUR 0.5 million in income with a cash flow impact due to the final dissolution of the investment in the VTBC fund.

Share issues

In May, the company organised a directed share issue for the holders of the two outstanding hybrid bonds. In the issue, about EUR 75 million of the EUR 92 million principal of the hybrid bonds and the interest accrued on them were converted into shares. As a result of the implementation of the share issue, the total outstanding principal of the 2016 hybrid bonds is approximately EUR 11.8 million and the outstanding principal of the 2019 hybrid bonds is approximately EUR 3.6 million. The share issue increased the total number of SRV shares by 71,468,395 to 131,967,970. The new shares were entered in the Trade Register on 19 May 2020.

In June, the company organised a rights issue in which SRV received gross income of approximately EUR 50 million. Due to the share issue, SRV's number of shares rose by 131,049,371 from 131,967,970 to a total of 263,017,341 shares. The new shares were entered in the Trade Register on 18 June 2020. The capital loan of EUR 9 million drawn on 30 March was used for payment in accordance with its terms and conditions, and was converted into equity.

The company has recognised the EUR 124.8 million in proceeds from the share issues in the invested unrestricted equity fund, less EUR 3.4 million in share issue-related expenses and EUR 0.7 million in tax adjustments of expenses.

During the reviewing period the company has implemented financing arrangements of which further information can be found in Note 11 Changes in financial position to this Financial Statements release.

2) Consolidated income statement and statement of comprehensive income

Consolidated income statement EUR million	1-12/ 2020	1-12/ 2019	change MEUR	change %	10-12/ 2020	10-12/ 2019	change %
Revenue	975.5	1,060.9	-85.4	-8.1	292.5	403.8	-27.6
Other operating income	2.2	0.6	1.5	245.5	0.6	-0.3	
Change in inventories of finished goods and work in progress	-0.8	-79.8	79.0		-20.5	-103.0	
Use of materials and services [1)]	-868.2	-897.2	29.1	-3.2	-245.0	-282.5	-13.3
Employee benefit expenses	-69.4	-73.1	3.6	-5.0	-17.9	-19.4	-7.7
Share of profits of associated and joint venture companies	-13.6	2.8	-16.3		-1.9	-0.7	
Depreciation	-7.4	-8.7	1.3	-15.1	-1.8	-2.1	-15.5
Impairments	-11.5	-81.3	69.9		-11.5	-78.4	
Other operating expenses [1)]	-10.9	-13.4	2.5	-19.0	-2.4	-3.7	-36.1
Income and expenses on currency derivatives [2)]	5.5	-3.8	9.4		-0.2	-0.5	
Operating profit	1.5	-93.0	94.5		-8.0	-86.8	
Financial income	3.7	8.4	-4.7	-56.0	0.5	1.2	-61.3
Financial expenses	-33.1	-37.7	4.6	-12.2	-6.9	-11.5	-39.9
Financial income and expenses, total	-29.4	-29.3	-0.1	0.4	-6.5	-10.4	-37.5
Profit before taxes	-28.0	-122.4	94.4		-14.5	-97.2	
Income taxes	2.9	18.7	-15.9		4.0	13.8	
Net profit for the period	-25.1	-103.6	78.5		-10.6	-83.4	
Attributable to							
Equity holders of the parent company	-22.8	-104.4			-10.6	-83.3	
Non-Controlling interests	-2.3	0.7			0.0	-0.1	
Earnings per share attributable to equity holders of the parent company	-0.15	-1.52			-0.05	-1.18	
Earnings per share attributable to equity holders of the parent company (diluted)	-0.15	-1.52			-0.05	-1.18	

[1)] The company has clarified the presentation between the lines

[2)] The company has separated income and expenses on currency derivatives on its own row from 1.1.2020 and restated the presentation for the year 2019.

Statement of comprehensive income EUR million	1-12/ 2020	1-12/ 2019	10-12/ 2020	10-12/ 2019
Net profit for the period	-25.1	-103.6	-10.6	-83.4
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Income tax relaed to components of other comprehensive income	0.0	0.0	0.0	0.0
Gains and losses arising from translating the financial statements of a foreign operation	-3.3	2.4	0.1	0.3
Share of other comprehensive income of associated and joint ventures companies	-15.1	9.1	-1.2	0.9
Other comprehensive income for the period, net of tax	-18.3	11.5	-1.2	1.2
The share of comprehensive income attributable to equity holders of the parent company	-18.6	11.5	-1.2	1.2
Non-controlling interests in comprehensive income	0.2	0.0	0.0	0.0
Total comprehensive income for the period	-43.4	-92.1	-11.8	-82.2
Attributable to				
Equity holders of the parent company	-41.4	-92.9	-11.9	-82.1
Non-Controlling interests	-2.1	0.8	0.1	-0.1

3) Consolidated balance sheet

Consolidated balance sheet EUR million	31.12.20	31.12.19	change,%
ASSETS			
Non-current assets			
Property, plant and equipment	3.8	5.5	-31.2
Property, plant and equipment, right -of-use asset [1)]	10.7	12.0	-10.9
Goodwill	1.7	1.7	0.0
Other intangible assets	1.2	1.5	-19.8
Shares in associated companies and joint ventures	48.1	59.5	-19.1
Other financial assets	22.2	11.9	87.4
Receivables	9.4	15.9	-40.8
Loan receivables from associated companies and joint ventures	44.3	44.0	0.6
Deferred tax assets	41.6	36.4	14.3
Non-current assets, total	183.0	188.3	-2.8
Current assets			
Inventories	355.3	376.1	-5.5
Inventories, right -of-use asset [1)]	118.8	132.9	-10.6
Trade and other receivables	143.5	118.7	20.9
Loan receivables from associated companies and joint ventures	1.6	0.1	
Current tax receivables (based on profit for the review period)	0.0	0.2	-97.1
Cash and cash equivalents	96.7	27.7	248.9
Assets classified as held for sale	0.0	69.3	-100.0
Current assets, total	715.9	725.0	-1.3
ASSETS, TOTAL	898.9	913.3	-1.6

Consolidated balance sheet EUR million	31.12.20	31.12.19	change,%
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	3.1	3.1	0.0
Invested free equity fund	264.7	142.5	85.7
Translation differences	-20.0	-1.4	
Fair value reserve	0.0	0.0	
Hybrid bond	15.4	82.9	-81.5
Retained earnings	-78.2	-49.5	
Equity attributable to equity holders of the parent company, total	185.0	177.6	4.1
Non-controlling interests	-4.0	-2.0	
Total equity	181.0	175.6	3.1
Non-current liabilities			
Deferred tax liabilities	2.4	2.4	-3.6
Provisions	12.4	10.9	13.5
Interest-bearing liabilities excl. lease liabilities	234.9	276.5	-15.0
Interest-bearing lease liabilities [1)]	133.6	147.7	-9.5
Other liabilities	20.8	20.9	-0.2
Non-current liabilities, total	404.0	458.3	-11.9
Current liabilities			
Trade and other payables	284.5	244.3	16.4
Current tax payables (based on profit for the review period)	0.7	0.7	6.7
Provisions	11.4	8.8	29.5
Interest-bearing liabilities excl. lease liabilities	14.8	23.2	-36.1
Interest-bearing lease liabilities [1)]	2.6	2.5	4.6
Current liabilities, total	314.0	279.4	12.4
Liabilities, total	718.0	737.7	-2.7
EQUITY AND LIABILITIES, total	898.9	913.3	-1.6

[1)] Items related to IFRS 16 standard

4) Consolidated cash flow statement EUR million	1-12/ 2020	1-12/ 2019
Cash flows from operating activities		
Cash receipts from customers	953.6	1,061.8
Cash receipts from other operating income	3.3	0.6
Cash paid to suppliers and employees	-888.7	-1,043.6
Net cash before interests and taxes	68.2	18.8
Interests received and other financial income	7.6	0.3
Interests paid and other expenses from financial costs	-29.6	-29.3
Income taxes paid or received	0.0	-0.5
Cash flows from operating activities	46.3	-10.7
Cash flow from investing activities		
Purchase of tangible and intangible assets	-0.8	-2.0
Sale of tangible and intangible assets	0.8	0.0
Purchase of investments	-4.6	0.0
Proceeds from sale of investments	11.0	5.5
Investments in associated companies and joint ventures	-7.4	-16.0
Associated companies and joint ventures sold	28.0	1.0
Increase in loan receivable from associated companies and joint ventures	-2.7	-6.0
Decrease in loan receivable from associated companies and joint ventures	2.5	26.5
Loans granted	-0.2	-15.7
Proceeds from repayments of loans	0.0	0.7
Net cash used in investing activities	26.6	-5.9
Cash flows from operating and investing activities in total	73.0	-16.7
Cash flow from financing activities		
Net cash from share issue	40.8	0.0
Share issue costs	-3.4	0.0
Proceeds from loans	9.0	65.0
Repayment of loans	-17.4	-41.7
Proceeds from Hybrid bond	0.0	58.4
Repayment of hybrid bond	0.0	-20.5
Hybrid bond costs	0.0	-1.1
Hybrid bond intrests	-0.4	-4.2
Change in housing corporation loans	-9.7	-27.8
Net change in short-term loans	-18.5	-73.3
Dividends paid	-0.1	0.0
Repayment of lease liabilities	-2.6	-3.9
Net cash flow from financing activities	-2.2	-49.2
Net change in cash and cash equivalents	70.7	-65.9
Cash and cash equivalents at the beginning of period	27.7	93.1
Effect of exchange rate changes in cash and cash equivalents	-1.7	0.6
Cash and cash equivalents at the end of period	96.7	27.7

5) Statement of changes in Group equity

1 January- 31 December 2020 (EUR million)	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
Equity 1 January 2020	3.1	142.5	82.9	-1.4	0.0	-49.5	177.6	-2.0	175.6
Net profit for the financial year	0.0	0.0	0.0	0.0	0.0	-22.8	-22.8	-2.3	-25.1
Other comprehensive income items (with the tax effect)									
Other comprehensive income total	0.0	0.0	0.0	-18.6	0.0	0.0	-18.6	0.2	-18.3
Comprehensive income for the financial year	0.0	0.0	0.0	-18.6	0.0	-22.8	-41.4	-2.1	-43.4
Share-based incentive plan	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.0	0.5
Right issue	0.0	49.8	0.0	0.0	0.0	0.0	49.8	0.0	49.8
Hybrid bond conversion, 2016	0.0	14.0	-12.7	0.0	0.0	-1.1	0.3	0.0	0.3
Hybrid bond conversion, 2019	0.0	61.0	-54.8	0.0	0.0	-4.9	1.2	0.0	1.2
Cost related to share issues excl. taxes	0.0	-2.7	0.0	0.0	0.0	0.0	-2.7	0.0	-2.7
Hybrid bond interests	0.0	0.0	0.0	0.0	0.0	-0.3	-0.3	0.0	-0.3
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Equity on 31 December 2020	3.1	264.7	15.4	-20.0	0.0	-78.2	185.0	-4.0	181.0

1 January- 31 December 2019 (EUR million)	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
Equity 1 January 2019	3.1	142.5	45.0	-12.9	0.0	58.7	236.4	-2.8	233.6
Net profit for the financial year	0.0	0.0	0.0	0.0	0.0	-104.4	-104.4	0.7	-103.6
Other comprehensive income items (with the tax effect)									
Other comprehensive income total	0.0	0.0	0.0	11.5	0.0	0.0	11.5	0.0	11.5
Comprehensive income for the financial year	0.0	0.0	0.0	11.5	0.0	-104.4	-92.9	0.8	-92.1
Share-based incentive plan	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1
Hybrid bond, 2016	0.0	0.0	-20.5	0.0	0.0	-3.4	-23.9	0.0	-23.9
Hybrid bond, 2019	0.0	0.0	58.4	0.0	0.0	-0.5	57.9	0.0	57.9
Equity on 31 December 2019	3.1	142.5	82.9	-1.4	0.0	-49.5	177.6	-2.0	175.6

6) Group commitments and contingent liabilities (EUR million)	31.12.20	31.12.19	change %
Collateral given for own liabilities			
Real estate mortgages given [1]	44.3	61.6	-28.2
Other commitments			
Investment commitments given	26.4	51.7	-48.9
Plots purchase commitments	33.4	47.3	-29.4

SRV Group Plc's Russian subsidiary, of which SRV Group Plc indirectly owns 51 per cent, is involved in legal proceedings in Russia. A court of first instance ruled that SRV's subsidiary must pay EUR 3.1 million in compensation to a counterparty. This sum was recognised in full as a provision for expenses in the second quarter. However, the court of second instance overturned the ruling of the court of first instance in August due to an appeal by the subsidiary, as a result of which this EUR 3.1 million provision was dissolved in the third-quarter result. The counterparty lodged an appeal against the decision with the court of third instance during the review period. The appeal proceedings are ongoing.

[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.

7) Financial assets and liabilities by measurement categories

2020 (EUR million)	Financial assets and liabilities at fair value through profit and loss	Financial assets and liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value
Non-current financial asset				
Long-term interest bearing receivables	0.0	8.9	8.9	8.9
Long-term receivables	0.5	0.0	0.5	0.5
Loan receivables from associated companies and joint ventures	0.0	44.3	44.3	44.3
Other financial assets	22.2	0.0	22.2	22.2
Current financial assets				
Accounts receivables	0.0	56.2	56.2	56.2
Other interest bearing receivables	0.0	15.8	15.8	15.8
Derivative instruments	0.0	0.0	0.0	0.0
Loan receivables from associated companies and joint ventures	0.0	1.6	1.6	1.6
Cash and cash equivalents	0.0	96.7	96.7	96.7
Total	22.7	223.5	246.3	246.3
Non-current financial liabilities				
Interest bearing liabilities	0.0	234.9	234.9	207.5
Derivative instruments	9.0	0.0	9.0	9.0
Other non-current liabilities	0.0	11.8	11.8	11.8
Current financial liabilities				
Interest bearing liabilities	0.0	14.8	14.8	14.8
Accounts payables	0.0	59.6	59.6	59.6
Total	9.0	321.1	330.1	302.7

2019 (EUR million)	Financial assets and liabilities at fair value through profit and loss	Financial assets and liabilities measured at amortised cost	Carrying amounts by balance sheet item	Fair value
Non-current financial asset				
Long-term interest bearing receivables	0.0	15.9	15.9	15.9
Loan receivables from associated companies and joint ventures	0.0	44.0	44.0	44.0
Other financial assets	11.9	0.0	11.9	11.9
Current financial assets				
Accounts receivables	0.0	46.9	46.9	46.9
Other interest bearing receivables	0.0	0.0	0.0	0.0
Derivative instruments	-0.4	0.0	-0.4	-0.4
Loan receivables from associated companies and joint ventures	0.0	0.1	0.1	0.1
Cash and cash equivalents	0.0	27.7	27.7	27.7
Total	11.5	134.6	146.1	146.1
Non-current financial liabilities				
Interest bearing liabilities	0.0	276.5	276.5	263.0
Derivative instruments	8.8	0.0	8.8	8.8
Other non-current liabilities	0.0	12.1	12.1	12.1
Current financial liabilities				
Interest bearing liabilities	0.0	23.2	23.2	23.2
Accounts payables	0.0	81.1	81.1	81.1
Total	8.8	392.8	401.6	388.1

Liability of derivative instruments (EUR million)	12/2020 Fair value		12/2019 Fair value	
	Posit.	Negat.	Posit.	Negat.
Hedge accounting not applied				
Currency options [1]	0.0	0.0	0.0	0.4
Interest rate swaps	0.0	9.0	0.0	8.8

[1] The currency options were short-term in maturity and have been exercised before the publication of the interim report.

	12/2020	12/2019
Nominal values of derivative instruments		
Currency option	10.0	50.0
Interest rate swaps	100.0	100.0

Fair value hierarchy of financial assets and liabilities

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

Derivative financial instruments at fair value through profit or loss

(EUR million)	Level 1	Level 2	Level 3	Total
31.12.2020				
Derivative financial assets	0.0	0.0	0.0	0.0
Derivative financial liabilities	0.0	9.0	0.0	9.0
31.12.2019				
Derivative financial assets	0.0	0.0	0.0	0.0
Derivative financial liabilities	0.0	9.2	0.0	9.2

Other financial assets at fair value through profit or loss

(EUR million)	31.12.20	31.12.19
Other financial assets	11.9	18.3
Inreases	10.6	0.1
Reclassification of assets as classified held for sale	13.5	-
Changes in fair values	-13.0	-
Decreases	-0.3	-6.5
Total	22.7	11.9
Non-current	22.7	11.9
Current	-	-

Other financial assets at fair value through profit or loss

(EUR million)	Level 1	Level 2	Level 3	Total
31.12.2020				
Unlisted shares	-	0.6	21.6	22.2
Long-term receivables	-	-	0.5	0.5
31.12.2019				
Unlisted shares	-	0.6	11.3	11.9

Level 1 instruments are traded in active markets and their fair values are directly based on the market price
The fair values of level 2 instruments are derived from market data.
The fair values of level 3 instruments are not based on observable market data, but may also be based quatations provided by brokers, external market valuation reports or cash flow-based forecast. Valuation may also be based on acquisition cost if this the best estimate of fair value.

Unlisted shares and investments consist mainly of shares purchased for leisure facilities used by SRV's employees (level 2) as well as shares in Voimaosakeyhtiö SF and investments in and related to real estate funds and projects (level 3). Assets recognised in level 3 consist mainly of SRV Voima's investment in Voimaosakeyhtiö SF (12 2020 EUR 10.7 million) and in Tampere Central Deck and Arena (12 2020 EUR 8.8 million), in addition to which they include investments in and related to real estate funds and projects. Level 3 also includes REDI shopping centre the additional sales price receivable. The company sold its holding of about 40 per cent in the REDI shopping centre in February 2020 and recorded a EUR 13.5 million sales price receivable related to the possible additional future sales price of EUR 50 million agreed in connection with the transaction. Due to the updated cash flow-based forecast for the REDI shopping centre, SRV has booked a change in the value of the additional sales price receivable, which has a negative impact of about EUR 13 million on operating profit for 2020.

8) Breakdown of revenue

Revenue (EUR million)	1-12/ 2020	1-12/ 2019	change MEUR	change, %	10-12/ 2020	10-12/ 2019
Revenue recognition at a point in time	107.2	214.6	-107.4	-50.0	53.2	139.9
Revenue recognition over time	854.6	835.9	18.7	2.2	234.4	259.1
Other revenue	13.7	10.5	3.2	31.0	4.9	4.7
Total	975.5	1,060.9	-85.4	-8.1	292.5	403.8

9) Group and Segment Information

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

Revenue EUR million	1-12/ 2020	1-12/ 2019	change MEUR	change, %	10-12/ 2020	10-12/ 2019
Revenue recognition at a point in time	107.2	214.6	-107.4	-50.0	53.2	139.9
Construction	107.2	214.6	-107.4	-50.0	53.2	139.9
Investments	0.0	0.0	0.0		0.0	0.0
Revenue recognition over time	854.6	835.9	18.7	2.2	234.4	259.1
Construction	851.5	831.9	19.6	2.4	233.9	258.0
Investments	3.1	4.0	-0.8	-21.2	0.5	1.2
Other revenue	13.7	10.5	3.2	31.0	4.9	4.7
Construction	11.3	11.2	0.2	1.4	4.8	5.2
Investments	1.6	1.9	-0.2	-12.7	0.1	0.5
Other operations and eliminations	0.7	-2.6	3.3		-0.1	-0.9
Group, total	975.5	1,060.9	-85.4	-8.1	292.5	403.8
Construction revenue	970.0	1057.7	-87.7	-8.3	292.0	403.1
Construction, external	969.3	1056.6	-87.3	-8.3	291.9	403.0
Construction, internal	0.7	1.0	-0.3	-31.4	0.1	0.1
Investments revenue	4.8	5.9	-1.1	-18.5	0.9	1.7
Investments, external	4.7	5.7	-1.0	-16.9	0.9	1.6
Investments, internal	0.1	0.2	-0.1	-66.1	0.0	0.1
Other operations and eliminations revenue	0.7	-2.6	3.3		-0.3	-0.9
Other operations and eliminations, external	1.5	-1.4	2.9		-0.2	-0.8
Other operations and eliminations, internal	-0.8	-1.2	0.4		-0.1	-0.2
Total	975.5	1060.9	-85.4	0.0	292.5	403.8

Operation profit EUR million	1-12/ 2020	1-12/ 2019	change MEUR	change, %	10-12/ 2020	10-12/ 2019
Construction	27.4	7.0	20.3		8.7	3.6
Investments	-22.4	-92.5	70.1		-15.4	-87.5
Other operations and eliminations	-3.5	-7.6	4.0		-1.3	-2.9
Group, total	1.5	-93.0	94.5		-8.0	-86.8

Operating profit, %	1-12/ 2020	1-12/ 2019	10-12/ 2020	10-12/ 2019
Construction	2.8	0.7	3.0	0.9
Investments	-	-	-	-
Group, total	0.2	-8.8	-2.8	-21.5

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Assets EUR million	31.12.2020	31.12.2019	change MEUR	change, %
Construction	687.9	622.2	65.7	10.6
Investments	178.6	252.2	-73.6	-29.2
Other operations and eliminations	32.4	38.9	-6.5	
Group, total	898.9	913.3	-14.4	-1.6

Non-interest-bearing liabilities EUR million	31.12.2020	31.12.2019	change MEUR	change, %
Construction	301.2	249.3	51.8	20.8
Investments	6.7	6.5	0.3	4.0
Other operations and eliminations	24.3	32.2	-7.9	-24.6
Group, total	332.2	288.0	44.2	15.3

Capital Employed EUR million	31.12.2020	31.12.2019	change MEUR	change, %
Construction	386.8	372.9	13.9	3.7
Investments	171.9	245.7	-73.9	-30.1
Other operations and eliminations	8.1	6.7	1.4	
Group, total	566.8	625.3	-58.6	-9.4

Return on investment EUR million	31.12.2020	31.12.2019	change MEUR	change, %
Construction	29.0	8.9	20.2	227.9
Investments	-29.9	-95.1	65.2	
Group	-4.7	-94.0	89.3	

Return on investment %	31.12.2020	31.12.2019
Construction	7.6	3.0
Investment	-14.3	-32.6
Group	-0.8	-15.2

10) Inventories EUR million	31.12.2020	31.12.2019	change MEUR
Land areas and plot-owning companies	145.9	147.1	-1.2
Construction	92.2	86.1	6.1
Investments	53.7	61.0	-7.3
Work in progress	180.6	190.2	-9.6
Construction	180.9	190.7	-9.8
Shares in completed housing corporations and real estate companies	24.8	33.8	-9.0
Construction	22.1	30.5	-8.4
Investments	2.7	3.3	-0.6
Other inventories	122.8	138.0	-15.2
Construction	4.0	5.1	-1.1
Investments	0.0	0.0	0.0
Right -of-use asset, total [1)]	118.8	132.9	-14.2
Inventories, total	474.0	509.0	-35.0
Construction	299.2	312.5	-13.3
Investments	56.3	64.3	-7.9
Right -of-use asset, total [1)]	118.8	132.9	-14.2

[1)] Items related to IFRS 16 standard

11) Changes in financial position

Financial liabilities, excluding lease liabilities

2020

EUR million	Carrying amount	Contractual liability [1]	Maturity 2021	2022	2023	2024	later
Bonds	135.6	156.8	7.9	69.0	79.9	0.0	0.0
Loans from financial institutions	56.7	60.1	17.3	42.9	0.0	0.0	0.0
Housing loans[2]	40.7	48.5	0.6	0.6	1.1	2.2	44.0
Commercial Papers	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	16.7	16.7	0.0	0.0	0.0	0.0	16.7
Other liabilities non- interest bearing	11.8	11.8	0.0	2.6	5.4	0.0	3.9
Derivative liabilities	9.0	8.6	1.8	1.8	1.8	1.8	1.5
Accounts payables	59.6	59.6	59.6	0.0	0.0	0.0	0.0
Total	330.1	362.2	87.2	116.8	88.2	3.9	66.1

Financial liabilities, lease liabilities

2020

EUR million	Carrying amount	Contractual liability	Maturity 2021	2022	2023	2024	later
Lease liabilities	136.2	341.1	9.4	9.1	8.5	8.5	305.6

Financial liabilities, excluding lease liabilities

2019

EUR million	Carrying amount	Contractual liability [1]	Maturity 2020	2021	2022	2023	later
Bonds	136.5	156.6	7.9	70.0	78.7	0.0	0.0
Loans from financial institutions	74.0	77.8	7.1	68.7	2.0	0.0	0.0
Housing loans[2]	50.4	59.8	0.9	3.9	1.1	1.9	52.1
Commercial Papers	18.5	18.5	18.5	0.0	0.0	0.0	0.0
Other liabilities	20.2	20.2	0.1	0.0	0.0	0.0	20.2
Other liabilities non- interest bearing	12.1	12.1	0.0	2.6	0.0	5.4	4.1
Derivative liabilities	9.2	9.2	2.1	1.7	1.6	1.5	2.4
Accounts payables	81.1	81.1	81.1	0.0	0.0	0.0	0.0
Total	402.0	435.3	117.7	146.8	83.3	8.7	78.8

Financial liabilities, lease liabilities

2019

EUR million	Carrying amount	Contractual liability	Maturity 2020	2021	2022	2023	later
Lease liabilities	150.1	380.8	10.1	10.2	9.3	9.3	342.1

[1] Includes all contractual payments, e.g. interest and commitment fees.

[2] At the time of handing over the apartment, the responsibility for repaying the principal and interest on the housing loans passes to the buyer of the apartment. Irrespective of whether the apartment is unfinished or completed, but not handed over to the buyer, SRV's debt capital and interest are presented in full up to the maturity of the loan. Only when control of the apartment is transferred will interest and principal be removed from the table.

In February 2020, the company agreed on the replacement of its EUR 100 million revolving credit facility with the bank syndicate; the facility was replaced with two separate revolving credit facilities, one of EUR 60 million and one of EUR 40 million. At the end of June, the company made an agreement with the bank syndicate whereby the undrawn portion, amounting to EUR 9 million, of the EUR 60 million credit facility will be terminated. The remaining amount of the facility is EUR 51 million, which was fully drawn as of 31.12.2020. According to the repayment plan updated in April, EUR 11 million of the remaining EUR 51 million credit facility will be repaid in December 2021 and EUR 40 million in January 2022. EUR 40 million credit facility will be used to finance future construction projects and its maturity date is January 2022 or another repayment period agreed for the separate construction projects. At the end of December 2020, EUR 30.5 million of the EUR 40 million credit facility limit was unused.

As part of its recovery programme, the company implemented many measures in April-June to improve its balance sheet position, financeability and liquidity. In April-June, the company agreed on the abovementioned changes to the payment schedule with the syndicate banks and agreed to halve the minimum operating margin levels contained in its revolving credit facility agreements, as a precautionary measure against potentially weakened profit margins resulting from the coronavirus.

In May, the company organised a directed share issue for the holders of the two outstanding hybrid bonds. In the issue, about EUR 75 million of the EUR 92 million principal and accrued interest of the hybrid bonds was converted into shares. As a result of the implementation of the share issue, the total outstanding principal of the 2016 hybrid bonds is approximately EUR 11.8 million and the outstanding principal of the 2019 hybrid bonds is approximately EUR 3.6 million.
At the end of May, SRV carried out written procedures to extend the one-year tenor of its EUR 100 million (of which EUR 62.1 million is outstanding) senior unsecured callable fixed-rate notes due 23 March 2021 and the one-and-a-half-year tenor of its EUR 75 million senior unsecured callable fixed-rate notes due 27 March 2022 as well as to amend certain terms and conditions of these notes. The new due dates are 23 March 2022 for the EUR 100 million senior unsecured callable fixed-rate notes (whose outstanding principal amounts to EUR 62.1 million) and 27 September 2023 for the EUR 75 million senior unsecured callable fixed-rate notes.

In June 2020, the company organised a rights issue in which SRV received gross income of approximately EUR 50 million. Due to the share issue, SRV's number of shares rose by 131,049,371 from 131,967,970 to a total of 263,017,341 shares. The new shares were entered in the Trade Register on 18 June 2020. The capital loan of EUR 9 million drawn on 30 March was used for payment in accordance with its terms and conditions, and was converted into equity.

Covenants

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

The table below presents the covenants and covenant levels of the RCF in place at 31.12.2020:

Financial covenants of the RCF		Covenant value
Equity ratio (overtime revenue recognition)		>28 per cent
Net gearing (excluding IFRS 16 impact)		≤140 per cent
Minimum cash		>EUR 10 million at the period end, >EUR 5 million on other occasions
Minimum EBITDA (excluding the share of associated company results and before transaction costs and impairments)		Varies between EUR 2.5 million to EUR 10 million depending on the testing date

The financial covenants of SRV's EUR 100.0 million unsecured bond due 23 March 2022 with an outstanding principal of EUR 62.1 million and a fixed annual interest rate of 6.875 per cent, as well as the EUR 75 million unsecured bond maturing on 27 September 2023 with a fixed annual interest rate of 4.875 per cent are cross acceleration , negative pledge, restriction on mergers, restriction on asset disposal, equity ratio >26 adjusted and calculated in accordance with bond terms and interest coverage ratio. All covenant levels were met as at 31 December 2020.

12) Currency Risks

SRV is exposed to changes in the exchange rate of the rouble through its Russian subsidiaries, associated companies and joint ventures. Currency risks are divided into transaction risk and translation risk. Transaction risk relates to foreign currency-denominated business (sales and purchases) and financing (loans) cash flows. Translation risk relates to investments in foreign subsidiaries, associated companies and project companies in which the functional currency is not the euro, and whose imputed effects are reflected in translation differences in the Group's consolidated equity.

Ruble exchange risk position

EUR million	31.12.2020	31.12.2019
Translation risk position		
Group Companies equity	13.5	25.6
Joint ventures and associated companies equity	54.8	81.7
Total	68.4	107.3
Transcation risk position		
Group Companies euro loan receivable/debt	19.5	22.5
Joint ventures and associated companies euro loan receivables/debt	39.4	57.7
Total	58.9	80.2
Ruble exchange risk position total	127.2	187.5
Short-term foreign exchange option- and forward contracts capital	10.0	50.0

13) Related party transactions

EUR million 31.12.20	Salaries and compensation	Sale of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities	Financial transactions [1)]
Management and the Board of Directors	3.2	0.0	0.0	0.0	0.0	0.0	3.2
Joint ventures	0.0	7.0	0.0	0.0	2.5	0.0	0.0
Associated companies	0.0	14.8	0.0	2.5	54.6	0.0	0.0
Other related parties	0.0	0.0	0.0	0.0	0.0	0.0	42.1
Total	3.2	21.8	0.0	2.5	57.1	0.0	45.3

1) These financial transactions concern share issues involving the participation of related parties with their converted hybrid bonds and subscription rights.

31.12.19	Salaries and compensation	Sale of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities
Management and the Board of Directors	2.4	0.0	0.0	0.0	0.0	0.0
Joint ventures	0.0	66.8	0.0	0.5	9.8	0.0
Associated companies	0.0	3.9	0.0	2.5	56.0	0.0
Other related parties	0.0	0.0	0.0	0.0	0.0	0.0
Total	2.4	70.7	0.0	3.0	65.8	0.0

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

EUR million	31.12.2020	31.12.2019
Shares in associated companies and joint ventures		
REDI shopping centre and Parking	-	22.0
Pearl Plaza shopping centre	-	25.3
Tampereen Central Deck and Arena Investments	-	19.5
Loan and financial receivables, REDI Parking	-	2.5
Group, total	-	69.3

The holdings and loan receivables of the REDI and Tampereen Central Deck and Arena projects classified as held for sale in 2019 were sold at their balance sheet value during the reporting period. On 31 December 2019, SRV's holding in the Pearl Plaza shopping centre was designated as an asset held for sale and measured at its probable selling price less costs of sale, as its sale during the next 12 months was considered likely. Negotiations on the sale of Pearl Plaza progressed well in early 2020, when it was considered highly likely that a deal would be made. The coronavirus pandemic slowed down the negotiations. The second wave of the pandemic was ultimately the major reason why the sales negotiations ended without reaching an agreement. The property was reclassified as a holding in associated companies and joint ventures. Due to this reclassification, an impairment recognised in 2019 was reversed, with a positive impact of about EUR 6.9 million on operating profit for 2020 and combined retrospectively its share of the joint venture result for the financial year 2020.