SRV GROUP PLC`S INTERIM REPORT 1.1.–31.3.2017

Year-on-year revenue grew, operating profit improved slightly

January–March 2017 in brief:

- Revenue increased to EUR 223.7 (143.8 1–3/2016) million. Revenue growth was seen in Operations in Finland and business and housing construction in particular.
- Operating profit rose to EUR 7.3 (0.0) million. Revenue growth in Operations in Finland had a favourable impact on operating profit. More developer-contracted housing was also recognised as income than during the comparison period. Higher profits from Russian associated companies likewise had a positive effect on operating profit. Operating profit from International Operations totalled EUR 3.2 (-1.1) million. The rouble exchange rate improved operating profit by EUR 5.4 million.
- The result before taxes was EUR 7.3 (-5.5) million. The result for the comparison period was weakened by a EUR -4.3 million fair value revaluation of a ten-year interest rate hedge.
- Earnings per share were EUR 0.09 (-0.11).
- At period-end, the order backlog stood at EUR 1,722.0 (1,572.1) million. A large proportion of the order backlog for January–March consisted of housing construction, as construction of the first of REDI’s residential towers, Majakka, got underway.
- SRV’s equity ratio was 36.4 (36.7) and gearing was 103.4 (87.5) per cent.

Outlook for 2017

- Full-year consolidated revenue for 2017 is expected to increase and operating profit to improve on 2016 (revenue EUR 884 million and operating profit EUR 27.7 million). However, our strategic target for profitability will only be reached towards the end of the strategic period, in 2019–2020.
- Although developer-contracted housing will be completed on a steadier schedule than in 2016, a significant part of operating profit will still be made in the second half of the year. Based on current schedules, SRV estimates that a total of 816 developer-contracted housing units will be completed during 2017.
- The operating currency of all of SRV’s subsidiaries and associated companies in Russia was changed to the rouble during 2016. This accounting change will make SRV more susceptible to fluctuations in the rouble exchange rate, which may impact full-year operating profit.

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

CEO's review

“Early 2017 has been successful in many ways. Trends in operating profit are heading in the right direction, and our order backlog also remained at an excellent level. Urbanisation and population shift continue to maintain a brisk pace in construction, even though growth has slowed slightly compared to the most vigorous months of last year. At the same time, competition has become significantly tougher in both the plot and contracting markets. For SRV, profitability is – and will remain – the primary criterion when competing for new orders. Although no significant new orders were received during early 2017, we have several large-scale projects under preparation. If these projects are realised, the revenue will be recognised both this and next year.

Our revenue grew significantly last year thanks to numerous ongoing projects. Our project portfolio currently consists of an increasingly significant number of housing projects, including some of the tallest buildings in Helsinki, Espoo and Oulu. Our major projects in urban growth centres and, for instance, several hospital projects can also be seen in the cityscape. Housing projects currently account for about 24 per cent of our revenue, and we decided to launch the construction of almost 300 new homes in early 2017. Although we are also implementing excellent housing projects in other regions, 63 per cent of our housing projects are in the Helsinki metropolitan area. Thanks to the almost 3,000 housing units that we currently have under construction, we are keeping a tight hold on our position as one of the largest housing construction companies in the Helsinki metropolitan area. In its own way, early 2017 was an historic period for housing sales, as sales of apartments in the first of REDI's residential towers, Majakka, got up to speed. The launch of advance marketing about a year ago caused quite a stampede, and this interest was by no means short-lived. There is obviously genuine demand for REDI's style of living, as out of Majakka's 282 apartments less than 10 apartments are still available, and sales are currently being made at an excellent clip.

As announced in previous reviews, we believe that SRV's revenue will continue to grow throughout the year and that in the last months of 2017 we will definitely be close to breaking the billion euro mark for the first time in our history. In spite of strong growth, our primary strategic goal is still to improve profitability, and hard work to this effect will continue throughout the strategy period until the year 2020. We have already been able to improve profitability in several areas, but there is still a great deal of work to do. I believe that our ongoing measures aimed at improving profitability will bear fruit.

The most pleasing news from Russia is the trend in visitor and sales figures in our shopping centres. The number of tenants in the Okhta Mall is growing steadily, as are visitor numbers, but the most satisfying development has occurred at Pearl Plaza, which opened back in 2013. In the first quarter alone, visitor numbers at Pearl Plaza have increased by 18 per cent on the comparison period, while sales figures have risen even more – up by no less than 59 per cent in terms of euros. This positive trend not only shows that Russian consumption is still focused on the domestic market, but also that Pearl Plaza has been able to do the right things in terms of both operation and marketing. These successes create an excellent foundation for shopping centre operations in our other locations in Russia and, in the future, also at REDI.

Juha Pekka Ojala, President and CEO

Overall review

Group key figures (IFRS, EUR million)	**1–3/ 2017**	**1–3/ 2016**	**change**	**change, %**	**1-12/ 2016**
Revenue	**223.7**	143.8	79.9	55.5	884.1
Operating profit	**7.3**	0.0	7.3		27.7
Financial income and expenses, total*)	**0.0**	-5.6	5.6		-11.3
Profit before taxes	**7.3**	-5.5	12.8		16.4
Order backlog	**1,722.0**	1,572.1	149.9	9.5	1,758.5
New agreements	**155.4**	126.5	28.9	22.9	1,013.1
Operating profit, %	**3.3**	0.0			3.1
Net profit	**6.5**	-4.7	11.1		14.4
Net profit, %	**2.9**	-3.3			1.6
*) - of which derivative expenses fair value revaluation	**0.7**	-4.3	5.0		-4.7

January–March 2017:

The consolidated order backlog stood at EUR 1,722.0 (1,572.1) million. Housing construction in particular contributed to this growth with the start-up of Majakka, the first of REDI's residential towers.

The Group's revenue rose by 55.5 per cent to EUR 223.7 (143.8) million. Particularly good growth was seen in business and housing construction in Operations in Finland. Major business premises projects agreed on in 2016 have entered the construction phase and are now generating revenue. The recognition of income from 76 (26) developer-contracted housing units also contributed to revenue growth.

The Group's operating profit rose to EUR 7.3 (0.0) million. More developer-contracted housing was recognised as income than during the comparison period, and this improved operating profit. Likewise, revenue was higher than in the comparison period and SRV's Russian associated companies generated higher profits. Operating profit was weakened by a rise in costs in certain ongoing construction projects. Operating profit from International Operations totalled EUR 3.2 (-1.1) million. The operating profit of International Operations received a particular boost from the strengthening rouble exchange rate (EUR 5.4 million).

The Group's profit before taxes totalled EUR 7.3 (-5.5) million. Net financial expenses were reduced by the fair value revaluation of a ten-year interest rate hedge, from EUR -4.3 million in 1-3/2016 to EUR 0.7 million in the first quarter of 2017.

The Group's earnings per share were EUR 0.09 (EUR -0.11). The earnings per share for the comparison period were impacted by the non-recurring cost of repaying the hybrid bond.

Variation in SRV's operating profit and operating profit margin is affected by several factors. SRV's developer-contracted projects are recognised as income upon delivery; projects recognised as income based on the level of completion mainly consist of lower-margin contracting; and the nature of the company's operations (project development).

The Group's equity ratio stood at 36.4 (36.7) per cent and gearing at 103.4 (87.5) per cent.

Group key figures (IFRS, EUR million)	**1-3/ 2017**	1-3/ 2016	change	change, %	1-12/ 2016
Equity ratio, %	**36.4**	36.7			38.3
Net interest-bearing debt	**311.0**	247.2	63.8	25.8	246.3
Gearing ratio, %	**103.4**	87.5			83.4
Return on investment, %	**6.5**	0.5			6.1
Return on equity, %	**8.8**	-6.8			5.0
Earnings per share, EUR *)	**0.09**	-0.11	0.20		0.15
Equity per share, EUR *)	**4.32**	3.71	0.61	16.4	4.25
Share price at end of period, EUR	**4.40**	3.53	0.87	24.6	5.43
Weighted average number of shares outstanding, millions	**59.5**	59.3			59.3

Earnings trends for the segments

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

The Other Operations segment primarily consists of the parent company, SRV Group Plc's group operations, property and project development operations in Finland, and equipment service for Finnish construction sites.

Revenue (EUR million)	**1-3/ 2017**	1-3/ 2016	change	change, %	1-12/ 2016
Operations in Finland	**219.3**	131.5	87.8	66.8	832.2
International Operations	**4.4**	12.4	-7.9	-64.1	52.4
Other operations	**4.4**	4.0	0.5	11.9	15.9
Eliminations	**-4.5**	-4.0	-0.4		-16.3
Group, total	**223.7**	143.8	79.9	55.5	884.1

Operating profit (EUR million)	**1-3/ 2017**	1-3/ 2016	change	change, %	1-12/ 2016
Operations in Finland	**5.0**	2.2	2.8	123.2	38.3
International Operations	**3.2**	-1.1	4.2		-4.2
Other operations	**-0.8**	-1.1	0.3		-6.4
Eliminations	**0.0**	0.0	0.0		0.0
Group, total	**7.3**	0.0	7.3		27.7

Operating profit (%)	**1-3/ 2017**	1-3/ 2016	1-12/ 2016
Operations in Finland	**2.3**	1.7	4.6
International Operations	**71.3**	-8.6	-7.9
Group, total	**3.3**	0.0	3.1

Order backlog (EUR million)	**3/2017**	3/2016	change, %	12/2016
Operations in Finland	**1,691.3**	1,511.7	11.9	1,726.1
International Operations	**30.6**	60.3	-49.2	32.4
Group, total	**1,722.0**	1,572.1	9.5	1,758.5
- sold order backlog	1,437	1,269	13.3	1,482
- unsold order backlog	285	303	-6.1	276

Operations in Finland

Business environment in Finland

Although the European economy is continuing its slow recovery, significant financial and political uncertainty factors in several countries, both inside the Euro zone and elsewhere, are increasing risks in development. The slight pick-up in the Finnish economy is also continuing. GDP is expected to grow by 1–2 per cent in 2017.

Exceptionally high growth of almost seven per cent was seen in construction in 2016, and new construction was brisk in all sectors. The Confederation of Finnish Construction Industries forecasts that growth will slow to 2–3 per cent this year. (Source: Business cycle review by the Confederation of Finnish Construction Industries RT)

Urbanisation and population shift will continue to be the main drivers of construction and will maintain the need for both housing and business construction in growth centres, which are SRV's strategic focal points. According to VTT's forecast, urbanisation will continue, as Finland's urbanisation ratio is clearly lagging behind other industrialised nations, such as Sweden. The most optimistic forecasts estimate that about 620,000 people will move into urban areas by 2040. (Source: VTT, Demand for new dwelling production in Finland 2015–2040, 1/2016.)

Housing, business and infrastructure construction in Finland

In general, housing sales in growth centres have remained at a moderately good level thanks to population shift and investor sales. Housing production is still focusing on small apartments. Last year, construction was launched on a total of more than 37,000 housing units in Finland, which was significantly more than in the previous year. The Confederation of Finnish Construction Industries forecasts start-ups for about 35,000 housing units this year.

In business construction, the start-up volume (in terms of cubic metres) rose significantly in 2016 with the launch of several major projects, particularly in the public service construction sector. Public service construction start-ups are expected to remain at the same level this year, while a small pick-up will be seen in business and office construction. Industrial construction is not developing as well as expected. The growth rate in renovation is forecast to remain at last year's level of two per cent. Investments in civil engineering construction are forecast to increase by about two per cent this year, although growth is expected to slow again next year. (Source: Business cycle review by the Confederation of Finnish Construction Industries RT 3/2017.)

According to Statistics Finland, construction costs have risen on March 2016. The prices of equipment and supplies in particular have risen over the past 12 months. (Source: Statistics Finland, Building Cost Index.)

Housing construction

January–March 2017:

Revenue from housing construction in Finland totalled EUR 54.8 (24.6) million in the January–March period. The recognition of income from 76 (26) developer-contracted housing units had by far the greatest impact on revenue. The **order backlog** for housing construction in Finland rose to EUR 633.7 (538.9) million. The start-up of Majakka, the first of REDI's residential towers, during the review period had a particular impact on the order backlog for housing construction. Majakka will have a total of 282 apartments.

Housing under construction

In line with its strategy, SRV is focusing its housing production on locations in urban growth centres with good transport connections. For some time now, SRV has been one of the largest housing constructors in the Helsinki metropolitan area. SRV has a total of 2,894 (1,830) housing units under construction, mostly in growth centres.
One of SRV's strategic targets has been to increase its developer-contracted housing production. A total of 1,076 (910) developer-contracted housing units were under construction in the January–March period. The large number of units currently under construction will continue to strengthen SRV's result in the future. The average construction period is about 18 months.

The number of units under construction has, above all, been boosted by high investor demand, which has continued into early 2017. At the end of March, a total of 1,068 (227) units were under construction for investors, which is almost four times as many as during the last review period. The latest significant investor deal was made in February, when SRV and LocalTapiola Asuntosijoitus Suomi Ky signed a framework agreement to build 528 market-financed rental apartments. Under this approx. EUR 100 million framework agreement, SRV will construct several apartment buildings for LocalTapiola in the Helsinki metropolitan area, Turku and Jyväskylä. Project-specific agreements will be signed before construction work is launched at each site. All the sites are scheduled for completion during 2018 and 2019.

Other significant projects being built for investors include housing in Tikkurila, Vantaa for Elo and LocalTapiola, and sites for Ilmarinen in Suurpelto, Espoo and Jätkäsaari, Helsinki.

Completed housing units

A total of 42 (30) developer-contracted housing units were completed during the January–March period. At the time of writing, 77 (111) completed housing units remained unsold. Consumer sales maintained a good level during the early year, and unsold units mainly consist of individual apartments at different sites in Tampere, Turku, Helsinki, and Espoo.

Housing units recognised as income

In the January–March period, 76 (26) developer-contracted housing units were recognised as income, generating total revenue of EUR 21.8 (7.9) 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 revenue when they have been completed and sold.

The majority of units currently under construction will be completed in late 2017. Over 800 housing units are expected to be recognised as income during 2017 as a whole, with the majority being completed in the latter half of the year.

Housing construction in Finland (units)	**1-3/ 2017**	1-3/ 2016	change, units	1-12/ 2016
Units sold, total	**356**	93	263	1,260
- developer contracting	**266**	93	173	509
- investor sales [2]	**90**	0	90	751
Developer contracting				
- start-ups	**282**	55	227	454
- completed	**42**	30	12	503
- recognised as income	**76**	26	50	499
- completed and unsold [1]	**77**	111	-34	111
Under construction, total [1]	**2,894**	1,830	1,064	2,696
- contracts [1]	**586**	138	448	441
- negotiated contracts [1]	**164**	555	-391	441
- sold to investors [1] [2]	**1,068**	227	841	978
- developer contracting [1]	**1,076**	910	166	836
- sold [1]	**634**	502	132	444
- unsold [1]	**442**	408	34	392
- of which sold, % [1]	**59**	55		53
- of which unsold, % [1]	**41**	45		47

[1] at period-end
[2] investor sales under negotiated contracts

Order backlog, housing construction in Finland (EUR million)	**3/2017**	3/2016	change
Contracts and negotiated contracts	**196**	115	81
Under construction, sold developer contracting	**164**	134	30
Under construction, unsold developer contracting	**243**	249	-6
Completed and unsold developer contracting	**30**	40	-10
Housing construction, total	**634**	539	95

REDI apartments

REDI in Kalasatama, Helsinki is the largest construction project in SRV’s history. Sales of apartments in the first of REDI’s residential towers, Majakka, were launched in February 2017, when over 90 per cent of the 282 apartments had been reserved. A total of 96 apartments had been sold at the end of March and 112 by mid-April.

The construction of Majakka’s tower section began during the review period. According to current estimates, residents will be able to move into their apartments in spring 2019. The REDI apartments will be recognised as revenue when each residential tower has been completed and its apartments sold.

The largest developer-contracted housing projects under construction in Finland

Project name, location	SRV, contract value, EUR million	Completion date (estimated)*	Apartments, units	Sold, units*	For sale, units*
REDI Majakka, Helsinki	106	Q2/2019	282	96	186
Niittyhuippu, Espoo	57	Q4/2017	200	163	37
Satamarannan Masto, Oulu	21	Q4/2017	100	56	44
Försti, Helsinki	23	Q2/2017	52	33	19
Mantteli, Helsinki	16	Q2/2017	55	55	0
Niittyheinä,Espoo	16	Q2/2017	59	15	44

*Situation as of 31 March 2017

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

Project name, location, developer	SRV, contract value, EUR million	Completion level, %*	Completion date (estimated)*
Wood City, Helsinki, ATT	**	24	Q1/2018
Vantaan Celica, LocalTapiola	**	84	Q2/2017
Vantaan Verso, Elo	**	89	Q1/2017
Espoon Niittytori, SATO, Espoo	**	92	Q2/2017
Suurpellon Puistokatu D, TA	**	46	Q1/2018
Vantaan Neilikkatie, Ilmarinen	**	19	Q2/2018
Keravan Orno, Ilmarinen	**	25	Q2/2018
Vantaan Hernetie, OP	**	23	Q2/2018
Helsingin Välimerenkatu 10, Ilmarinen	**	18	Q3/2018
Aleksinkulma and park, Kerava	**	3	Q1/2019
Suurpellon Puistokatu, Espoo, TA	**	12	Q3/2018
HOAS Kumpula	**	3	Q3/2018
Total value of projects approx. EUR 235 million			

*Situation as of 31 March 2017
** The value of individual contracts has not been published.

SRV is currently building developer-contracted housing projects, development projects, 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 revenue when they have been completed and 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 revenue according to the percentage of completion. Construction contracts are construction projects that are launched by other parties but implemented by SRV. They are recognised as revenue on the basis of the percentage of completion or as set out in the agreement.

Business construction

January–March 2017:

SRV's **revenue** from business construction totalled EUR 164.4 (106.9) million, and the **order backlog** stood at EUR 1,057.7 (972.9). No significant new orders were received during the first quarter.

The greatest contribution to revenue growth has been made by large-scale ongoing hospital projects, such as Hospital Nova in Central Finland, a new construction project at Tampere University Hospital, the New Children’s Hospital in Helsinki, and the renovation of the Women’s Hospital in Helsinki. Revenue also increased due to renovation and refurbishment projects, such as those at Helsinki City Theatre and an administrative building belonging to the University of Helsinki.

SRV’s infrastructure construction has bolstered its position. For example, SRV is currently implementing the Ring Road I project in Espoo, in which traffic will be diverted into an underground tunnel above which a park will be built. An excavation contract for the Kaitaa metro tunnel in Espoo also boosted infrastructure construction.

SRV's shopping centre development projects also generated revenue growth during the January–March period. SRV is currently building the REDI shopping centre in Helsinki, Niitty shopping centre in Espoo, and Karuselli shopping centre in Kerava.

REDI

The REDI shopping centre is an SRV development project. In addition to SRV, the investor group includes Ilmarinen, OP Group and LocalTapiola. The REDI project is proceeding in schedule. In addition, the REDI shopping centre will open in autumn 2018 and leasing is proceeding as planned. There are already binding lease agreements for 50.5 per cent (over 100 premises) of the REDI shopping and experience centre’s 200-plus premises. Negotiations with prospective tenants are also currently ongoing for almost all of the remaining premises. REDI’s new tenants include international fashion stores such as Hennes & Mauritz and Lindex; Varner’s well-known brands Cubus, Dressmann, Volt, Bik Bok and Carlings; and Bestseller’s Jack&Jones. Kesko and Lidl will be providing REDI customers with groceries. The REDI shopping centre is expecting over 12 million visitors in its first full year of operation.

Niittykumpu Metro Centre

SRV is developing the Niittykumpu Metro Centre in Espoo into a new centre for the area. It will comprise several residential buildings, a shopping centre and metro station. The Niitty shopping centre and two adjoining apartment buildings will be built during the first phase. The site will be home to Espoo’s highest residential building and about 300 apartments in two residential towers. Niitty will open in June and all of its premises have been leased. The Niitty shopping centre was developed by SRV and was sold to the OP-Vuokratuotto special investment fund in 2015.

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. More detailed negotiations on project management activities are ongoing.

The largest ongoing business construction projects

Project, location	SRV total contract value, MEUR	Project type	Completion level, %	Completion date (estimated)
DEVELOPMENT PROJECTS				
REDI, shopping centre and parking facility, Helsinki	390	Retail, parking	57	Q3/2018
TeHyKe, Kalasatama, Helsinki	*	Public services	60	Q4/2017
Niittykumpu Metro Centre, Espoo	*	Retail	84	Q2/2017
Aleksintori/Karuselli, Kerava	*	Retail	3	Q4/2018
BUSINESS PREMISES				
Central Finland Hospital Nova, Jyväskylä	290	Public	5	Q3/2018
TAYS Etupiha, Tampere	170	Public	26	Q3/2018
Tapiola city centre (Ainoa), Espoo	110	Retail	87	Q2/2017
Tapiola city centre (Phase 2), Espoo	100 +	Retail	1	Q1/2020
Aalto University, Espoo	76	Public	25	Q2/2018
Ring Road I, Keilaniemi, Espoo	49	Public	35	Q4/2018
HK Scan poultry processing plant, Rauma	38	Industry	67	Q2/2017
Helsinki City Theatre renovation	38	Public	87	Q2/2017
Kaitaa metro station excavation, Espoo	32	Public	56	Q2/2018
Renovation of Lappeenranta University	31	Public	28	Q4/2018
Court and police building, Joensuu	30	Public	83	Q3/2017
Renovation of an administrative building for the University of Helsinki	*	Public	56	Q3/2017
HDC Teliasonera, Helsinki	*	Industry	32	Q1/2018
New Children's Hospital, Helsinki	*	Public	65	Q4/2017-2/2018

*The value of individual contracts has not been made public.
Situation as of 31 March 2017

International Operations

International Operations comprises SRV’s construction and property development business in Russia and Estonia. SRV has also expanded its operations to shopping centre management in Russia.

Business environment

Expectations for the Russian economy have become slightly more positive. The economy is forecast to grow by about 1–2 per cent in 2017 on the back of stronger domestic purchasing power. Investments have also been increasing, and a slight rise in exports is expected. Although favourable developments in the price of oil have strengthened the Russian economy, oil price fluctuations and geopolitical tensions continue to cause uncertainty.

The gradual slowdown in inflation has supported the recovery in private consumption in Russia. Middle-class consumption is domestically focused, as foreign travel has decreased and domestic travel increased. The leading domestic travel destinations for Russians are St Petersburg and Moscow. SRV partly owns modern shopping centres in both cities.

International Operations (EUR million)	**1-3/ 2017**	1-3/ 2016	change	change, %
Revenue	**4.4**	12.4	-7.9	-64.1
Percentage of associated companies' profits	**4.4**	-1,0	5.4	
- of which exchange rate gains/losses	**5.4**	0.0	5.4	
Hedging expenses	**-0.9**	0.0	-0.9	
Operating profit	**3.2**	-1.1	4.2	
Operating profit, %	**71.3**	-8.6		
Order backlog	**30.6**	60.3	-29.7	-49.2

January–March 2017

SRV has three major shopping centres in Russia, two of which have been up and running for a while: Okhta Mall and Pearl Plaza in St Petersburg. 4Daily opened its doors in Moscow on 22 April 2017. SRV is an investor in all of these shopping centres via its associated companies. In all of these shopping centre projects, SRV has been responsible for concept design, been the main contractor, handled the leasing of premises, and taken responsibility for marketing. SRV has also been managing the day-to-day operation of the centres on their completion.

In the January–March period, **revenue** from International Operations fell to EUR 4.4 (12.4) million and accounted for 2 (9) per cent of the Group’s revenue. This decrease was expected, as the bulk of revenue has been generated by the construction of the Okhta Mall and 4Daily shopping centres. The Okhta Mall opened its doors in St Petersburg in August 2016 and 4Daily opened in Moscow in April 2017. SRV’s revenue for January-March mainly comprises finishing work for 4Daily and interior decoration for tenant premises in the Okhta Mall.

Operating profit from International Operations rose to EUR 3.2 (-1.1) million. A stronger rouble exchange rate was the main factor contributing to this improvement. For most of the 2016 comparison period, SRV's operating currency in Russia was still the euro. However, the company's rental operations have become increasingly rouble-based. In accordance with IAS 21, the operating currency of SRV's property-related subsidiaries and associated companies was therefore switched to the rouble during 2016. This accounting change will make SRV more susceptible to fluctuations in the rouble exchange rate.

SRV's **share in its associated companies'** profit was EUR 4.4 (-1.0) million. A stronger rouble exchange rate was the main reason for the higher profits generated by associated companies, as the currency change covered the companies that own the Okhta Mall and Pearl Plaza shopping centres. On the other hand, several factors also led to an improved operating result for the associated company that owns Pearl Plaza. When Pearl Plaza opened, fixed-term agreements of 3–5 years were made with most tenants, and some of these have now expired or are about to expire. It was possible to improve the terms and conditions of these agreements on their renewal. There has been also a clear improvement in Pearl Plaza's occupancy rate and a significant reduction in the number of temporary rent discounts given.

The **order backlog** for International Operations fell to EUR 30.5 (60.3) million as no new projects were launched. Planning for new projects is, however, ongoing.

Completed projects

Okhta Mall, St Petersburg

The Okhta Mall is located in the heart of downtown St Petersburg, within easy reach of over 1.5 million residents. It is the largest retail project to have been completed in the St Petersburg economic area in recent years. The Okhta Mall opened its doors in St Petersburg in August 2016 and it has been SRV's major project in St Petersburg over the last few years.

Considering the numerous challenges that have been faced in the Russian shopping centre market in recent years, the leasing of premises in Okhta Mall has proceeded according to plan. The shopping centre's occupancy rate stood at about 74 per cent at the end of March, and agreements for a further five per cent of leasable premises are about to be signed. The Okhta Mall is expected to be fully leased by June 2018.

Visitor numbers at the Okhta Mall have developed in line with expectations. During the January-March period, the shopping centre broke the 400,000 visitors per month mark for the first time. Many small gallery stores are opening at the shopping centre this spring. As these premises are quite small in terms of floor area, this has not led to any major changes in the overall opening rate percentage. That figure will rise again in late summer 2017, when the KARO cinema opens its doors. KARO has leased about 10 per cent of the Ohkta Mall's commercial floor area, and is expected to further boost visitor numbers.

Pearl Plaza, St Petersburg

Visitor numbers and total sales have continued to rise at SRV's other shopping and entertainment centre Pearl Plaza in St Petersburg. The shopping centre has broken visitor records several times, with no less than an 18 per cent year-on-year rise in visitors during January-March. In March alone, the shopping centre set a new record with 826,000 visitors.

Considering the market situation, Pearl Plaza is also performing excellently with respect to its occupancy rate, as it has been fully leased almost continuously. When the shopping centre opened in August 2013, fixed-term contracts of 3-5 years were signed with most tenants, and some of these have now expired or are about to expire. It was possible to improve the terms and conditions of these agreements on their renewal, which can also be seen in the shopping centre's earnings. Many renewal negotiations for lease agreements will be held in 2017 and 2018. It has also been possible to reduce the number of temporary rent discounts that were previously granted.

In January–March, Pearl Plaza's monetary sales increased by 20 per cent (in terms of roubles) and 59 per cent (in terms of euros) compared with the corresponding period of the previous year.

Other projects

SRV owns 50 per cent of the Etmia II office project in downtown Moscow. Its occupancy rate stood at 80 per cent at the end of March.

The most significant completed projects

Site	Holding, %	Opened	Floor area (m²)	Occupancy rate 3/2017, %
Pearl Plaza, shopping centre, St Petersburg	SRV 50 Shanghai Industrial Corporation 50	August 2013	Gross floor area 96,000 Leasable area 48,000	Binding lease agreements 99.78
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 74.5 Letters of intent and reservations 5

*Russia Invest's shareholders are Finnish institutional investors. Ilmarinen, Sponda and SRV each own 27 per cent holdings in Russia Invest, Etera owns 13 per cent, and Onvest six per cent.

Projects under construction

4Daily, Moscow

The 4Daily shopping centre opened its doors in Moscow on 22 April 2017. It had been handed over to the client back in December 201. Still, there was some finishing work that needed doing in January-March 2017. 4Daily will be the only shopping centre to open in Moscow this year.

About 62 per cent of the centre's 52,000 square metres of premises have been leased, with letters of intent and reservations signed for about 4 per cent (3/2017). The shopping centre's anchor tenant is the Russian company Miratorg, whose new concept store is targeted at the middle-class in particular. Other major tenants include Ohana Fitness and the clothing stores Nataly, Tsenopad and Zamania.

About 30 per cent of stores were open when the shopping centre opened. This is typical in Russia, and is a result of a variety of different operating and sales permits. In SRV's previous shopping centres, stores have opened within about a year or 18 months of the centre's opening, depending on the size of the shopping centre.

Papula, Vyborg

SRV is building apartment blocks in the Papula district in northern Vyborg. All of the apartments in the first phase, which comprises two apartment buildings, have been sold. Both of the apartment buildings in the second phase were completed in January 2017. Of these, 60 (42) apartments out of a total of 110 had been sold or reserved by the end of March. The apartments will be recognised as income during the second quarter of 2017.

The largest projects under construction

Name	Holding, %	Total investment, EUR million	Completion level, %	Completion date (estimated)	Floor area (m^2)	Occupancy rate 3/2017, %
4Daily, shopping centre, Moscow	Vicus 26.26 SRV 18.68 Blagosostoyanie 55.06	61	99	Q1/2017	Gross floor area 52,000 Leasable area 25 500	Binding lease agreements 62 Letters of intent and reservations 4

Outlook for operations in Russia

In Russia, SRV is focusing on completing its current construction projects, managing already completed locations, and developing its management operations. The shopping centre market still holds great potential, as the rouble's weak exchange rate means that foreign travel has declined among the middle-class, and consumption is therefore focused on Russia. In relation to its population, Russia does not have many modern shopping centres. For example, there are twice as many shopping centres per 1,000 inhabitants in Western Europe than there are in Russia.

SRV is an investor in all of its shopping centre projects through its associated companies. SRV is also responsible for leasing and marketing premises in completed shopping centres.

SRV intends to sell its holdings once the target for rental income is achieved, usually 3–4 years after opening. If the current financial situation is prolonged, it may take longer than usual to reach this target for rental income.

Although the Russian economy is in a challenging state, financing for these projects has been arranged with long-term loan agreements, so SRV can wait for the market situation to improve. It is unlikely that the shopping centres will be sold to investors during 2017.

The operating currency for SRV's property companies in Russia was changed from the euro to the rouble during 2016. This means that subsidiaries and associated companies that operate in the Russian property business and have previously been using the euro will now use the rouble as their operating currency. This accounting change will make SRV more susceptible to fluctuations in the rouble exchange rate. The companies affected by the change in operating currency include those that own the Okhta Mall and Pearl Plaza shopping centres.

Group project development

In accordance with its strategy, SRV is focusing on improving profitability. Especially development and developer-contracted projects improve profitability, as they generally yield a better margin than, for instance, contracting. SRV's development projects target growth centres and, in the Helsinki metropolitan area, particularly locations close to rail transport.

Projects close to rail transport

The capital region's metro line is being expanded to run from Ruoholahti to Espoo via Lauttasaari. In the first phase of the Western Metro, a 14 kilometres rail line will be completed from Ruoholahti to Matinkylä, with eight new stations. SRV has numerous projects along the route of this metro line. The Western Metro completion schedule has been revised during the project. Even though the schedule has fallen behind due to factors beyond SRV's control, areas next to the metro line are currently being designed and built. For example, SRV has built the Koivusaari metro station and excavated both the Otaniemi metro tunnel and the Kaitaa station and rail line.

Kivenlahti

In January 2016, the Trade and Competitiveness Division of the Espoo City Board reserved an area for SRV and VVO Group Plc to design the Kivenlahti Metro Centre. This area is located between Länsiväylä and Kivenlahdentie, and will form a key section of the future Kivenlahti Metro Centre. The plans for the area comprise about 1,300 housing units and about 45,000 m^2 of commercial, office and service premises, plus park-and-ride spaces. Construction will begin once zoning has been completed – current estimate 2018–2019 – and the Metro Centre is scheduled for completion in 2020.

Espoonlahti

Apartments covering approximately 100,000 square metres of floor area will be built next to the forthcoming Espoonlahti metro station (Espoonlahden keskus/Mårtensbro). SRV is seeking a holding of around 30 per cent of the housing units. This is currently a planning reservation. The City of Espoo has leased a plot to serve as temporary premises for the Lippulaiva shopping centre until 2020, while its own premises are under renovation. The plan for the Espoonlahti Centre was approved by the City Council in January 2017.

Niittykumpu

Niitykumpu in Espoo is currently developing into a neighbourhood with a modern metro centre and homes for thousands of new residents. SRV is building the new Metro Centre and, when it opens, the old Niittykumpu shopping centre will be demolished and apartments will be built in its place. Three further buildings, encompassing a total floor area of 12,650 square metres, have been planned for the second phase. These buildings will contain more than 200 apartments and their construction will be launched during 2017.

Keilaniemi

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

As part of the overall plan, Espoo City Board's Trade and Competitiveness Division decided in spring 2016 to sell two residential plots in Keilaniemi to SRV. Preliminary contracts on the sale of these plots were signed in May 2016. A complaint against the City of Espoo's decision to sell has been lodged with the administrative court, and the case is currently ongoing. SRV has not as yet made a final decision on the construction of the towers. If realised, the Keilaniemi Towers would be the highest residential buildings in Finland, with the tallest soaring to a height of almost 145 metres.

Raide-Jokeri Vermonniitty

Raide-Jokeri is a rapid tramline that will link Itäkeskus in Helsinki to Keilaniemi in Espoo. It will also enable numerous residential sites to be built along the line. For instance, SRV is planning to build housing in the vicinity of the future Vermonniitty station in cooperation with SATO and Ilmarinen. Construction has already begun on these sites, which will contain almost 2,000 apartments. SRV also has a planning reservation for the Säterintorni plot, where the company plans to build housing and an office building.

Other projects

Wood City

SRV and Stora Enso are cooperating on the construction of Wood City in the Jätkäsaari neighbourhood of Helsinki. Wood City will comprise an office building, hotel, and two apartment buildings for Helsinki Housing Production Department (ATT). A shared yard area will connect the buildings to create a vibrant wooden quarter. All of the buildings in this unique wooden quarter will have eight storeys. A three-storey shared car park has also been planned for the area. The construction of Wood City was launched in spring 2016 and the elements of the first wooden apartment building are currently being installed. The wooden apartment buildings are currently scheduled for completion in February 2018. According to current plans, Wood City will be completely finished towards the end of 2019. Investor and tenant negotiations for the office building are currently ongoing.

Bunkkeri in Jätkäsaari

SRV is highly involved in revitalising the Jätkäsaari district of Helsinki. Bunkkeri, a 13-storey landmark in Jätkäsaari, will feature a wide range of fitness facilities, a swimming hall, and about 300 housing units. The City Council selected SRV as the developer and new owner of Bunkkeri in May 2016. The total value of the real estate transaction is approximately EUR 23 million. The town plan modification required to implement Bunkkeri was approved at a meeting of the City Council in June 2016. Complaints against the sale and city plan have been lodged with the administrative court. The administrative court rejected the zoning complaint at the end of March 2017, but the decision has not yet come into force. The complaint against the sale is still ongoing in the administrative court. SRV's intention is to launch construction work during 2017. The fitness facilities will be leased to the City of Helsinki and the handover is scheduled for May 2019. According to current estimates, the first housing units will be completed in 2019. SRV is currently negotiating the sale of the fitness facilities with potential investors.

Lapinmäentie

SRV has taken an important step forward in the development of the Lapinmäentie project in Munkkivuori, Helsinki – in March, SRV acquired a parcel of land from Pohj Landlord (Finland) LLC at Lapinmäentie 1 from LLC. In connection with this transaction, SRV will also take out a long-term land lease from OP Tonttirahasto Ky for adjoining parcels of land at this same site. Together, the parcels of land acquired and leased by SRV will form a block as per the current city plan. SRV will continue to develop the Lapinmäentie 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. The new residential towers will contain over 700 apartments. Different concepts such as shops, services and office space are currently being considered for Tower A.

Tampere Central Deck and Arena

In summer 2016, the City of Tampere and SRV signed an implementation agreement for the Tampere Central Deck and Arena project. A multi-purpose arena, offices, shops, housing and a hotel are planned for this site, which is located at the heart of downtown Tampere, above the railway station. The project is worth a total of about EUR 500 million. The implementation agreement also covers a plot reservation agreement under which SRV's consortium can buy plots in the new Ranta-Tampella area. A complaint against the implementation agreement has been lodged with the administrative court.

The project is currently in the development phase, during which financing and key lease agreements will be negotiated in preparation for the final investment decision. In October 2016, Finland's Slot Machine Association (RAY) chose to locate Finland's second casino in Tampere's new multi-purpose arena. SRV intends to make the final implementation decision by summer 2017, depending on the ongoing complaint and investor and financing negotiations. The aim is to start construction in 2017.

Land reserves 31 March 2017	**Business construction**	**Housing construction**	**International Operations**	**Total**
Unbuilt land areas and land acquisition commitments				
Building rights[1)], 1,000 m^2	**164**	**274**	**717**	**1,154**
Land development agreements				
Building rights[1)], 1,000 m^2	**114**	**152**	**0**	**267**

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

Land reserves have declined by about 20,000 m^2 (-2%) compared to 31 December 2016.

Financing and financial position

IFRS, EUR million	**31 March 2017**	31 March 2016	**Change, %**	31 December 2016
Equity ratio, %	**36.4**	36.7	-0.8	42.5
Gearing ratio, %	**103.4**	87.5	18.3	83.3
Shareholders' equity	**300.8**	282.7	6.4	277.2
Invested capital	**653.0**	652.7	0.0	543.0
Net interest-bearing debt	**311.0**	247.2	25.8	246.3
Interest-bearing debt	**352.2**	370.0	-4.8	265.8
- of which short-term	**77.0**	122.6	-37.2	102.6
- of which long-term	**275.2**	247.4	11.2	163.2
Cash and cash equivalents	**41.2**	122.8		35.0
Unused binding liquidity limits and account limit agreements	**121.3**	122.0	-0.6	122.1
Unused project loans that can be drawn immediately	**32.0**	40.3	-20.6	18.2

At the end of the review period, the Group's financing reserves totalled EUR 194.5 million with the Group's cash assets amounting to EUR 41.2 million, and open-ended account limits and committed undrawn financing reserves and loans to EUR 153.3 million. In addition, EUR 38 million of the EUR 100 million commercial paper programme remains unused.

SRV's financing agreements contain standard covenants. The financial covenants are equity ratio (also based on percentage of completion), liquidity, and the interest coverage ratio. The interest coverage ratio is the ratio of the Group's operating margin (EBITDA) to its net financial expenses. The interest cover ratio is tested only if and when new loan financing is withdrawn; the covenant does not prevent the refinancing of existing sources of financing.

Net interest-bearing debt totalled EUR 311.0 (247.2) million at the end of the review period. Net interest-bearing debt rose on the comparison period by EUR 63.8 million, largely due to plot acquisitions and capital invested in the REDI project. Housing corporation loans account for EUR 67.7 (57.7) million of the interest-bearing debt. Net cash flow was EUR -52.0 (-34.5) million and net cash flow from investing activities was EUR -0.9 (-2.7) million. In particular, plot acquisitions and an increase in incomplete housing in Finland had an unfavourable impact on net cash flow from operating activities. Net cash flow from investing activities mainly comprised investments in equipment. The net cash flow for the comparison period was impacted by the renewal of the hybrid loan in 2016 and the withdrawal of a new EUR 100 million bond.

Net financial expenses since the beginning of year totalled EUR 0.0 (-5.6) million. Net financial expenses were greatly reduced by the fair value revaluation of a ten-year interest rate hedge from EUR -4.3 million to EUR 0.7 million, the capitalisation of interest on incomplete production, and the receipt of penalty interest. When the 10-year interest level rises from its current level, a positive change in fair value will be recognised in the income statement, and vice versa. SRV believes that there will be a slight rise in interest rates over the long-term. EUR 0.7 (0.4) million in interest expenses have been capitalised in accordance with IAS 23 since the beginning of the year.

SRV's investment commitments totalled EUR 31.2 (47.6) million, and mainly consisted of investments in Fennovoima's Hanhikivi-1 project.

The operating currency for SRV's property companies in Russia was changed from the euro to the rouble during 2016. This means that subsidiaries and associated companies that operate in the Russian property business and have previously been using the euro will now use the rouble as their operating currency. The change stems from the challenging state of the Russian economy, which has continued for longer than expected and has caused the shopping centre rental market to become more rouble-based. This accounting change will make SRV more susceptible to fluctuations in the rouble exchange rate through translation differences. The strengthening rouble led to translation differences of EUR 8.8 (0.9) million, which impacted both shareholders' equity and the comprehensive result for the period. In addition to currency exchange rate gains of EUR 1.6 (0.1) million in financial income and expenses, the Group also entered similarly derived currency exchange rate gains of EUR 5.4 (0.0) million under the profit accounted for by associated companies. Currency exchange rate gains were reduced by EUR 0.9 million in hedging expenses.

Personnel

Personnel by business area	31 March 2017	31 March 2016	Percentage of Group personnel, 31 March 2017, %
Operations in Finland	**825**	726	75
International Operations	**185**	226	17
Other operations	**94**	89	9
Group, total	**1,104**	1,041	100

SRV's payroll has increased steadily during 2017, and at the end of March the company had 1,104 (1,041) employees, of whom 883 (818) on average were salaried employees. Growth has been robust in Operations in Finland thanks to progress in numerous large-scale projects, such as REDI, Hospital Nova in Central Finland, and TAYS front yard. The number of employees in International Operations has declined due to the completion of the Okhta Mall.

The parent company had 63 (57) salaried employees at the end of the review period. At the end of March, SRV's Operations in Finland employed a total of 28 (26) trainees (students on work placements and students working on a thesis or diploma).

Strategy events were organised for over 200 employees at the beginning of 2017. These events sought to formulate an overall picture of how the implementation of SRV's "Must Win Battle " -programmes is progressing. Early 2017 also saw the launch of a new leadership training programme: "SRV Leader 2020". About 40 SRV directors from both Finland and Russia are participating in this approximately one-year programme.

Risks, risk management and corporate governance

SRV has published a separate Corporate Governance Statement in its 2016 Annual Report and on the company's website. Detailed information about the company's business risks and risk management has been provided in the 2016 Notes to the Financial Statements and Annual Report, and also on the company's website.

The most significant risks currently concern the REDI project, the Russian economy, and the rouble exchange rate.

Previously, SRV's operating currency in Russia has primarily been the euro. However, the company's rental operations have become increasingly rouble-based. In accordance with IAS 21, the operating currency of SRV's property-related subsidiaries and associated companies was therefore switched to the rouble during 2016. This accounting change will make SRV more susceptible to fluctuations in the rouble exchange rate. The companies affected by the change in operating currency include those that own the Okhta Mall and Pearl Plaza shopping centres. In its Russian business, fluctuations in the rouble exchange rate expose SRV to translation and transaction risks. A ten per cent weakening or strengthening of the rouble against the euro at the closing date would have had an impact of about EUR 14 million on the Group's equity translation differences. SRV's transaction risk largely comprises the euro-denominated loans of associated companies that are partly owned by SRV. A 10 per cent change in these would correspondingly have had an impact of about EUR 14 million on SRV's earnings.

Corporate governance and the decisions of the Annual General Meeting

The Annual General Meeting (AGM) of SRV Group Plc was held on 23 March 2017. The AGM adopted the Financial Statements and granted release from liability to the members of the Board of Directors and the President & CEO for the financial year 1 January–31 December 2016.

Dividends paid

As proposed by the Board of Directors, a dividend of EUR 0.10 per share was approved. The record date was 27 March 2017 and the dividend was paid on 3 April 2017.

The Members and Chair of the Board of Directors

The AGM verified that the Board of Directors shall have six (6) members. **Minna Alitalo**, **Olli-Pekka Kallasvuo**, **Ilpo Kokkila**, and **Timo Kokkila** were re-elected to the Board of Directors. **Juhani Elomaa** and **Juhani Hintikka** were elected as new members. Ilpo Kokkila was elected as Chair of the Board.

Auditor

The authorised firm of public accountants PricewaterhouseCoopers Oy was elected as the company's auditor for the next term of office, which ends at the conclusion of the 2018 Annual General Meeting. PricewaterhouseCoopers Oy has announced that **Samuli Perälä,** Authorised Public Accountant, will serve as chief auditor.

Authorisation to decide on the acquisition of treasury shares

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

The Board was authorised to acquire a maximum of 6,049,957 treasury shares in such a manner that, when combined with the shares already owned by the company and its subsidiaries, the number of shares acquired on the basis of this authorisation will not at any given time exceed 6,049,957 shares, that is, 10 per cent of all shares of the company. Based on this authorisation, the Board may acquire a maximum of 6,049,957 shares in public trading arranged by Nasdaq OMX Helsinki Oy at a market price valid at the moment of acquisition, as well as a maximum of 500 000 SRV shares issued on the basis of incentive schemes to individuals employed by SRV Group, either without consideration or for no more than the price at which an individual within the sphere of an incentive scheme is obliged to convey a share, such that the maximum number of acquired shares nevertheless remains at 6,049,957.

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

Treasury shares can be acquired for use as payment in corporate acquisitions, when the company acquires assets relating to its business, as part of the company's incentive programmes, or to be otherwise conveyed, held or cancelled. The authorisations as described above shall be in force for 18 months from the AGM’s decision and cancel the authorisation granted by the AGM to the Board of Directors on 22 March 2016. The Board of Directors shall decide on all other terms relating to the acquisition of shares.

Amendment to the Articles of Association

In accordance with the Board of Directors' proposal, Section 8 of the company's Articles of Association was amended as follows:
Section 8 The company's auditor must be a firm of Authorised Public Accountants approved by the Finnish Patent and Registration Office, and the chief auditor must be an Authorised Public Accountant. The auditor's term of office runs until the end of the following Annual General Meeting.

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

SRV Group Plc's Board of Directors held its organisational meeting on 23 March 2017. **Olli-Pekka Kallasvuo** was selected as Vice Chair of the Board of SRV Group Plc. **Minna Alitalo** was elected as Chair and **Juhani Elomaa** and **Timo Kokkila** as members of the Audit Committee. **Ilpo Kokkila** was elected Chair and **Juhani Hintikka** and **Olli-Pekka Kallasvuo** as members of the HR and Nomination Committee.

SRV Group Plc to allocate treasury shares as part of a multi-year incentive scheme

On 2 February 2017, SRV Group Plc decided to allocate a total of 206,476 of its treasury shares to members of its share-based incentive scheme without consideration and in accordance with the terms and conditions of the scheme. The earnings period for the scheme was the calendar years 2014–2016.

The allocation of shares using a directed share issue without payment is based on the authorisation given by the Annual General Meeting of SRV Group Plc on 22 March 2016. Further information about the share-based incentive scheme can be found in a stock exchange release published on 20 February 2014.

Shares and shareholders

SRV Group Plc's share capital is EUR 3.1 million. The share has no nominal value and the number of shares outstanding is 60,499,575. The company has one class of shares. SRV had a total of 7 506 shareholders on 31 March 2017.

The closing price at OMX Helsinki on 31 March 2017 was EUR 4.40 (EUR 5.43 on 31 December 2016, change -19%). The highest share price during the review period was EUR 5.74 and the lowest EUR 4.17. At the end of 2016, SRV's equity per share excluding the hybrid bond was EUR 4.32. On 31 March 2017, the company had a market capitalisation of EUR 262.2 million, excluding the Group's treasury shares. 1.7 million shares were traded during the review period with a trade volume of EUR 8.4 million.

At the end of March, SRV Group Plc held 918,599 treasury shares (1.5 per cent of the total number of shares and combined number of votes). During 2017, SRV Group Plc has surrendered 206,476 treasury shares to implement its share-based incentive scheme.

Financial objectives

SRV's strategy and all of its operations are guided by the 2017–2020 strategic financial objectives that were approved in February 2017:

- During the strategy period, the company will seek to outpace industry growth using large-scale projects
- The operating profit margin will rise to more than 8 per cent by the end of the strategy period
- Return on equity will be at least 15 per cent by the end of the strategy period
- Return on investment will rise to at least 12 per cent by the end of the strategy period
- Our equity ratio will remain above 35 per cent
- We are seeking to make a dividend payment equivalent to 30–50 per cent of the annual result, taking into account the capital needs of business operations.

The achievement of these strategic objectives will be based on weak but steady economic growth in Finland, and Russia's economy stabilising at a slightly stronger level. Substantial growth in SRV's developer-contracted projects is also required. Our operations in Russia have now entered the shopping centre management phase. We will continue developing new projects that can be launched when the Group's capital structure allows and the sites' financial criteria are fulfilled.

Our profitability targets will be achieved by boosting the efficiency of our own operations and the more prudent selection of new projects with regard to profitability and capital commitment.

Outlook for 2017

In addition to general economic trends, SRV's revenue and result in 2017 will be affected by several factors, such as: the recognition as income upon delivery of SRV's own projects; the part of the order backlog that is continuously recognised as income consisting mainly of low-margin contracting; trends in the order backlog's profit margins; the sales volume of developer-contracted housing and the completion schedules of the properties; and the launch of new contracts and own-development projects. SRV's largest project is the REDI project in Kalasatama.

Although developer-contracted housing will be completed on a steadier schedule than in 2017, a significant part of operating profit will be made in the second half of the year. Based on current schedules, SRV estimates that a total of 816 developer-contracted housing units will be completed during 2017.

Full-year consolidated revenue for 2017 is expected to increase and operating profit to improve on 2016 (revenue EUR 884 million and operating profit EUR 27.7 million). However, our strategic target for profitability will only be reached towards the end of the strategic period, in 2019–2020.

The operating currency of all of SRV's subsidiaries and associated companies in Russia was changed to the rouble during 2016. This accounting change will make SRV more susceptible to fluctuations in the rouble exchange rate and may impact on full-year operating profit.

Espoo 26th of April 2017

Board of Directors

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

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Key figures

EUR million	1-3/ 2017	1-3/ 2016	1-12/ 2016
Revenue	223.7	143.8	884.1
Operation profit	7.3	0.0	27.7
Operation profit, % revenue	3.3	0.0	3.1
Profit before taxes	7.3	-5.5	16.4
Profit before taxes, % of revenue	3.3	-3.9	1.8
Net profit attributable to equity holders of the parent company	6.4	-4.7	13.9
Return on equity, % [1)]	8.8	-6.8	5.0
Return on investment, % [1)]	6.5	0.5	6.1
Invested capital	653.0	652.7	596.2
Equity ratio %	36.4	36.7	38.3
Net interest-bearing debt	311.0	247.2	246.3
Gearing ratio, %	103.4	87.5	83.4
Order backlog	1 722.0	1 572.1	1 758.5
New agreements	155.4	126.5	1 013.1
Personnel on average	1 099	1 039	1 089
Earnings per share	0.09	-0.11	0.15
Earnings per share (diluted)	0.09	-0.11	0.15
Equity per share	5.08	4.75	5.00
Equity per share (without hybrid bond), euros	4.32	3.71	4.25
Dividend per share, euros	0.10	0.10	0.10
Dividend payout ratio, %	105.3	neg.	67.6
Dividend yield, %	2.3	2.8	1.8
Price per earnings ratio	46.3	neg.	36.7
Share price development:			
Share price at the end of the period, eur	4.40	3.53	5.43
Average share price, eur	4.94	3.14	4.07
Lowest share price, eur	4.17	2.60	2.60
Highest share price, eur	5.74	3.57	5.58
Market capitalisation at the end of the period	262.2	209.5	322.4
Trading volume, 1 000 units	1 705	1 217	6 355
Trading volume, %	2.9	2.1	10.7
Weighted average number of shares outstanding during the period, 1 000 units	59 478	59 331	59 349
Weighted average number of shares outstanding during the period (diluted) 1 000 units	59 478	59 362	59 576
Number of shares outstanding at the end of the period,1 000 units	59 581	59 337	59 375

1) In calculation of the key ration, only the profit for the period has been annualized.

Calculation of key figures

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

SRV

Group and Segment information by quarter

SRV Group EUR million	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016
Revenue	223.7	328.7	193.1	218.5	143.8
Operation profit	7.3	16.2	7.3	4.1	0.0
Financial income and expenses, total	0.0	3.2	-3.4	-5.6	-5.6
Profit before taxes	7.3	19.4	3.9	-1.5	-5.5
Order backlog [1)]	1 722.0	1 758.5	1 888.1	2 021.6	1 572.1
New agreements	155.4	183.2	54.9	648.6	126.5
Earnings per share, eur	0.09	0.26	0.04	-0.04	-0.11
Equity per share, eur [1)]	4.32	4.25	3.81	3.71	3.71
Share closing price, eur [1)]	4.40	5.43	4.40	4.00	3.53
Equity ratio, % [1)]	36.4	38.3	37.8	36.9	36.7
Net interest-bearing debt [1)]	311.0	246.3	285.0	291.2	247.2
Gearing, % [1)]	103.4	83.4	99.7	103.1	87.5

1) at the end of the period

Revenue EUR million	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016
Operations in Finland	219.3	319.3	180.9	200.4	131.5
- business construction	164.4	167.4	141.4	143.8	106.9
- housing construction	54.8	151.9	39.5	56.6	24.6
International Operations	4.4	9.4	12.1	18.4	12.4
Other operations	4.4	4.0	4.0	4.0	4.0
Eliminations	-4.5	-4.1	-3.9	-4.3	-4.0
Group, total	223.7	328.7	193.1	218.5	143.8

Operating profit EUR million	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016
Operations in Finland	5.0	21.8	6.6	7.6	2.2
International Operations	3.2	-2.8	1.2	-1.5	-1.1
Other operations	-0.8	-2.8	-0.4	-2.0	-1.1
Eliminations	0.0	0.0	0.0	0.0	0.0
Group, total	7.3	16.2	7.3	4.1	0.0

Operating profit (%)	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016
Operations in Finland	2.3	6.8	3.6	3.8	1.7
International operations	71.3	-29.4	9.5	-8.0	-8.6
Group, total	3.3	4.9	3.8	1.9	0.0

Order backlog EUR million	31.3.17	31.12.16	30.9.16	30.6.16	31.3.16
Operations in Finland	1 691.3	1 726.1	1 851.3	1 972.6	1 511.7
- business construction	1 057.7	1 163.5	1 293.8	1 426.6	972.9
- housing construction	633.7	562.6	557.5	546.0	538.9
International operations	30.6	32.4	36.8	49.0	60.3
Group, total	1 722.0	1 758.5	1 888.1	2 021.6	1 572.1
- sold order backlog	1 437.4	1 482	1 623	1 720	1 269
- unsold order backlog	285	276	265	301	303

Order backlog, housing construction in Finland EUR million	31.3.17	31.12.16	30.9.16	30.6.16	31.3.16
Negotiation and construction contracts	196	193	122	107	115
Under construction, sold	164	105	181	150	134
Under construction, unsold	243	222	227	251	249
Completed and unsold	30	43	28	37	40
Housing construction, total	634	563	557	546	539

Invested capital EUR million	31.3.17	31.12.16	30.9.16	30.6.16	31.3.16
Operations in Finland	342.9	333.0	364.5	357.0	324.6
International operations	270.1	250.8	227.3	224.7	217.4
Other operations and	40.0	12.4	16.9	46.0	110.7
Group, total	653.0	596.2	608.7	627.7	652.7

Housing production in Finland (units)	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016
Housing sales, total	356	681	335	151	93
- sales, developer contracting	266	151	165	100	93
- sales, negotiation contracts 2)	90	530	170	51	0
Developer contracting					
- start-ups	282	199	52	148	55
- completed	42	420	0	53	30
-recognized in revenue	76	389	26	58	26
- completed and unsold	77	111	80	106	111
Under construction, total 1)	2 894	2 696	2 443	2 082	1 830
- construction contracts 1)	586	441	319	138	138
- negotiation contracts 1)	164	441	619	661	555
- negotiated contracts 1) 2)	1 068	978	448	278	227
- developer contracting 1)	1 076	836	1 057	1 005	910
- of which sold 1)	634	444	681	543	502
- of which unsold 1)	442	392	376	462	408

1) at the end of the period

2) investor sales, under negotiation contracts

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SRV GROUP PLC INTERIM REPORT, 1 JANUARY–31 MARCH 2017: TABLES

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

1) Interim Report 1 January – 31 March 2017

This interim report has been prepared in accordance with the IAS standard 34, Interim Financial Reporting. In preparing this interim report, SRV has applied the same accounting principles as in its year-end financial statements for 2016. However, as of 1 January 2017, the Group began to apply the new or revised IFRS standards and IFRIC interpretations published by IASB, specified in the accounting principles of SRV's year-end financial statements for 2016.

SRV has revised its practice for capitalising expenses incurred by construction plans for unbuilt plots that are owned by SRV and classified as current assets.
According to the new practice, these expenses can be capitalised when they can be reliably considered to have a favourable impact on the value of the plot or project. Previously, the capitalisation of expenses required a decision to be made on the launch of construction.
In the company's view, the revised practice would not have had a material impact on the comparison figures presented in this interim report.

SRV has changed the presentation method of its cash flow statement to the direct presentation method recommended by IAS 7. In addition, interest paid on the hybrid bond will now be presented under cash flow from financing activities instead of cash flow from operating activities.
The cash flow statements for the comparison period have been adjusted to reflect the new presentation method.

The preparation of an interim report 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 2016.

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

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

2) Consolidated income statement and statement of comprehensive income

Consolidated income statement EUR million	1-3/ 2017	1-3/ 2016	change MEUR	change %	1-12/ 2016
Revenue	223.7	143.8	79.9	55.5	884.1
Other operating income	0.7	0.2	0.5	235.7	2.1
Change in inventories of finished goods and work in progress	20.5	25.6	-5.1		37.8
Use of materials and services	-216.5	-145.8	-70.6	48.4	-797.8
Employee benefit expenses	-19.0	-17.7	-1.4	7.7	-73.0
Share of results of associated companies	4.5	-1.3	5.8		7.4
Depreciation and impairments	-0.9	-0.8	-0.1		-6.6
Other operating expenses*	-5.7	-4.0	-1.7	41.3	-26.3
Operating profit	7.3	0.0	7.3		27.7
Financial income	2.9	0.7	2.1	284.9	7.0
Financial expenses *)	-2.9	-6.3	3.5	-54.8	-18.4
Financial income and expenses, total	0.0	-5.6	5.6		-11.3
Profit before taxes	7.3	-5.5	12.8		16.4
Income taxes	-0.7	0.8	-1.6		-2.0
Net profit for the period	6.5	-4.7	11.3		14.4
Attributable to					
Equity holders of the parent company	6.4	-4.7			13.9
Non-Controlling interests	0.1	-0.1			0.5
Earnings per share attributable to equity holders of the parent company	0.09	-0.11			0.15
Earnings per share attributable to equity holders of the parent company (diluted)	0.09	-0.11			0.15
*) of which derivative expenses fair value revaluation	0.7	-4.3	0.0		-4.7

Statement of comprehensive income EUR million	1-3/ 2017	1-3/ 2016	1-12/ 2016
Net profit for the period	6.5	-4.7	14.4
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Financial assets available for sale	0.0	0.0	0.3
Income tax relaed to components of other comprehensive income	0.0	0.0	-0.1
Gains and losses arising from translating the financial statements of a foreign operation	1.2	0.7	3.8
Share of other comprehensive income of associated companies and joint ventures	7.6	0.2	11.4
Other comprehensive income for the period, net of tax	8.8	0.9	15.5
Total comprehensive income for the period	15.4	-3.8	29.9
Attributable to			
Equity holders of the parent company	15.3	-3.8	29.4
Non-Controlling interests	0.1	-0.1	0.5

3) Consolidated balance sheet

Consolidated balance sheet EUR million	31.3.17	31.3.16	change %	31.12.16
ASSETS				
Non-current assets				
Property, plant and equipment	11.7	11.9	-1.6	12.0
Goodwill	1.7	1.7	0.0	1.7
Other intangible assets	1.9	1.8	3.0	1.9
Shares in associated companies and joint ventures	223.6	206.1	8.5	211.5
Other financial assets	13.9	12.4	12.6	13.9
Receivables	0.0	1.3	-97.5	0.0
Loan receivables from associated companies and joint ventures	57.5	31.2	84.0	55.9
Deferred tax assets	9.9	8.6	14.3	9.2
Non-current assets, total	320.2	275.1	16.4	306.1
Current assets				
Inventories	447.0	364.8	22.5	400.3
Trade and other receivables	121.3	122.1	-0.7	116.6
Loan receivables from associated companies and joint ventures	0.0	1.1	-100.0	1.1
Current tax receivables (based on profit for the review period)	3.1	3.7	-14.6	3.9
Cash and cash equivalents	41.2	122.8	-66.5	54.6
Current assets, total	612.6	614.5	-0.3	576.4
ASSETS, TOTAL	932.9	889.6	4.9	882.5

Consolidated balance sheet EUR million	31.3.17	31.3.16	change,%	31.12.16
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company				
Share capital	3.1	3.1	0.0	3.1
Invested free equity fund	141.5	141.5	0.0	141.5
Translation differences	16.8	-6.3	-366.1	8.0
Fair value reserve	-1.1	-1.4	-19.2	-1.1
Hybrid bond	45.0	61.7	-27.1	45.0
Retained earnings	97.1	83.4	16.5	100.6
Equity attributable to equity holders of the parent company, total	302.4	281.9	7.3	297.1
Non-controlling interests	-1.7	0.7		-1.8
Total equity	300.8	282.7	6.4	295.3
Non-current liabilities				
Deferred tax liabilities	4.0	2.6	55.6	4.2
Provisions	7.7	6.1	25.5	7.8
Interest-bearing liabilities	275.2	247.4	11.2	227.2
Other liabilities	16.7	7.8	113.9	14.0
Non-current liabilities, total	303.6	263.9	15.0	253.2
Current liabilities				
Trade and other payables	243.8	214.3	13.8	253.4
Current tax payables (based on profit for the review period)	1.0	1.5	-32.9	0.0
Provisions	6.7	4.7	43.9	6.8
Interest-bearing liabilities	77.0	122.6	-37.2	73.7
Current liabilities, total	328.5	343.0	-4.2	334.0
Liabilities, total	632.1	607.0	4.1	587.2
EQUITY AND LIABILITIES, total	932.9	889.6	4.9	882.5

4) Consolidated cash flow statement EUR million	1-3/ 2017	1-3/ 2016	1-12/ 2016
Cash flows from operating activities			
Cash receipts from customers	221.0	134.3	881.6
Cash receipts from other operating income	0.7	0.2	2.1
Cash generated from operations	-261.2	-165.8	-838.9
Net cash before interests and taxes	-39.5	-31.3	44.8
Interests received and other financial income	0.3	0.1	0.2
Interests paid and other expenses from financial costs	-13.7	-0.6	-9.9
Income taxes paid	1.0	-0.8	-4.0
Cash flows from operating activities	-52.0	-32.8	31.1
Cash flow from investing activities			
Purchase of tangible and intangible assets	-0.6	-2.0	-5.4
Purchase of investments	0.0	0.2	-7.8
Increase in loan receivable from associated companies and joint ventures	-0.3	0.0	-30.7
Decrease in loan receivable from associated companies and joint ventures	0.0	4.5	4.5
Net cash used in investing activities	-0.9	2.7	-39.4
Cash flow from financing activities			
Proceeds from loans	56.6	100.0	171.4
Repayment of loans	-40.4	-1.2	-116.2
Proceeds from Hybrid bond	0.0	45.0	45.0
Repayment of hybrid bond	0.0	-28.3	-45.0
Hybrid bond costs	0.0	-1.3	-1.6
Hybrid bond intrests	-3.9	-1.8	-3.3
Change in housing corporation loans	32.1	-1.2	-16.8
Net change in short-term loans	0.7	6.6	0.1
Dividends paid	-6.0	0.0	-5.9
Net cash flow from financing activities	39.2	117.8	27.7
Net change in cash and cash equivalents	-13.8	87.8	19.5
Effect of exchange rate changes in cash and cash equivalents	0.4	0.0	0.1
Cash and cash equivalents at the beginning of period	54.6	35.0	35.0
Cash and cash equivalents at the end of period	41.2	122.8	54.6

5) Statement of changes in Group equity, 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
1 January- 31 March 2017 (EUR million)									
Equity 1 January 2017	3.1	141.5	45.0	8.0	-1.1	100.6	297.1	-1.8	295.3
Comprehensive income for the review period	0.0	0.0	0.0	8.8	0.0	6.4	15.3	0.1	15.4
Dividends paid	0.0	0.0	0.0	0.0	0.0	-6.0	-6.0	0.0	-6.0
Share-based incentive plan	0.0	0.0	0.0	0.0	0.0	-0.8	-0.8	0.0	-0.8
Purchase of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share issue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs related to share issue, tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid bond	0.0	0.0	0.0	0.0	0.0	-3.2	-3.2	0.0	-3.2
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity on 31 March 2017	3.1	141.5	45.0	16.8	-1.1	97.1	302.4	-1.7	300.8
1 January- 31 March 2016 (EUR million)									
Equity 1 January 2016	3.1	141.2	45.0	-7.2	-1.4	95.7	276.4	0.8	277.2
Comprehensive income for the review period	0.0	0.0	0.0	0.9	0.0	-4.7	-3.8	-0.1	-3.8
Dividends paid	0.0	0.0	0.0	0.0	0.0	-5.9	-5.9	0.0	-5.9
Share-based incentive plan	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.0	0.1
Purchase of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share issue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs related to share issue, tax	0.0	0.3	0.0	0.0	0.0	0.0	0.3	0.0	0.3
Hybrid bond	0.0	0.0	16.7	0.0	0.0	-1.8	14.9	0.0	14.9
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity on 31 March 2016	3.1	141.5	61.7	-6.3	-1.4	83.4	282.0	0.7	282.7
1 January- 31 December 2016 (EUR million)									
Equity 1 January 2016	3.1	141.2	45.0	-7.2	-1.4	95.7	276.4	0.8	277.2
Comprehensive income for the review period	0.0	0.0	0.0	15.2	0.3	13.9	29.4	0.5	29.9
Dividends paid	0.0	0.0	0.0	0.0	0.0	-6.0	-6.0	0.0	-6.0
Share-based incentive plan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share issue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs related to share issue, tax	0.0	0.3	0.0	0.0	0.0	0.0	0.3	0.0	0.3
Hybrid bond	0.0	0.0	0.0	0.0	0.0	-3.1	-3.1	0.0	-3.1
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-3.1	-3.1
Equity on 31 December 2016	3.1	141.5	45.0	8.0	-1.1	100.6	297.1	-1.8	295.3

6) Commitments and contingent liablilities

Collateral given for own liabilities (EUR million)	31.3.17	31.3.16	change %	31.12.16
Real estate mortgages given [1)]	110.2	89.9	22.5	70.8
Other commitments				
Investment commitments given	31.2	47.6	-34.5	31.2
Plots purchase commitments	31.3	114.5	-72.6	37.9
Contingent liabilities (rented plots)	84.1	5.6	1392.6	59.8

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

Fair and nominal values of derivative instruments (EUR million)	3/2017 Fair value		3/2016 Fair value		12/2016 Fair value	
	Posit.	Negat.	Posit.	Negat.	Posit.	Negat.
Hedge accounting not applied						
Foreign exchange forward contracts	0.0	0.0	0.0	0.0	0.0	4.4
Interest rate swaps	0.0	7.3	0.0	7.6	0.0	0.0

	3/2017	3/2016	12/2016
Nominal values of derivative instruments			
Foreign exchange forward contracts	0.0	0.0	37.0
Interest rate swaps	100.0	100.0	0.0

7) Group and Segment Information

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

Group and Segment information

Revenue EUR million	1-3/ 2017	1-3/ 2016	change, MEUR	change %	1-12/ 2016
Operations in Finland	219.3	131.5	87.8	66.8	832.2
International operations	4.4	12.4	-7.9	-64.1	52.4
Other operations	4.4	4.0	0.5	11.9	15.9
Eliminations	-4.5	-4.0	-0.4		-16.3
Group, total	223.7	143.8	79.9	55.5	884.1

Operation profit EUR million	1-3/ 2017	1-3/ 2016	change, MEUR	change %	1-12/ 2016
Operations in Finland	5.0	2.2	2.8	123.2	38.3
International operations	3.2	-1.1	4.2		-4.2
Other operations	-0.8	-1.1	0.3		-6.4
Eliminations	0.0	0.0	0.0		0.0
Group, total	7.3	0.0	7.3		27.7

Operating profit, %	1-3/ 2017	1-3/ 2016
Operations in Finland	2.3	1.7
International Operations	71.3	-8.6
Group, total	3.3	0.0

Assets EUR million	31.3.2017	31.3.2016	change MEUR	change, %	31.12.2016
Operations in Finland	578.2	515.5	62.7	12.2	569.2
International operations	303.3	246.0	57.3	23.3	288.0
Other Operations	463.2	524.9	-61.8	-11.8	502.7
Eliminations and other adjustments	-411.7	-396.8	-15.0		-477.4
Group, total	932.9	889.6	43.2	4.9	882.5

Liabilities EUR million	31.3.2017	31.3.2016	change MEUR	change, %	31.12.2016
Operations in Finland	359.8	364.7	-4.9	-1.3	353.9
International operations	173.2	175.0	-1.8	-1.0	175.9
Other Operations	255.7	294.0	-38.3	-13.0	279.8
Eliminations and other adjustments	-156.7	-226.8	70.1		-222.4
Group, total	632.1	607.0	25.2	4.1	587.2

Invested capital EUR million	31.3.2017	31.3.2016	change MEUR	change, %	31.12.2016
Operations in Finland	342.9	324.6	18.3	5.6	333.0
International operations	270.1	217.4	52.7	24.3	250.8
Other Operations	40.0	110.7	-70.8	-63.9	12.4
Group, total	653.0	652.7	0.3	0.0	596.2

Return on investment %	31.3.2017	31.3.2016	change MEUR	change, %	31.12.2016
Operations in Finland	6.5	3.0	3.6	120.6	12.0
International operations	8.6	-0.8	9.4		0.9
Group, total	6.5	0.5	6.0	1 156.2	6.1

8) Inventories EUR million	31.3.2017	31.3.2016	change MEUR	31.12.2016
Land areas and plot-owning companies	212.0	192.1	19.9	183.7
Operations in Finland	120.5	120.7	-0.3	95.2
International operations	91.6	71.4	20.2	88.5
Work in progress	199.3	125.2	74.1	170.3
Operations in Finland	190.7	122.2	68.5	162.2
International operations	8.6	3.0	5.5	8.2
Shares in completed housing corporations and real estate companies	29.0	39.3	-10.3	38.3
Operations in Finland	29.0	38.9	-10.0	38.1
International operations	0.1	0.4	-0.3	0.2
Other inventories	6.7	8.2	-1.5	7.9
Operations in Finland	6.5	6.7	-0.2	7.8
International operations	0.1	1.5	-1.3	0.2
Inventories, total	447.0	364.8	82.2	400.3
Operations in Finland	346.7	288.6	58.1	303.3
International operations	100.3	76.3	24.1	97.0

9) Related party transactions

EUR million	Salaries and compensation	Sale of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities
31.3.17						
Management and the Board of Directors	1.5	0.0	0.0	0.0	0.0	0.0
Joint ventures	0.0	39.7	0.0	0.5	17.2	0.0
Associated companies	0.0	3.4	0.0	0.7	52.6	0.7
Other related parties	0.0	0.0	0.0	0.0	0.0	0.0
Total	1.5	43.1	0.0	1.2	69.8	0.7

31.3.16	Salaries and compensation	Sale of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities
Management and the Board of Directors	0.7	0.0	0.0	0.0	0.0	0.0
Joint ventures	0.0	20.4	0.0	0.0	1.6	0.0
Associated companies	0.0	3.9	0.0	0.4	38.6	4.8
Other related parties	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.7	24.2	0.0	0.5	40.2	4.8

31.12.16	Salaries and compensation	Sale of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities
Management and the Board of Directors	3.5	0.0	0.0	0.0	0.0	0.0
Joint ventures	0.0	123.1	0.0	0.7	19.0	0.2
Associated companies	0.0	53.6	0.0	2.3	48.7	1.0
Other related parties	0.0	0.0	0.0	0.0	0.0	0.0
Total	3.5	176.7	0.0	3.0	67.8	1.2