SRV'S INTERIM REPORT, 1 JANUARY–30 JUNE 2017

Revenue grew 40 per cent, weakening of the rouble significantly decreases earnings

SRV Group Plc changes its outlook for operating profit and introduces the concept of operative operating profit in order to improve comparability

January-June 2017 in brief:

- Revenue increased to EUR 508.5 (362.4 1−6/2016) million (up 40%). Revenue growth was seen particularly in business and housing construction in Operations in Finland.
- Operative operating profit* amounted to EUR 5.5 (4.2) million (up 33%). Revenue growth in Operations in Finland and the recognition of more developer-contracted housing than in the comparison period had a favourable impact on the operating profit. Operative operating profit was weakened by a rise in the costs of certain projects that are under construction and the cost impact of one project that has already been completed.
- The rouble exchange rate has fluctuated significantly. The most significant item affecting the result is euro-denominated project loans of associated companies in Russia. At the end of the reporting period the loans are converted into euros, which creates a calculated currency exchange differences to the line *Percentage of associated companies' profits*. The difference has no impact on cash flow.
- Operating profit decreased to EUR -2.0 (4.1) million. Operating profit was weakened by the decline in the result of International Operations to EUR -10.8 (-2.5) million. The result of International Operations was impacted above all by the change in the rouble exchange rate (effect: EUR -7.6 million)
- The result before taxes was EUR -8.0 (-7.0) million. The result for the comparison period was weakened by a EUR -6.6 million fair value revaluation of a ten-year interest rate hedge.
- Earnings per share were EUR -0.17 (-0.15).
- At period-end, the order backlog stood at EUR 1,594.6 (2,021.6) million. During the comparison period, the Nova Hospital in Central Finland was recorded in the order backlog. In addition, agreements for several new larger-scale projects valued at a total of over half a billion euros were signed in January-June this year, and these will be included in the order backlog towards next year.
- SRV's equity ratio was 33.5 (36.9) and gearing was 114.4 (103.1) per cent. The weaker exchange rate of the rouble contributed to the change in the equity ratio.

April-June 2017 in brief:

- Revenue increased to EUR 284.8 (218.5) million. Revenue growth was seen in Operations in Finland, while the revenue of International Operations declined, as expected.
- Operative operating profit decreased to EUR 2.8 (4.1) million. Operative operating profit was weakened by a rise in the costs of certain projects that are under construction and the cost impact of one project that has already been completed.
- The rouble exchange rate has fluctuated significantly. The most significant item affecting the result is euro-denominated project loans of associated companies in Russia. At the end of the reporting period the loans are converted into euros, which creates a calculated currency exchange differences to the line *Percentage of associated companies' profits*. The difference has no impact on cash flow.
- Operating profit decreased to EUR -9.3 (4.1) million. Earnings were impacted by the result of International Operations, which weakened to EUR -14.0 million due to the rouble exchange rate.

**In order to improve comparability in the case of actual earnings, as from 20th of July SRV has adopted the new concept of "operative operating profit. It 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.*

- The result before taxes was EUR -15.3 (-1.5) million. The result for the comparison period was burdened by a EUR -2.3 million fair value revaluation of interest rate derivatives.
- Earnings per share were EUR -0.26 (-0.04).

Events after the period

- On 4 July 2017, SRV signed a contractor agreement with the property management centre of the City of Helsinki for the construction of the Jätkäsaari elementary school. The project is valued at around EUR 23 million. SRV is serving as the project management contractor. Construction will begin in autumn 2017 and the school will be completed in autumn 2019.

Outlook for 2017

- Full-year consolidated revenue for 2017 is expected to grow compared with 2016 (revenue EUR 884 million). If the rouble exchange rate remains at the level prevailing the end of the second quarter 2017, operating profit is expected to weaken, but operative operating profit to improve, compared with 2016 (operating profit EUR 27.7 million and operative operating profit EUR 26.3 million). A profitability level in accordance with strategy will not be attained, however, until the end of the strategy period 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 in line with expectations in many ways. We're currently working on more than eighty construction sites in growth centres around Finland, both on large projects that will take many years to complete and smaller projects. Our good speed is also reflected in our revenue, which is continuing to grow in accordance with our plans, above all thanks to Operations in Finland.

With respect to operating profit, we are far from our objectives. The changes in the rouble exchange rate alone, which have no cash flow impact, knocked almost EUR 8 million off our earnings for the first part of the year. Due to the uncertainty of the ruble exchange rate, we decided to change our outlook for operating profit in 2017. However, the operative operating profit is expected to improve. In this interim report, we are for the first time introducing the concept of operative operating profit, which describes our actual business situation exclusive of currency exchange rate impacts. This is intended to better highlight our performance in actual business operations. The operative operating profit for the first part of the year was EUR 5.5 million, which is not at the desired level, either.

A year ago, the order backlog rose to over two billion euros for the first time in our history. In the comparison period, for example the Nova Hospital in Central Finland was recorded in the order backlog. We will not quite reach that level this year, but the current level is still excellent. Our order backlog grew with many new projects and we also signed new agreements valued at over half a billion euros, which will be *included in our order backlog next year. These include Siltasairaala Hospital in Helsinki and the extension of Terminal 2 of Helsinki Airport, to name but two. Siltasairaala is another demonstration of our success in establishing ourselves as a leading expert in demanding hospital construction, and our expertise will continue to be in demand.*

In the second quarter, we handed over several projects, such as the Niitty shopping centre in Espoo and HKScan's new chicken processing facility in Rauma. The trend in our housing construction is also delightful. We predict that we will recognise more than 800 housing units as revenue this year, and currently have over 3,000 homes under construction. At the same time, the housing sales figures look excellent. We had sold over 800 residential units by June, more than three times as many as in June last year. The number of housing start-ups in January-June was also high, close to 600 units, much more than in 2016 as a whole. This serves to safeguard our operations in 2018 and keeps us in the top ranks of the largest housing constructors in the Helsinki metropolitan area.

Work will continue in line with our plans during the rest of the year. For instance, work at REDI has progressed to the point that there is a little bit over a year left until the opening of the shopping centre. Construction of the tallest residential tower in Espoo is now in the finishing phase in Niittykumpu, and tunnelling works on Ring Road 1 in Keilaniemi are progressing at a rapid clip. In the case of project development, the company has the greatest expectations for the Tampere Central Deck and Arena project, for which a final decision is expected to be made in the latter part of the year. SRV also faces challenges, especially with respect to profitability and fluctuations in currency exchange rates. Furthermore, the general cost level has shown signs of increasing for a while now, and the overheating of the construction industry is evident above all in the scarcity of salaried employee resources. We are well aware of these issues and in the latter part of the year will make a concerted effort to steer the company towards our targets.

Juha Pekka Ojala, President and CEO

Overall review

Group key figures (IFRS, EUR million)	**1–6/ 2017**	1–6/ 2016	change	change, %	**4–6/ 2017**	4–6/ 2016	1–12/ 2016	previous 12 mo.
Revenue	**508.5**	362.4	146.2	40.3	**284.8**	218.5	884.1	1,030.3
Operative operating profit*)	**5.5**	4.2	1.4	33.1	**2.8**	4.1	26.3	27.7
Operative operating profit, %	**1.1**	1.1			**1.0**	1.9	3.0	2.7
Operating profit	**-2.0**	4.1	-6.2		**-9.3**	4.1	27.7	21.5
Operating profit, %	**-0.4**	1.1			**-3.3**	1.9	3.1	2.1
Financial income and expenses, total**)	**-6.0**	-11.1	5.1		**-6.0**	-5.6	-11.3	-6.2
Profit before taxes	**-8.0**	-7.0	-1.0		**-15.3**	-1.5	16.4	15.3
Order backlog	**1,594.6**	2,021.6	-427.0	-21.1			1,758.5	
New agreements	**295.9**	775.1	-479.2	-61.8	**140.5**	648.6	1,013.1	534.0
Net profit	**-8.9**	-6.0			**-15.5**	-1.2	14.4	11.4
Net profit, %	-1.8	-1.6			-5.4	-0.6	1.6	1.1
*) net effect of currency exchange fluctuations	**-7.6**	0.0	-7.5		**-12.1**	0.0	1.3	-6.2
**) of which derivative expenses fair value revaluation	**1.0**	-6.6	8.1		**0.6**	-2.3	-4.7	3.0

*Operative operating profit is determined by deducting the calculated currency exchange differences included in financial items in Russian operations and their potential hedging impacts from operating profit. Exchange rate differences during the review period amounted to EUR -6.9 (0.0) million and hedging expenses to EUR -0.7 (0.0) million.

January-June 2017

The Group's revenue rose by 40.3 per cent to EUR 508.5 (362.4) million. Particularly good growth was seen in business and housing construction in Operations in Finland. Major business premises projects agreed on and started in 2016 have entered the construction phase and are now generating revenue. The recognition of income from significantly more developer-contracted housing units in the first half of the year than in the comparison period, a total of 250 (84), also contributed to revenue growth.

Operative **operating profit** amounted to EUR 5.5 (4.2) million. Growth in revenue from Operations in Finland had a positive impact on the operative operating profit. More developer-contracted housing was recognised as income than during the comparison period, and this also improved operative operating profit. Significantly more developer-contracted housing was also recognised as income than during the comparison period, 250 (84). Operative operating profit was weakened by a rise in the costs of certain projects that are under construction and the cost impact of another project that has already been completed.

The Group's operating profit declined to EUR -2.0 (4.1) million. Operating profit from International Operations totalled EUR -10.8 (-2.5) million. Operating profit from International Operations was weakened particularly by the weaker rouble exchange rate, which had an impact of EUR -7.6 million on operating profit. The exchange rate impact is primarily caused by the conversion of euro-denominated loans to roubles. Exchange rate differences vary in each financial statement in line with fluctuations in the exchange rate of the rouble. The difference has no impact on cash flow.

The consolidated order backlog stood at EUR 1,594.6 (2,021.6) million. In the comparison period, the Nova Hospital in Central Finland was recorded in the order backlog. Several new agreements valued at a total of almost EUR 300 million were signed during the January-June this year. In addition, many other new projects valued at a total of more than half a billion euros will be included in the backlog. These include the Siltasairaala hospital in Helsinki, the expansion of Helsinki Airport and the renovation of its Terminal 2. Siltasairaala will be included in the order back at the beginning of 2018 and the renovation of Terminal 2 in the second half of the year.

The Group's profit before taxes totalled EUR -8.0 (-7.0) million.

The Group's earnings per share were EUR -0.17 (EUR -0.15). 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 33.5 (36.9) per cent and gearing at 114.4 (103.1) per cent. The weaker exchange rate of the rouble contributed to the change in the equity ratio.

Group key figures (IFRS, EUR million)	**1–6/ 2017**	1–6/ 2016	change	change, %	1–12/ 2016
Equity ratio, %	**33.5**	36.9			38.3
Net interest-bearing debt	**310.3**	291.2	19.1	6.6	246.3
Gearing ratio, %	**114.4**	103.1			83.4
Return on investment, %	**-0.5**	1.9			6.1
Return on equity, %	**-6.3**	-4.3			5.0
Earnings per share, EUR *)	**-0.17**	-0.15	-0.02	13.6	0.15
Equity per share, EUR *)	**3.84**	3.71	0.13	3.5	4.25
Share price at end of period, EUR	**4.99**	4.00	0.99	24.8	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)	**1–6/ 2017**	1–6/ 2016	change	change, %	**4–6/ 2017**	4–6/ 2016	1–12/ 2016	previous 12 mo.
Operations in Finland	**497.1**	331.9	165.2	49.8	**277.8**	200.4	832.2	997.4
International Operations	**11.4**	30.8	-19.3	-62.9	**7.0**	18.4	52.4	33.0
Other operations	**8.9**	7.9	1.0	12.1	**4.4**	4.0	15.9	16.9
Eliminations	**-8.9**	-8.3	-0.6		**-4.5**	-4.3	-16.3	-17.0
Group, total	**508.5**	362.4	146.2	40.3	**284.8**	218.5	884.1	1,030.3

Operative operating profit (EUR million)	**1–6/ 2017**	1–6/ 2016	change	change, %	**4–6/ 2017**	4–6/ 2016	1–12/ 2016	previous 12 mo.
Operations in Finland	**11.7**	9.8	1.8	18.6	**6.7**	7.6	38.3	40.1
International Operations*)	**-3.2**	-2.5	-0.7		**-1.8**	-1.5	-5.5	-6.2
Other operations	**-2.9**	-3.2	0.3		**-2.1**	-2.0	-6.4	-6.2
Eliminations	**0.0**	0.0	0.0		**0.0**	0.0	0.0	0.0
Group, total*)	**5.5**	4.2	1.4	33.1	**2.8**	4.1	26.3	27.7
*) effect of currency exchange fluctuations	**-7.6**	0.0	-7.5		**-12.1**	0.0	1.3	-6.2

Operative operating profit (%)	**1–6/ 2017**	1–6/ 2016	**4–6/ 2017**	4–6/ 2016	1–12/ 2016	previous 12 mo.
Operations in Finland	**2.3**	3.0	**2.4**	3.8	4.6	4.0
International Operations	**-28.1**	-8.1	**-26.1**	-7.9	-10.5	-18.8
Group, total	**1.1**	1.1	**1.0**	1.9	3.0	2.7

Operating profit (EUR million)	**1–6/ 2017**	1–6/ 2016	change	change, %	**4–6/ 2017**	4–6/ 2016	1–12/ 2016	previous 12 mo.
Operations in Finland	**11.7**	9.8	1.8	18.6	**6.7**	7.6	38.3	40.1
International Operations	**-10.8**	-2.5	-8.3		**-14.0**	-1.5	-4.2	-12.4
Other operations	**-2.9**	-3.2	0.3		**-2.1**	-2.0	-6.4	-6.2
Eliminations	**0.0**	0.0	0.0		**0.0**	0.0	0.0	0.0
Group, total	**-2.0**	4.1	-6.2		**-9.3**	4.1	27.7	21.5

Operating profit (%)	**1–6/ 2017**	1–6/ 2016	**4–6/ 2017**	4–6/ 2016	1–12/ 2016	previous 12 mo.
Operations in Finland	**2.3**	3.0	**2.4**	3.8	4.6	4.0
International Operations	**-94.5**	-8.2	**-199.6**	-8.0	-7.9	-37.6
Group, total	**-0.4**	1.1	**-3.3**	1.9	3.1	2.1

Order backlog (EUR million)	**6/2017**	6/2016	change, %	12/2016
Operations in Finland	**1,570.7**	1,972.6	-20.4	1,726.1
International Operations	**23.9**	49.0	-51.3	32.4
Group, total	**1,594.6**	2,021.6	-21.1	1,758.5
- sold order backlog	1,309	1,720	-23.9	1,482
- sold order backlog, %	82	85		84
- unsold order backlog	286	301	-5.2	276

Operations in Finland

Operations in Finland (EUR million)	**1-6/ 2017**	1-6/ 2016	change	change, %	**4-6/ 2017**	4-6/ 2016	1-12/ 2016	previous 12 mo.
Revenue	**497.1**	331.9	165.2	49.8	**277.8**	200.4	832.2	997.4
- business construction	**345.5**	250.7	94.8	37.8	**181.1**	143.8	559.5	654.3
- housing construction	**151.6**	81.3	70.4	86.6	**96.8**	56.6	272.7	343.1
Operating profit	**11.7**	9.8	1.8	18.6	**6.7**	7.6	38.3	40.1
Operating profit, %	**2.3**	3.0			**2.4**	3.8	4.6	4.0
Order backlog	**1,570.7**	1,972.6	-401.9	-20.4			1,726.1	
- business construction	**950.0**	1,426.6	-476.6	-33.4			1,163.5	
- housing construction	**620.7**	546.0	74.7	13.7			562.6	

Business environment in Finland

Although the European economy is continuing to grow, significant financial and political uncertainty factors in several countries, both inside the Euro zone and elsewhere, are continuing to pose risks in development. The Finnish economy is seeing broad-scale recovery. Exports and industrial investments have increased, supporting the growth started by domestic consumption and construction. GDP is expected to grow by 2–3 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 in Finland might 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 retail and office construction. The trend in industrial construction is falling slightly short of expectations. 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-June 2017

SRV's **revenue** from housing construction in Finland totalled EUR 151.6 (81.3) million in the January–June period. The recognition of income from a significantly higher number of completed developer-contracted housing units had by far the greatest impact on revenue. In January-June, almost three times as many housing units, a total of 250 (84), were recognised as income than in the comparison period of the previous year. The **order backlog** for housing construction in Finland was EUR 620.7 (546.0) million. The order backlog rose slightly and remains at a high level.

April-June 2017

SRV's **revenue** from housing construction in Finland in April-June amounted to EUR 96.8 (56.6) million. The recognition of income from 174 (58) developer-contracted housing units had by far the greatest impact on increasing revenue. The **order backlog** for housing construction in Finland rose to EUR 620.7 (546.0) million.

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. A total of 3,098 (2,082) housing units are currently under construction in Finland, mostly in growth centres.

One of SRV's strategic targets is to increase its developer-contracted housing production. A total of 1,171 (1,005) developer-contracted housing units were under construction at the end of June. 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 the continuation of high investor demand. At the end of June, a total of 997 (278) units were under construction for investors, which is almost three 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. Sales of slightly under 400 housing units were agreed upon in the second quarter. 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 263 (83) developer-contracted housing units were completed during the January–June period. At the time of writing, 124 (106) completed housing units remained unsold. Housing sales were very strong in the first half of the year. By June, a total of 831 units had already been sold, more than three times as many as in the comparison period of the previous year (244). Unsold units mainly consist of individual apartments at different sites in Tampere, Turku, Helsinki, and Espoo.

Housing units recognised as income

In the January–June period, 250 (84) developer-contracted housing units were recognised as income, which is almost three times more than in the comparison period, generating total revenue of EUR 74 (22) 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.

Future housing units

SRV assesses the market demand for a future housing project with advance marketing. At this stage, preliminary apartment-specific information on the future project is available, but the actual start-up decision will only be made on the basis of the advance marketing phase. By the end of June, start-up decisions had been made on 423 RS housing units (i.e. units under the scope of the RS system, which protects the interests of homebuyers in the construction phase). Units will be built in Espoo, Vantaa, Kerava, Helsinki, Tampere, Turku and Joensuu. Such units are recognised as revenue when they have been completed and sold.

In addition to start-up decisions, in the first half of the year SRV has made plot reservations for upcoming projects. In June, SRV signed a preliminary agreement to acquire the entire share capital of Kalevala Kartano Oy. Kalevala Kartano owns a plot on Strömbergintie 4 in Pitäjänmäki, Helsinki, on which SRV plans to build three apartment buildings with 170 housing units.

Housing construction in Finland (units)	**1–6/ 2017**	1–6/ 2016	change, units	**4–6/ 2017**	4–6/ 2016	1–12/ 2016	previous 12 mo.
Units sold, total	**831**	244	587	**475**	151	1,260	1,847
- developer contracting	**526**	193	333	**260**	100	509	842
- investor sales [2]	**305**	51	254	**215**	51	751	1,005
Developer contracting							
- start-ups	**598**	203	395	**316**	148	454	849
- completed	**263**	83	180	**221**	53	503	683
- recognised as income	**250**	84	166	**174**	58	499	665
- completed and unsold [1]	**124**	106	18			111	
Under construction, total [1]	**3,098**	2,082	1,016			2,696	
- contracts [1]	**458**	138	320			441	
- negotiated contracts [1]	**472**	661	-189			441	
- sold to investors [1] [2]	**997**	278	719			978	
- developer contracting [1]	**1,171**	1,005	166			836	
- sold [1]	**720**	543	177			444	
- unsold [1]	**451**	462	-11			392	
- of which sold, % [1]	**61**	54				53	
- of which unsold, % [1]	**39**	46				47	

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

Order backlog, housing construction in Finland (EUR million)	**6/2017**	6/2016	change	1–12/ 2016
Contracts and negotiated contracts	**166**	107	59	193
Under construction, sold developer contracting	**180**	150	30	105
Under construction, unsold developer contracting	**232**	251	-20	222
Completed and unsold developer contracting	**43**	37	5	43
Housing construction, total	**621**	546	75	563

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 188 apartments had been sold at the end of June. In practice, this means that Majakka apartments have been sold to those in the reservation queue at a rate of about 30 per month.

The construction of Majakka's tower section is ongoing. 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.

Building permit planning for Loisto, the second REDI residential tower, is under way.

The largest developer-contracted housing projects under construction in Finland

Project name, location	SRV, contract value, EUR million	Completion date (estimated)*	Units	Sold*	For sale*
REDIn Majakka, Helsinki	106	Q2/2019	282	188	94
Niittyhuippu, Espoo	57	Q4/2017	200	182	18
Satamarannan Masto, Oulu	21	Q4/2017	100	65	35
Espoon Piruetti	31	Q1/2019	113	23	90
Starlet, Vantaa Tikkurila	14	Q4/2018	55	0	55

*Situation as of 30 June 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	**	34	Q1/2018
Suurpellon Puistokatu, Espoo	**	73	Q1/2018
Vantaan Neilikkatie, Ilmarinen	**	40	Q2/2018
Keravan Orno, Ilmarinen	**	45	Q2/2018
Vantaan Hernetie, OP	**	40	Q2/2018
Helsingin Välimerenkatu 10, Ilmarinen	**	30	Q3/2018
Aleksinkulma and park in Kerava, Etera	**	7	Q1/2019
Suurpellon Puistokatu D, Espoo, TA	**	25	Q3/2018
HOAS Kumpula, Helsinki	**	12	Q3/2018
Total value of projects approx. EUR 180 million			

*Situation as of 30 June 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-June 2017

SRV's **revenue** from business construction totalled EUR 345.5 (250.7) million, and the **order backlog** stood at EUR 950.0 (1,426.6) million. During the second quarter, agreements were signed for the Siltasairaala hospital in Helsinki, the expansion of Helsinki Airport and the renovation of its Terminal 2. These projects will be included in the order backlog later next year.

The greatest contribution to year-on-year 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, and the New Children's Hospital in Helsinki. Revenue from hospital projects accounts for 15 per cent of consolidated revenue. Revenue has also increased in renovation and refurbishment projects in particular, such as the renovation of the Helsinki City Theatre as well as an administrative building for the University of Helsinki. Revenue from renovation has seen year-on-year growth of more than 40 per cent.

SRV's infrastructure construction has bolstered its position in Operations in Finland. For example, SRV is currently implementing the Ring Road I project, 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 also boosted infrastructure construction.

SRV's shopping centre development projects also generated revenue growth in Operations in Finland during the January–June period. SRV is currently building the REDI shopping centre in Helsinki and Karuselli shopping centre in Kerava. The Niitty shopping centre in Espoo, completed in June, also contributed to revenue.

SRV currently has five alliance projects whose revenue amounts to about 10 per cent of the total revenue from business construction. These projects provide additional earnings potential over and above the ordinary profit margin. In practice, SRV can gain additional earnings if the project is completed for less than the target price and under schedule, and it fulfils the quality criteria.

April-June 2017

SRV's **revenue** from business construction totalled EUR 181.1 (143.8) million, and the **order backlog** declined to EUR 950.0 (1,426.6) million. Growth in revenue was driven particularly by renovation and hospital construction.

REDI shopping centre

The REDI shopping centre is an SRV development project. In addition to SRV, the investor group includes Ilmarinen, OP Group and LocalTapiola. In this project, construction is proceeding on schedule. The REDI shopping centre will open in autumn 2018 and leasing is also proceeding as planned. There are already binding lease agreements for about 60 per cent 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. In June 2017, it was announced that Cinamon, a cinema chain operating in the Baltic countries, will venture into Finland for the first time by opening a five-screen movie theatre in the REDI shopping and experience centre. Cinamon has made an agreement to lease approximately 2,400 m^2 in REDI's entertainment world. 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. Niitty shopping centre opened in June and all of its premises have been leased. The first residential buildings will be completed towards the end of the year. 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

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 as project management consultant are ongoing, and their content and schedule will be specified later.

The largest ongoing business construction projects

Project, location	SRV total contract value, EUR million	Project type	Completion level, %	Completion date (estimated)
DEVELOPMENT PROJECTS				
REDI, shopping centre and parking facility, Helsinki	390	Retail, parking	65	Q3/2018
TeHyKe, Kalasatama, Helsinki	*	Public services	71	Q4/2017
Aleksintori/Karuselli, Kerava	*	Retail	16	Q4/2018
BUSINESS PREMISES				
Nova Hospital Jyväskylä	290	Public	8	Q3/2020
TAYS Etupiha, Tampere	170	Public	33	Q2/2019
Tapiola city centre (Phase 2), Espoo	100 +	Retail	3	Q1/2020
Aalto University, Espoo	76	Public	37	Q2/2018
Ring Road I, Keilaniemi, Espoo	49	Public	45	Q4/2018
Kaitaa metro station excavation, Espoo	32	Public	73	Q2/2018

Renovation of Lappeenranta University	31	Public	46	Q4/2018
Court and police building, Joensuu	30	Public	95	Q3/2017
Renovation of an administrative building for the University of Helsinki	*	Public	77	Q3/2017
HDC Teliasonera, Helsinki	*	Industry	50	Q1/2018
New Children's Hospital, Helsinki	*	Public	71	Q4/2017-Q2/2018
Autokeskus Konala, Helsinki	*	Industry	2	Q2/2019

Situation as of 30 June 2017
*The value of individual contracts has not been made public.

Business premises projects that have not yet been included in the order backlog

Project, location	SRV total contract value, EUR million	Project type	Agreement status	In order backlog (estimate)
BUSINESS PREMISES				
Jätkäsaari school	24	Public	Contract signed on 4 July 2017	Q3/2017
Siltasairaala hospital, Helsinki	230	Public	Project management contractor agreement signed 6/2017. Construction of the project will begin once a separate construction decision is made after the development phase, which lasts until 12/2017.	Q1/2018
Expansion of the Helsinki Airport and renovation of Terminal 2, Vantaa	*	Commercial	SRV has been selected to participate in an alliance contract to carry out alteration works in the area in front of Terminal 2 (T2) at the Helsinki Airport (6/2017). The plans will be implemented if Finavia decides to go ahead with the investment.	Q3/2018

**It is intended that the project development phase and its implementation, if greenlit, will be carried out using the alliance model, which has become common in Finland. The total value of the project will be determined during the development phase.*

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. Russia's GDP is growing, but at a slow rate. The Bank of Finland Institute for Economies in Transition BOFIT predicts that Russia's GDP will swing to growth of 1.5 per cent this year, supported by the higher price of oil. Growth is driven by domestic private demand, and imports are also recovering after having plummeted. Russia's growth is expected to continue to be slow in the next few years, as the economy is already at the limits of its capacity, and the required structural reforms are not on the horizon. In the short term, the price of oil poses the key risk to economic development, as its variations may slow down or accelerate growth compared to the forecast.

Although favourable developments in the price of oil have strengthened the Russian economy, oil price fluctuations and geopolitical tensions continue to cause uncertainty. (Source: Bank of Finland Institute for Economies in Transition BOFIT). In 2016, the average annual exchange rate of the Russian rouble was RUB 74.14 to EUR 1. At the beginning of January 2017, the exchange rate was about RUB 63.49, while at the end of March it was RUB 59.9; that is, the rouble strengthened by 5.52 per cent from the beginning of the year. At the end of June, the rouble to euro exchange rate weakened to 67.5. As from the beginning of the year, the rouble had weakened by -6.47 per cent. The change in the rouble exchange rate in the second quarter was -12.7 per cent.

SRV has three major shopping centres in Russia, all of which are up and running. Okhta Mall and Pearl Plaza are located in St Petersburg, and 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.

International Operations (EUR million)	**1–6/ 2017**	1–6/ 2016	change	change, %	**4–6/ 2017**	4–6/ 2016	1–12/ 2016	previous 12 mo.
Revenue	**11.4**	30.8	-19.3	-62.9	**7.0**	18.4	52.4	33.0
Percentage of associated companies' profits	**-9.0**	-1.9	-7.1		**-13.5**	-1.0	8.0	0.9
- of which exchange rate gains/losses	**-6.9**	0.0	-6.9		**-12.3**	0.0	10.1	3.3
Hedging expenses	**-0.7**	0.0	-0.7		**0.2**	0.0	-8.8	-9.5
Operative operating profit *)	**-3.2**	-2.5	-0.7		**-1.8**	-1.5	-5.5	-6.2
Operative operating profit, %	**-28.1**	-8.1			**-26.1**	-7.9	-10.5	-18.8
Operating profit	**-10.8**	-2.5	-8.3		**-14.0**	-1.5	-4.2	-12.4
Operating profit, %	**-94.5**	-8.2			**-199.6**	-8.0	-7.9	-37.6
Order backlog	**23.9**	49.0	-25.1	-51.3			32.4	

*) net effect of currency exchange fluctuations	**-7.6**	0.0	-7.5	**-12.1**	0.0	1.3	-6.2

January-June 2017

Revenue from International Operations in January-June decreased to EUR 11.4 (30.8) million and accounted for 2 (8) per cent of the Group's revenue. This decrease was expected, as the bulk of the revenue of International Operations in the comparison period was 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-June mainly comprises finishing work for 4Daily and interior decoration for tenant premises in the Okhta Mall.

The **operative operating profit** of International Operations declined to EUR -3.2 (-2.5) million. The occupancy rates of the shopping centres owned by associated companies improved, but earnings were burdened by the fact that early-stage expenses after opening were higher than income. In June 2016, only one shopping centre was in operation, while two others were still under construction.

Operating profit from International Operations decreased to EUR -10.8 (-2.5) million. Operating profit was decreased particularly by the weaker rouble exchange rate, which had an impact of EUR -7.6 million on operating profit. The exchange rate impact is primarily caused by the conversion of euro-denominated loans to roubles. Exchange rate differences that have no impact on cash flow vary in each financial statement in line with fluctuations in the exchange rate of the rouble. 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 in September 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 -9.0 (-1.9) million. A weaker rouble exchange rate was the main reason for the lower profits generated by associated companies. On the other hand, a positive aspect of the results of the associated companies is that the operating result of the associated company that owns Pearl Plaza has improved thanks to, for instance, lease agreements that have been renewed under better terms.

The **order backlog** for International Operations fell to EUR 23.9 (49.0) million as no new projects were launched. Planning for new projects is, however, ongoing.

April-June 2017

The revenue of International Operations in April-June declined to EUR 7 (18.4) million. Operating profit was EUR -14.0 (-1.5) million. Operating profit was impacted particularly by the weaker rouble, which had an impact of EUR -12.1 million on operating profit.

Shopping centres

Pearl Plaza, St Petersburg

Visitor numbers and total sales have continued to rise at Pearl Plaza, SRV's other shopping and entertainment centre in St Petersburg. The shopping centre has broken visitor records several times, with no less than a 15 per cent rise in visitors during January-June compared with the comparison period. 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 thanks, for instance, to the constant improvement in sales and visitor numbers at the shopping centre. 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 addition, 19 tenants have changed since last summer, and the agreements made with all the new tenants are better.

In January–June, Pearl Plaza's monetary sales increased by 15 per cent (in terms of roubles) and 43 per cent (in terms of euros) compared with the comparison period of the previous year.

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. Okhta Mall opened its doors in August 2016 and 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 77 per cent at the end of June, and agreements for a further three per cent of leasable premises are about to be signed. The Okhta Mall is expected to be fully leased by summer 2018.

Visitor numbers at the Okhta Mall have developed in line with expectations. In May, the shopping centre broke the 500,000 visitors per month mark for the first time.

About 56 per cent of its stores are open. That figure will rise again in late summer 2017, when the KARO cinema opens its doors to film goers in August. KARO has leased about 10 per cent (7,000 m^2) of the Okhta Mall's commercial floor area, and is expected to further boost visitor numbers.

4Daily, Moscow

The 4Daily shopping centre opened its doors in Moscow on 22 April 2017. Although it had been handed over to the client back in December 2016, there was still some finishing work that needed doing in early 2017. 4Daily will be the only shopping centre to open in Moscow this year.
About 66 per cent of the centre's 25,500 square metres of premises have been leased, with letters of intent signed for about eight per cent (6/2017). 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 39 per cent of its stores are open. 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 year and a half of the centre's opening, depending on the size of the centre.

Other projects

SRV owns 50 per cent of the Etmia II office project in downtown Moscow. 75 per cent of the premises had been leased by the end of June.

The most significant completed projects

Site	Holding, %	Opened	Floor area (m^2)	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 100
Okhta Mall, shopping centre, St Petersburg	SRV 45 Russia Invest 55 *	August 2016	Gross floor area 144,000 Leasable area 78,000	Binding lease agreements 77 Letters of intent 3
4Daily, shopping centre, Moscow	Vicus 26.26 SRV 18.68 Blagosostoyanie 55.06	April 2017	Gross floor area 52,000 Leasable area 25,500	Binding lease agreements 66 Letters of intent 8

*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

Papula, Vyborg

SRV is building apartment blocks in the Papula district in northern Vyborg. All of the apartments in the first phase, which comprises two apartment buildings, have been sold. Both of the apartment buildings in the second phase were completed in January 2017. Of the 110 apartments, 72 had been sold or reserved by the end of June, and 17 apartments were recognised as income. It is expected that about 30 more units will be recognised as income in July.

Outlook for operations in Russia

In Russia, SRV is focusing on leasing and 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, marketing and managing 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.

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 in September 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. In order to reduce exchange rate risks, part of the loans of associated companies will be converted to roubles.

Group project development

In accordance with its strategy, SRV is focusing on improving profitability. Development and developer-contracted projects are by far the best way to improve profitability, as they generally yield a better margin than traditional 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-km 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. The city plan proposal for the area will be put on display in August 2017.

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. This is currently a planning reservation. The City of Espoo has temporarily leased the plot to serve as provisional premises for the Lippulaiva shopping centre until 2020 while renovation is ongoing. The plan for the Espoonlahti Centre was approved by the City Council in January 2017.

Keilaniemi

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

As part of the overall plan, Espoo City Board's Trade and Competitiveness Division decided in spring 2016 to sell two residential plots in Keilaniemi to SRV. Preliminary contracts on the sale of these plots were signed in May 2016. 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 tallest 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. A total of almost 2,000 housing units will be built on the plot. Construction and sales of the first residential building, Piruetti, have begun. 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

For many years, SRV and Stora Enso have been cooperating on the development 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. 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. A complaint on the sale decision and city plan was lodged with the administrative court. The court rejected the complaint regarding the city plan in March 2017 and the decision came into force. The complaint against the sale is still ongoing in the administrative court. SRV has been granted a building permit for the fitness facilities. However, construction may not begin until the complaint lodged against the Bunkkeri sale decision has been resolved. It is intended that the fitness facilities will be leased to the City of Helsinki and the handover is scheduled for May 2019. SRV is currently negotiating the sale of the fitness facilities with potential investors. SRV's intention is to launch construction work during 2017. According to current estimates, the first housing units will be completed in 2019.

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 are currently being considered for Tower A, and it may contain shops, services and office space.

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. The project is designed to be built in the heart of Tampere on top of the railway station. It includes a multi-purpose arena, the deck's residential towers, office and business premises, a hotel and apartment buildings in Ranta-Tampella. The project is valued at a total of about EUR 500 million.

In May 2017, SRV and its investment partners, LocalTapiola Group and OP Financial Group's insurance and pension insurance companies, and the City of Tampere announced that they had reached a conditional agreement on the content of the shareholders' agreement for the multi-purpose arena. It requires both final approval from all parties and fulfilment of the agreement's implementation criteria, the EU Commission's approval for state subsidy, and guaranteed financing.

Major steps for the implementation of the project were also taken in June, when the Environment and Construction Division approved the building permit application for the deck structure. At the end of June, the Supreme Administrative Court dismissed appeals lodged against the project in early 2017. According to the current schedule, the entire project will be completed in 2023. Construction of the southern deck and arena is scheduled to begin during 2017. The final schedule will be updated when the investment decision is made. The final investment decision still requires the approval of the EU Commission for state subsidy and the final approval of the shareholder agreement. The aim is to secure a final decision on the investment in 2017.

Land reserves 30 June 2017	**Business construction**	**Housing construction**	**International Operations**	**Total**
Unbuilt land areas and land acquisition commitments				
Building rights[1)], 1,000 m^2	**164**	**257**	**716**	**1,136**
Land development agreements				
Building rights[1)], 1,000 m^2	**114**	**199**	**0**	**314**

[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 38,000 m^2 (-3%) compared to 31 December 2016.

Financing and financial position

IFRS, EUR million	**30 June 2017**	30 June 2016	**Change, %**	31 December 2016
Equity ratio, %	**33.5**	36.9	-9.2	38.3
Gearing ratio, %	**114.4**	103.1	10.9	83.4
Shareholders' equity	**271.3**	282.5	-3.9	295.3
Invested capital	**617.0**	627.7	-1.7	596.2
Net interest-bearing debt	**310.3**	291.2	6.6	246.3
Interest-bearing debt	**345.7**	345.3	0.1	300.9
- of which short-term	**75.9**	100.5	-24.5	73.7
- of which long-term	**269.8**	244.8	10.2	227.2
Cash and cash equivalents	**35.4**	54.1		54.6
Unused binding liquidity limits and account limit agreements	**122.0**	122.0	0.0	122.0
Unused project loans that can be drawn immediately	**26.2**	62.3	-57.9	47.5

At the end of the review period, the Group's financing reserves totalled EUR 183.6 million with the Group's cash assets amounting to EUR 35.4 million, and open-ended account limits and committed undrawn financing reserves and loans to EUR 148.2 million. In addition, EUR 34.0 million of the EUR 100 million commercial paper programme remains unused.

In June, SRV signed a long-term, binding liquidity arrangement of EUR 100 million with a Nordic banking syndicate. This replaces the syndicated credit limit agreement of 2014, which was also granted by the same banking syndicate. The new loan arrangement matures on 16 June 2020.

SRV's financing agreements contain standard covenants. The financial covenants are equity ratio (also based on percentage of completion), gearing, 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 310.3 (291.2) million at the end of the review period. Net interest-bearing debt grew by EUR 19.1 million year-on-year. Corporate loans accounted for EUR 71.1 (55.8) million of interest-bearing debt. Cash flow from operating activities was EUR -51.3 (-63.6) million and net cash flow from investing activities was EUR -2.3 (-6.7) 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 cash flow from financing activities 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 -6.0 (-11.1) million. Net financial expenses were greatly reduced by the fair value revaluation of a ten-year interest rate hedge from EUR -6.6 million to EUR 1 million and the capitalisation of interest on incomplete production. When the 10-year interest level rises from its current level, a positive change in fair value will be recognised in the income statement, and vice versa. EUR 1.1 (0.5) million in interest expenses have been capitalised in accordance with IAS 23 since the beginning of the year.

SRV's investment commitments totalled EUR 30.8 (56.9) 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. This accounting change will make SRV more susceptible to fluctuations in the rouble exchange rate through translation differences. The weakening rouble led to translation differences of EUR -4.6 (1.9) million, which impacted both shareholders' equity and the comprehensive result for the period. In addition to currency exchange rate losses of EUR -1.7 (0.0) million in financial income and expenses, the Group also entered similarly derived currency exchange rate losses of EUR 6.9 (0.0) 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. Currency exchange rate losses were increased by EUR 0.7 million in hedging expenses.

Personnel

Personnel by business area	30 June 2017	30 June 2016	Percentage of Group personnel, 30 June 2017, %
Operations in Finland	**949**	832	78
International Operations	**168**	212	14
Other operations	**103**	94	8
Group, total	**1,220**	1,138	100

SRV’s payroll has increased steadily and at the end of June the company had 1,220 (1,138) employees, of whom 912 (834) 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 and 4Daily shopping centres.

The parent company had 69 (61) salaried employees at the end of the review period. At the end of June, SRV’s Operations in Finland had 130 (107) summer employees, trainees and students working on a thesis or diploma.

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 11 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. In order to reduce exchange rate risks, part of the loans of associated companies will be converted to roubles. A 10 per cent change in these would correspondingly have an impact of about EUR 13 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 allocated 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 was 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 7,457 shareholders on 30 June 2017.

The closing price at OMX Helsinki on 30 June 2017 was EUR 4.99 (EUR 4.00 on 30 June 2016, change +24.8%). The highest share price during the review period was EUR 5.74 and the lowest EUR 4.17. At the end of the period, SRV's equity per share excluding the hybrid bond was EUR 3.84. On 30 June 2017, the company had a market capitalisation of EUR 297.3 million, excluding the Group's treasury shares. 3.7 million shares were traded during the review period with a trade volume of EUR 17.9 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 development of the rouble exchange rate, 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 2016, 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 grow compared with 2016 (revenue EUR 884 million). If the rouble exchange rate remains at the level prevailing the end of the second quarter 2017, operating profit is expected to weaken, but operative operating profit to improve, compared with 2016 (operating profit EUR 27.7 million and operative operating profit EUR 26.3 million). A profitability level in accordance with strategy will not be attained, however, until the end of the strategy period 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, 19 July 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.

For further information, please contact

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SRV

Key figures EUR million	1-6/ 2017	1-6/ 2016	4-6/ 2017	4-6/ 2016	1-12/ 2016	Last 12 Months
Revenue	508.5	362.4	284.8	218.5	884.1	1 030.3
Operative operating profit 1)	5.5	4.2	2.8	4.1	26.3	27.7
Operative operating profit, % revenue 1)	1.1	1.1	1.0	1.9	3.0	2.7
Operation profit	-2.0	4.1	-9.3	4.1	27.7	21.5
Operation profit, % revenue	-0.4	1.1	-3.3	1.9	3.1	2.1
Profit before taxes	-8.0	-7.0	-15.3	-1.5	16.4	15.3
Profit before taxes, % of revenue	-1.6	-1.9	-5.4	-0.7	1.8	1.5
Net profit attributable to equity holders of the parent company	-8.4	-5.8	-14.8	-1.2	13.9	11.3
Return on equity, % 2)	-6.3	-4.3			5.0	
Return on investment, % 2)	-0.5	1.9			6.1	
Invested capital	617.0	627.7			596.2	
Equity ratio %	33.5	36.9			38.3	
Net interest-bearing debt	310.3	291.2			246.3	
Gearing ratio, %	114.4	103.1			83.4	
Order backlog	1 594.6	2 021.6			1 758.5	
New agreements	295.9	775.1	140.5	648.6	1 013.1	534.0
Personnel on average	1 139	1 068			1 089	
Earnings per share	-0.17	-0.15	-0.26	-0.04	0.15	0.13
Earnings per share (diluted)	-0.17	-0.15	-0.26	-0.04	0.15	0.13
Equity per share	4.59	4.75			5.00	
Equity per share (without hybrid bond), euros	3.84	3.71			4.25	
Dividend per share, euros	0.10	0.10			0.10	
Dividend payout ratio, %	neg.	neg.			67.6	
Dividend yield, %	2.0	2.5			1.8	
Price per earnings ratio	neg.	neg.			36.7	
Share price development:						
Share price at the end of the period, eur	4.99	4.00			5.43	
Average share price, eur	4.88	3.41			4.07	
Lowest share price, eur	4.17	2.60			2.60	
Highest share price, eur	5.74	4.08			5.58	
Market capitalisation at the end of the period	297.3	237.3			322.4	
Trading volume, 1 000 units	3 662	3 008			6 355	
Trading volume, %	6.2	5.1			10.7	
Weighted average number of shares outstanding during the period, 1 000 units	59 512	59 334			59 349	
Weighted average number of shares outstanding during the period (diluted) 1 000 units	59 512	59 365			59 576	
Number of shares outstanding at the end of the period,1 000 units	59 581	59 337			59 375	

1) Net FX-changes are eliminated

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

SRV

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

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Group and Segment information by quarter

SRV Group EUR million	4-6/ 2017	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016
Revenue	284.8	223.7	328.7	193.1	218.5	143.8
Operation profit	-9.3	7.3	16.2	7.3	4.1	0.0
Financial income and expenses, total	-6.0	0.0	3.2	-3.4	-5.6	-5.6
Profit before taxes	-15.3	7.3	19.4	3.9	-1.5	-5.5
Order backlog 1)	1 594.6	1 722.0	1 758.5	1 888.1	2 021.6	1 572.1
New agreements	140.5	155.4	183.2	54.9	648.6	126.5
Earnings per share, eur	-0.26	0.09	0.26	0.04	-0.04	-0.11
Equity per share, eur 1)	3.84	4.32	4.25	3.81	3.71	3.71
Share closing price, eur 1)	4.99	4.40	5.43	4.40	4.00	3.53
Equity ratio, % 1)	33.5	36.4	38.3	37.8	36.9	36.7
Net interest-bearing debt 1)	310.3	311.0	246.3	285.0	291.2	247.2
Gearing, % 1)	114.4	103.4	83.4	99.7	103.1	87.5

1) at the end of the period

Revenue EUR million	4-6/ 2017	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016
Operations in Finland	277.8	219.3	319.3	180.9	200.4	131.5
- business construction	181.1	164.4	167.4	141.4	143.8	106.9
- housing construction	96.8	54.8	151.9	39.5	56.6	24.6
International Operations	7.0	4.4	9.4	12.1	18.4	12.4
Other operations	4.4	4.4	4.0	4.0	4.0	4.0
Eliminations	-4.5	-4.5	-4.1	-3.9	-4.3	-4.0
Group, total	284.8	223.7	328.7	193.1	218.5	143.8

Operating profit EUR million	4-6/ 2017	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016
Operations in Finland	6.7	5.0	21.8	6.6	7.6	2.2
International Operations	-14.0	3.2	-2.8	1.2	-1.5	-1.1
Other operations	-2.1	-0.8	-2.8	-0.4	-2.0	-1.1
Eliminations	0.0	0.0	0.0	0.0	0.0	0.0
Group, total	-9.3	7.3	16.2	7.3	4.1	0.0

Operating profit (%)	4-6/ 2017	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016
Operations in Finland	2.4	2.3	6.8	3.6	3.8	1.7
International operations	-199.6	71.3	-29.4	9.5	-8.0	-8.6
Group, total	-3.3	3.3	4.9	3.8	1.9	0.0

Order backlog EUR million	30.6.17	31.3.17	31.12.16	30.9.16	30.6.16	31.3.16
Operations in Finland	1 570.7	1 691.3	1 726.1	1 851.3	1 972.6	1 511.7
- business construction	950.0	1 057.7	1 163.5	1 293.8	1 426.6	972.9
- housing construction	620.7	633.7	562.6	557.5	546.0	538.9
International operations	23.9	30.6	32.4	36.8	49.0	60.3
Group, total	1 594.6	1 722.0	1 758.5	1 888.1	2 021.6	1 572.1
- sold order backlog	1 309.1	1 437	1 482	1 623	1 720	1 269
- unsold order backlog	286	285	276	265	301	303

Order backlog, housing construction in Finland EUR million	30.6.17	31.3.17	31.12.16	30.9.16	30.6.16	31.3.16
Negotiation and construction contracts	166	196	193	122	107	115
Under construction, sold	180	164	105	181	150	134
Under construction, unsold	232	243	222	227	251	249
Completed and unsold	43	30	43	28	37	40
Housing construction, total	621	634	563	557	546	539

Invested capital EUR million	30.6.17	31.3.17	31.12.16	30.9.16	30.6.16	31.3.16
Operations in Finland	347.6	342.9	333.0	364.5	357.0	324.6
International operations	241.4	270.1	250.8	227.3	224.7	217.4
Other operations and	28.0	40.0	12.4	16.9	46.0	110.7
Group, total	617.0	653.0	596.2	608.7	627.7	652.7

Housing production in Finland (units)	4-6/ 2017	1-3/ 2017	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016
Housing sales, total	475	356	681	335	151	93
- sales, developer contracting	260	266	151	165	100	93
- sales, negotiation contracts [2]	215	90	530	170	51	0
Developer contracting						
- start-ups	316	282	199	52	148	55
- completed	221	42	420	0	53	30
-recognized in revenue	174	76	389	26	58	26
- completed and unsold [1]	124	77	111	80	106	111
Under construction, total [1]	3 098	2 894	2 696	2 443	2 082	1 830
- construction contracts [1]	458	586	441	319	138	138
- negotiation contracts [1]	472	164	441	619	661	555
- negotiated contracts [1] [2]	997	1 068	978	448	278	227
- developer contracting [1]	1 171	1 076	836	1 057	1 005	910
- of which sold [1]	720	634	444	681	543	502
- of which unsold [1]	451	442	392	376	462	408

1) at the end of the period

2) investor sales, under negotiation contracts

SRV GROUP PLC INTERIM REPORT, 1 JANUARY–30 JUN 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 – 30 Jun 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.

From the beginning of 2017, SRV revised its practice for capitalising expenses incurred by construction plans 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 changed the presentation method of its cash flow statement to the direct presentation method recommended by IAS 7 from the beginning of ther year 2017. 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.

In SRV's developer-contracted housing projects, part of interest expenses on borrowing is capitalised during the construction period in current assets in accordance with the Group's capitalisation rate. During the reporting period, SRV changed its capitalisation practice such that, with respect to developer-contracted housing projects, interest expenses on borrowing are capitalised primarily using the project-specific financing cost. If the proportion of project-specific financing is not significant, the Group's capitalisation rate is used in capitalising interest expenses.

The significance of project financing obtained for developer-contracted housing projects has grown during the reporting period and, in addition, the cost of borrowing is currently significantly lower than the Group's average interest rate, so the new practice will, in the company's view, result in a more correct capitalisation of interest expenses.
In the comparison year, the Group's general financing was mainly used for developer-contracted housing projects, and as a result the revision of the capitalisation practice would not, in the company's view, have a substantial impact on the comparison periods presented in the interim report.

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.

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

2) Consolidated income statement and statement of comprehensive income

Consolidated income statement EUR million	1-6/ 2017	1-6/ 2016	change MEUR	change %	4-6/ 2017	4-6/ 2016	change %	1-12/ 2016	Last 12 Months
Revenue	508.5	362.4	146.2	40.3	284.8	218.5	30.3	884.1	1 030.3
Other operating income	1.0	1.5	-0.5	-34.5	0.3	1.3	-76.9	2.1	1.6
Change in inventories of finished goods and work in progress	16.7	39.5	-22.8		-3.9	13.8		37.8	15.0
Use of materials and services	-466.2	-349.3	-116.8	33.4	-249.7	-203.5	22.7	-797.8	-914.6
Employee benefit expenses	-41.1	-36.9	-4.1	11.1	-22.0	-19.3	14.3	-73.0	-77.1
Share of results of associated companies	-9.0	-2.5	-6.6		-13.6	-1.2		7.4	0.9
Depreciation and impairments	-1.8	-1.9	0.1		-1.0	-1.1		-6.6	-6.6
Other operating expenses*	-10.1	-8.5	-1.6	19.2	-4.4	-4.4		-26.3	-27.9
Operating profit	-2.0	4.1	-6.2		-9.3	4.1		27.7	21.5
Financial income	2.3	1.5	0.8	57.0	-0.5	0.7		7.0	7.9
Financial expenses *)	-8.3	-12.6	4.3	-34.0	-5.5	-6.3		-18.4	-14.1
Financial income and expenses, total	-6.0	-11.1	5.1		-6.0	-5.6		-11.3	-6.2
Profit before taxes	-8.0	-7.0	-1.0		-15.3	-1.5		16.4	15.3
Income taxes	-0.9	1.1	-1.9		-0.1	0.2		-2.0	-3.9
Net profit for the period	-8.9	-6.0	-2.9		-15.5	-1.2		14.4	11.4
Attributable to									
Equity holders of the parent company	-8.4	-5.8			-14.8	-1.2		13.9	11.3
Non-Controlling interests	-0.5	-0.1			-0.7	0.0		0.5	0.1
Earnings per share attributable to equity holders of the parent company	-0.17	-0.15			-0.26	-0.04		0.15	0.13
Earnings per share attributable to equity holders of the parent company (diluted)	-0.17	-0.15			-0.26	-0.04		0.15	0.13
*) of which derivative expenses fair value revaluation	1.0	-6.6			0.6	-2.3		-4.7	3.4

Statement of comprehensive income EUR million	1-6/ 2017	1-6/ 2016	4-6/ 2017	4-6/ 2016	1-12/ 2016	Last 12 Months
Net profit for the period	-8.9	-6.0	-15.5	-1.2	14.4	11.4
Other comprehensive income						
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Financial assets available for sale	0.0	-0.2	0.0	-0.2	0.3	0.6
Income tax relaed to components of other comprehensive income	0.0	0.0	0.0	0.0	-0.1	-0.1
Gains and losses arising from translating the financial statements of a foreign operation	-0.5	2.0	-1.8	0.9	3.8	1.3
Share of other comprehensive income of associated companies and joint ventures	-4.1	-0.1	-11.7	0.1	11.4	7.4
Other comprehensive income for the period, net of tax	-4.6	1.7	-13.5	0.8	15.5	9.1
Total comprehensive income for the period	-13.5	-4.2	-28.9	-0.4	29.9	20.6
Attributable to						
Equity holders of the parent company	-13.0	-4.1	-28.2	-0.3	29.4	20.5
Non-Controlling interests	-0.5	-0.1	-0.7	0.0	0.5	0.1

3) Consolidated balance sheet

Consolidated balance sheet EUR million	30.6.17	30.6.16	change %	31.12.16
ASSETS				
Non-current assets				
Property, plant and equipment	11.8	12.7	-7.3	12.0
Goodwill	1.7	1.7	0.0	1.7
Other intangible assets	1.9	1.8	4.3	1.9
Shares in associated companies and joint ventures	198.4	205.1	-3.3	211.5
Other financial assets	14.6	12.2	19.9	13.9
Receivables	0.5	2.7	-79.9	0.0
Loan receivables from associated companies and joint ventures	57.3	35.6	60.7	55.9
Deferred tax assets	11.0	9.4	16.6	9.2
Non-current assets, total	297.2	281.3	5.6	306.1
Current assets				
Inventories	444.0	379.7	16.9	400.3
Trade and other receivables	156.2	172.9	-9.7	116.6
Loan receivables from associated companies and joint ventures	0.0	1.1		1.1
Current tax receivables (based on profit for the review period)	3.0	5.2	-43.5	3.9
Cash and cash equivalents	35.4	54.1	-34.5	54.6
Current assets, total	638.5	613.0	4.2	576.4
ASSETS, TOTAL	935.7	894.3	4.6	882.5

Consolidated balance sheet EUR million	30.6.17	30.6.16	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	3.3	-5.3		8.0
Fair value reserve	-1.1	-1.5	-30.2	-1.1
Hybrid bond	45.0	61.7	-27.1	45.0
Retained earnings	81.8	82.4	-0.7	100.6
Equity attributable to equity holders of the parent company, total	273.6	281.8	-2.9	297.1
Non-controlling interests	-2.3	0.7		-1.8
Total equity	271.3	282.5	-3.9	295.3
Non-current liabilities				
Deferred tax liabilities	4.7	2.1	121.0	4.2
Provisions	10.9	7.5	46.8	7.8
Interest-bearing liabilities	269.8	244.8	10.2	227.2
Other liabilities	15.0	10.1	48.3	14.0
Non-current liabilities, total	300.4	264.4	13.6	253.2
Current liabilities				
Trade and other payables	278.8	239.3	16.5	253.4
Current tax payables (based on profit for the review period)	1.3	3.0	-55.3	0.0
Provisions	7.9	4.7	68.8	6.8
Interest-bearing liabilities	75.9	100.5	-24.5	73.7
Current liabilities, total	364.0	347.5	4.8	334.0
Liabilities, total	664.4	611.9	8.6	587.2
EQUITY AND LIABILITIES, total	935.7	894.3	4.6	882.5

4) Consolidated cash flow statement EUR million	1-6/ 2017	1-6/ 2016	1-12/ 2016	Last 12 Months
Cash flows from operating activities				
Cash receipts from customers	470.0	305.2	881.6	1 046.4
Cash receipts from other operating income	1.0	1.5	2.1	1.6
Cash generated from operations [1)]	-512.2	-364.5	-838.9	-986.6
Net cash before interests and taxes	-41.3	-57.8	44.8	61.4
Interests received and other financial income	0.3	0.1	0.2	0.4
Interests paid and other expenses from financial costs [1)]	-10.8	-4.2	-9.9	-16.5
Income taxes paid	0.5	-1.7	-4.0	-1.8
Cash flows from operating activities	-51.3	-63.6	31.1	43.4
Cash flow from investing activities				
Purchase of tangible and intangible assets	-1.7	-3.7	-5.4	-3.4
Sale of tangible and intangible assets	0.0	-0.1	0.0	0.1
Purchase of investments	-0.6	-0.8	-7.8	-7.6
Investments in associated companies and joint ventures	-0.1	0.0	0.0	-0.1
Increase in loan receivable from associated companies and joint ventures	0.1	-2.1	-30.7	-28.5
Decrease in loan receivable from associated companies and joint ventures	0.0	0.0	4.5	4.5
Net cash used in investing activities	-2.3	-6.7	-39.4	-34.9
Cash flow from financing activities				
Proceeds from loans	17.1	100.0	171.4	88.5
Repayment of loans	-16.2	-1.3	-116.2	-131.1
Proceeds from Hybrid bond	0.0	45.0	45.0	0.0
Repayment of hybrid bond	0.0	-28.3	-45.0	-16.7
Hybrid bond costs	0.0	-1.6	-1.6	0.0
Hybrid bond intrests	-3.9	0.0	-3.3	-7.2
Change in housing corporation loans	29.0	-3.1	-16.8	15.3
Net change in short-term loans	14.5	-15.4	0.1	30.0
Dividends paid	-6.0	-6.0	-5.9	-5.9
Net cash flow from financing activities	34.5	89.3	27.7	-27.1
Net change in cash and cash equivalents	-19.1	19.0	19.5	-18.6
Effect of exchange rate changes in cash and cash equivalents	-0.1	0.1	0.1	-0.1
Cash and cash equivalents at the beginning of period	54.6	35.0	35.0	54.6
Cash and cash equivalents at the end of period	35.4	54.1	54.6	35.9

[1)] Due to the new classification in consolidated cash flow statement presentation in cash flows from operating activities is changed between two rows

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- 30 June 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	-4.7	0.0	-8.4	-13.0	-0.5	-13.5
Dividends paid	0.0	0.0	0.0	0.0	0.0	-6.0	-6.0	0.0	-6.0
Share-based incentive plan	0.0	0.0	0.0	0.0	0.0	-1.3	-1.3	0.0	-1.3
Purchase of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share issue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs related to share issue, tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid bond	0.0	0.0	0.0	0.0	0.0	-3.2	-3.2	0.0	-3.2
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity on 30 June 2017	3.1	141.5	45.0	3.3	-1.1	81.8	273.6	-2.3	271.3
1 January- 30 June 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	1.9	-0.2	-5.8	-4.1	-0.1	-4.2
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	0.3	0.3	0.0	0.3
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 30 June 2016	3.1	141.5	61.7	-5.3	-1.5	82.4	281.8	0.7	282.5
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

SRV

6) Group commitments and contingent liabilities (EUR million)	30.6.17	30.6.16	change %	31.12.16
Collateral given for own liabilities				
Real estate mortgages given [1)]	99.5	88.1	12.9	70.8
Other commitments				
Investment commitments given	30.8	56.9	-45.9	31.2
Plots purchase commitments	30.5	44.3	-31.1	37.9
Contingent liabilities (rented plots)	81.1	52.8	53.5	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.

Liability of derivative instruments (EUR million)	6/2017 Fair value		6/2016 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
Currency option	0.2	0.0	0.0	0.0	0.0	0.0
Interest rate swaps	0.0	6.6	0.0	9.9	0.0	8.0

	6/2017	6/2016	12/2016
Nominal values of derivative instruments			
Foreign exchange forward contracts	0.0	0.0	37.0
Currency option	40.0	0.0	0.0
Interest rate swaps	100.0	100.0	100.0

7) Group and Segment Information

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

Group and Segment information

Revenue EUR million	1-6/ 2017	1-6/ 2016	change, MEUR	change %	4-6/ 2017	4-6/ 2016	1-12/ 2016	Last 12 Months
Operations in Finland	497.1	331.9	165.2	49.8	277.8	200.4	832.2	997.4
International operations	11.4	30.8	-19.3	-62.9	7.0	18.4	52.4	33.0
Other operations	8.9	7.9	1.0	12.1	4.4	4.0	15.9	16.9
Eliminations	-8.9	-8.3	-0.6		-4.5	-4.3	-16.3	-17.0
Group, total	508.5	362.4	146.2	40.3	284.8	218.5	884.1	1 030.3

Operation profit EUR million	1-6/ 2017	1-6/ 2016	change, MEUR	change %	4-6/ 2017	4-6/ 2016	1-12/ 2016	Last 12 Months
Operations in Finland	11.7	9.8	1.8	18.6	6.7	7.6	38.3	40.1
International operations	-10.8	-2.5	-8.3		-14.0	-1.5	-4.2	-12.4
Other operations	-2.9	-3.2	0.3		-2.1	-2.0	-6.4	-6.2
Eliminations	0.0	0.0	0.0		0.0	0.0	0.0	0.0
Group, total	-2.0	4.1	-6.2		-9.3	4.1	27.7	21.5

Operating profit, %	1-6/ 2017	1-6/ 2016	4-6/ 2017	4-6/ 2016	1-12/ 2016	Last 12 Months
Operations in Finland	2.3	3.0	2.4	3.8	4.6	4.0
International Operations	-94.5	-8.2	-199.6	-8.0	-7.9	-37.6
Group, total	-0.4	1.1	-3.3	1.9	3.1	2.1

Assets EUR million	30.6.2017	30.6.2016	change MEUR	change, %	31.12.2016
Operations in Finland	622.5	579.9	42.6	7.3	569.2
International operations	271.8	253.9	17.8	7.0	288.0
Other Operations	470.4	498.6	-28.2	-5.7	502.7
Eliminations and other adjustments	-429.0	-438.1	9.1		-477.4
Group, total	935.7	894.3	41.4	4.6	882.5

Liabilities EUR million	30.6.2017	30.6.2016	change MEUR	change, %	31.12.2016
Operations in Finland	399.5	424.1	-24.6	-5.8	353.9
International operations	172.5	183.5	-11.0	-6.0	175.9
Other Operations	266.2	272.3	-6.1	-2.2	279.8
Eliminations and other adjustments	-173.9	-268.1	94.2		-222.4
Group, total	664.4	611.9	52.5	8.6	587.2

Invested capital EUR million	30.6.2017	30.6.2016	change MEUR	change, %	31.12.2016
Operations in Finland	347.6	357.0	-9.4	-2.6	333.0
International operations	241.4	224.7	16.7	7.4	250.8
Other Operations	28.0	46.0	-18.0	-39.1	12.4
Group, total	617.0	627.7	-10.7	-1.7	596.2

Return on investment %	30.6.2017	30.6.2016	change MEUR	change, %	31.12.2016
Operations in Finland	7.3	6.0	1.3	22.4	12.0
International operations	-8.8	-1.2	-7.7		0.9
Group, total	-0.5	1.9	-2.4		6.1

8) Inventories EUR million	30.6.2017	30.6.2016	change MEUR	31.12.2016
Land areas and plot-owning companies	199.2	176.9	22.3	183.7
Operations in Finland	112.0	105.2	6.8	95.2
International operations	87.2	71.7	15.5	88.5
Work in progress	192.9	159.8	33.1	170.3
Operations in Finland	192.9	155.7	37.1	162.2
International operations	0.0	4.0	-4.0	8.2
Shares in completed housing corporations and real estate companies	45.3	35.3	9.9	38.3
Operations in Finland	38.7	35.0	3.7	38.1
International operations	6.6	0.3	6.2	0.2
Other inventories	6.7	7.7	-1.0	7.9
Operations in Finland	6.6	7.0	-0.3	7.8
International operations	0.1	0.7	-0.6	0.2
Inventories, total	444.0	379.7	64.3	400.3
Operations in Finland	350.2	303.0	47.2	303.3
International operations	93.8	76.8	17.1	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
30.6.17						
Management and the Board of Directors	2.8	0.0	0.0	0.0	0.0	0.0
Joint ventures	0.0	69.5	0.0	0.6	17.5	0.0
Associated companies	0.0	7.5	0.0	1.4	55.5	0.0
Other related parties	0.0	0.0	0.0	0.0	0.0	0.0
Total	2.8	77.0	0.0	2.1	73.0	0.0

30.6.16	Salaries and compensation	Sale of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities
Management and the Board of Directors	1.8	0.0	0.0	0.0	0.0	0.0
Joint ventures	0.0	44.2	0.0	0.1	3.5	0.0
Associated companies	0.0	30.8	0.0	0.9	56.0	2.9
Other related parties	0.0	0.0	0.0	0.0	0.0	0.0
Total	1.8	75.0	0.0	0.9	59.6	2.9

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