SRV'S INTERIM REPORT 1 JAN. – 31 DEC. 2016

REVENUE, OPERATING PROFIT AND ORDER BACKLOG GROW

January-December 2016 in brief:

- Revenue increased to EUR 884.1 (719.1, 1-12/2015) million. Growth in revenue was driven particularly by large business construction projects in Finland as well as developer-contracted housing units completed in growth centres, a total of 499 (323) of which were recognised as income. Developer-contracted housing units had an impact of EUR 144 (90) million on revenue.
- Operating profit rose to EUR 27.7 (24.4) million, primarily due to improved business margins in Finland. Operating profit from International Operations decreased to EUR -4.2 (-0.1) million.
- The result before taxes was EUR 16.4 (17.6) million. The result was burdened by a EUR -4.7 (-3.3) million fair value revaluation of a ten-year interest rate hedge.
- Earnings per share were EUR 0.15 (0.25).
- At year-end, the order backlog stood at EUR 1,758.5 (1,583.4) million. The largest new projects announced in 2016 included Hospital Nova in Central Finland, the Ring Road I tunnel project, and a contractor agreement for the second phase of the expansion of the Tapiola city centre.
- Equity ratio was 38.3 (42.5) per cent and gearing was 83.4 (83.3) per cent, both remaining at a good level.

October-December 2016 in brief:

- Revenue increased to EUR 328.7 (226.6, 10-12/2015) million. In October-December, 389 (228) developer-contracted housing units were recognised as income; most of these units affected year-end earnings. Housing units recognised as income had an impact of EUR 127.0 (77.3) million on revenue.
- Operating profit decreased to EUR 16.2 (17.0) million. Operating profit was impacted particularly by International Operations, whose operating profit weakened to EUR -2.8 (-0.6) million.
- The result before taxes rose to EUR 19.4 (14.9) million. The result was increased by a EUR 3.1 (-0.5) million fair value revaluation of interest rate derivatives.
- Earnings per share were EUR 0.26 (0.27).

Events after the end of the review period:

- SRV has signed a framework agreement with LocalTapiola for the construction of nearly 528 rental housing units. The total value of the agreement is approximately EUR 100 million and the agreement includes the construction of housing units in the Helsinki Metropolitan Area, Turku and Jyväskylä. The project-specific agreement will be signed before each project. All of the units will be completed over the years 2018-2019.

Outlook for 2017

- Full-year consolidated revenue for 2017 is expected to increase and operating profit to improve on 2016 (revenue EUR 884 million and operating profit EUR 27.7 million). A profitability level in accordance with the strategy will not be attained, however, until the end of the strategy period 2019–2020.
- Developer-contracted housing will be completed on a steadier schedule than in 2016, but 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 in 2016. This accounting change will make SRV more susceptible to fluctuations in the rouble exchange rate and may impact on full-year operating profit.

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

CEO's review

"The order backlog peaked at more than EUR 2 billion in 2016 and remained at a record high all year. Growth was driven particularly by business construction projects in Finland. Order backlog growth bolsters our position as one of Finland's major urban centre developers. Although we didn't receive any major new orders in the last months of 2016, our order backlog remains at a record high and we're expecting more interesting new entries in our order book in 2017.

In addition to our order backlog, the trend in our revenue has also been positive. In 2016, we posted revenue of over EUR 800 million for the first time – and in the years ahead we intend to aim even higher. Despite strong revenue growth SRV`s main goal is to improve profitability according to our strategical objectives.

In 2016, in the growing market, we focused on the implementation of development projects and prudently engaged in tender-based contracting. Furthermore, in the housing business, we stepped up our developer-contracted units, which has contributed to our earnings.

The lengthy recession in Russia is naturally being reflected in our operations, for example, in temporary rent discounts granted to shopping centre tenants. In view of the circumstances, our shopping centres in St Petersburg are performing excellently. This was particularly evident in visitor numbers at the end of 2016 and also in early 2017.

Measures to achieve the strategic objectives are progressing as planned, and we have many concrete examples showing we are on the right course. For this, a big thank you is due to our highly dedicated personnel", says ***CEO Juha Pekka Ojala.***

Overall review

Group key figures (IFRS, EUR million)	**1-12/ 2016**	**1-12/ 2015**	**change**	**change, %**	**10-12/ 2016**	**10-12/ 2015**
Revenue	**884.1**	719.1	165.1	23.0	**328.7**	226.6
Operating profit	**27.7**	24.4	3.2	13.2	**16.2**	17.0
Financial income and expenses, total*)	**-11.3**	-6.8	-4.5		**3.2**	-2.1
Profit before taxes	**16.4**	17.6	-1.2	-7.1	**19.4**	14.9
Order backlog	**1,758.5**	1,583.4	175.1	11.1		
New agreements	**1,013.1**	1,393.5	-380.4	-27.3	**183.2**	286.9
Operating profit, %	**3.1**	3.4			**4.9**	7.5
Net profit	**13.9**	14.0	-0.1	-0.9	**16.4**	12.3
Net profit, %	**1.6**	1.9			**5.0**	5.4
*) - of which accounted for by derivatives	**-4.7**	-3.3	-1.4		**3.1**	-0.5

January-December 2016

In January-December 2016, the Group's order backlog rose to EUR 1,758.5 (1,583.4) million (up 11.1%). The largest new projects announced in 2016 included a new central hospital in Central Finland, the Ring Road I tunnel project, a contractor agreement for the second phase of the expansion of Tapiola city centre, as well as the construction of a new campus building for Aalto University and retail premises in the Metro Centre, both in Otaniemi, Espoo. The order backlog saw growth in operations in Finland in particular, largely in the second quarter. No significant new orders were announced in October-December with the exception of the agreement of Aleksintori in Kerava.

The Group's revenue rose by 23 per cent to EUR 884.1 (719.1) million. Growth in revenue was driven by large business construction projects in Finland and particularly by the developer-contracted housing units completed and sold in the latter part of the year. The major business premises projects agreed on during the spring have entered the construction phase and are now generating revenue. The recognition of income from 499 (323) developer-contracted housing units contributed to revenue growth.

The Group's operating profit rose to EUR 27.7 (24.4) million, primarily due to improved profitability and higher revenue in SRV's operations in Finland. The operating profit was weakened by a rise in the costs of certain projects under construction and by expenses incurred in the aftermath of some completed projects. Operating profit from International Operations decreased to EUR -4.2 (-0.1) million. The rouble exchange rate improved operating profit by a net amount of EUR 1.3 million. Operating profit was weakened by temporary rent discounts granted to tenants, depreciation according to plan and amortisation of EUR 2.5 million.

Operating profit and its relative level are also lowered by the elimination of a share equivalent to SRV's ownership from the profit margins of shopping centre projects under construction (Okhta Mall, 4Daily and REDI), which will be recognised as income only when the investment is sold.

The Group's profit before taxes was EUR 16.4 (17.6) million. The result was weakened by higher interest expenses and a EUR -4.7 million fair value revaluation of a ten-year interest rate hedge.

The Group's earnings per share were EUR 0.15 (EUR 0.25). Earnings per share were impacted by the relative increase in the number of shares due to a share issue as well as 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 own projects are recognised as income upon delivery; the part of the order backlog that is continuously recognised as income based on the level of completion mainly consists of low-margin contracting; and the nature of the company's operations (project development).

The Group's equity ratio stood at 38.3 per cent (42.5, 12/2015) and the gearing was 83.4 per cent (83.3, 12/2015). The changes in equity ratio and gearing were due to an increase in interest-bearing debt. Net debt totalled EUR 246.3 (230.8) million and liquid assets EUR 54.6 (35.0) million.

October-December 2016

In October-December, the Group's revenue rose to EUR 328.7 (226.6) million. Growth in revenue was driven by ongoing large business construction projects as well as 389 developer-contracted housing units that were largely recognised as income in December. **The Group's operating profit** was EUR 16.2 (17.0) million. The operating profit was weakened by a rise in the costs of certain projects under construction and by expenses incurred in the aftermath of some completed projects.

Operating profit from International Operations was EUR -2.8 (-0.6) million. The rouble exchange rate improved operating profit by a net amount of EUR 1.3 million. Operating profit was weakened by temporary rent discounts granted to tenants, depreciation according to plan and the amortisation of one property (EUR 2.5 million).

The Group's profit before taxes was EUR 19.4 (14.9) million. The result was increased by a EUR 3.1 million fair value revaluation of a ten-year interest rate hedge, but burdened by higher interest expenses.

Group key figures (IFRS, EUR million)	**1-12/ 2016**	1-12/ 2015	change	change, %
Equity ratio, %	**38.3**	42.5		
Net interest-bearing debt	**246.3**	230.8	15.5	6.7
Gearing ratio, %	**83.4**	83.3		
Return on investment, %	**6.1**	5.9		
Return on equity, %	**5.0**	5.6		
Earnings per share, EUR *)	**0.15**	0.25	-0.10	-40.6
Equity per share, EUR *)	**4.25**	3.90	0.35	9.0
Share price at end of period, EUR	**5.43**	3.10	2.33	75.2
Weighted average number of shares outstanding, millions *)	**59.3**	42.6		

*) The comparison data has been adjusted to reflect the share issue.

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 intern includes retail, office, logistics and specialised construction operations and also earthworks, and rock construction operations. 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)	**1-12/ 2016**	1-12/ 2015	change	change, %	**10-12/ 2016**	10-12/ 2015
Operations in Finland	**832.2**	654.1	178.1	27.2	**319.3**	212.8
International Operations	**52.4**	65.1	-12.8	-19.6	**9.4**	13.8
Other operations	**15.9**	14.4	1.5	10.5	**4.0**	3.7
Eliminations	**-16.3**	-14.6	-1.8		**-4.1**	-3.7
Group, total	**884.1**	719.1	165.1	23.0	**328.7**	226.6

Operating profit (EUR million)	**1-12/ 2016**	1-12/ 2015	change	change, %	**10-12/ 2016**	10-12/ 2015
Operations in Finland	**38.3**	28.9	9.4	32.6	**21.8**	18.3
International Operations	**-4.2**	-0.1	-4.0		**-2.8**	-0.6
Other operations	**-6.4**	-4.3	-2.1		**-2.8**	-0.7
Eliminations	**0.0**	0.0	0.0		**0.0**	0.0
Group, total	**27.7**	24.4	3.2	13.2	**16.2**	17.0

Operating profit, (%)	**1-12/ 2016**	1-12/ 2015	**10-12/ 2016**	10-12/ 2015
Operations in Finland	**4.6**	4.4	**6.8**	8.6
International Operations	**-7.9**	-0.2	**-29.4**	-4.0
Group, total	**3.1**	3.4	**4.9**	7.5

Order backlog (EUR million)	**12/2016**	12/2015	change, %
Operations in Finland	**1,726.1**	1,506.2	14.6
International Operations	**32.4**	77.1	-58.1
Group, total	**1,758.5**	1,583.4	11.1
- sold order backlog	1,482	1,261	17.5
- unsold order backlog	276	322	-14.2

Operations in Finland

Business environment in Finland

Although the European economy is continuing its slow recovery, significant political uncertainty factors in several countries both inside the Euro zone and elsewhere are increasing financial risks in both Finland and the rest of Europe. Finland’s GDP growth is forecast to remain moderate. Construction is estimated to have seen exceptionally steep growth in 2016, about 6-7 per cent. New construction has been brisk in all sectors. However, this year growth is forecast to slow down significantly to about 1-2 per cent. (Source: Business cycle review by the Confederation of Finnish Construction Industries RT, 10/2016.) RT will release its next review in February 2017.

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 key points. According to VTT's forecast, urbanisation will continue, as Finland’s urbanisation ratio 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, 01/2016.)

Housing, business and infrastructure construction in Finland

Housing sales in growth centres have remained at a moderately good level thanks to the population shift and investor sales. Housing production is still focused on small market-financed apartments in blocks of flats. It is estimated that housing start-ups increased substantially last year to about 36,000 units. The number of start-ups this year is expected to decline to about 34,000 units. (Source: Business cycle review by the Confederation of Finnish Construction Industries RT, 10/2016)

Business construction start-ups grew significantly in all the main sectors in 2016, but are expected to decline this year with the exception of industrial buildings and warehouses. The growth in the volume of renovation construction and investments in civil engineering is forecast to remain at about 1.5 per cent in 2017. (Source: Business cycle review by the Confederation of Finnish Construction Industries RT, 10/2016.)

One of SRV's strategic goals is to improve long-term profitability. This will be achieved by not only boosting the efficiency of the company's own operations but also through the more prudent selection of new projects on the basis of the capital commitment required and their profitability.

Housing construction

January-December 2016

Revenue from housing construction in Finland totalled EUR 272.7 (220.1) million in the January-December period. Earnings were impacted above all by the recognition of revenue from developer-contracted housing units. The **order backlog** for housing construction in Finland rose to EUR 562.6 (554.0) million, resulting from increased investor sales.

Housing under construction

In line with its strategy, SRV is focusing its housing production on urban growth centres and, above all, locations with good transport connections. SRV is currently one of the largest housing constructors in the Greater Helsinki Area. The company has a total of 2,696 (1,849) housing units under construction, most of them in growth centres. There are 836 (885) developer-contracted housing units currently under construction (12/2016).

There are 978 (477) housing units are currently under construction for investors (12/2016). In June, SRV signed a contractor agreement with Ilmarinen Mutual Pension Insurance Company to build sites in Vantaa and in Suurpelto in Espoo. Another agreement was signed in September for the construction of a site in Jätkäsaari, Helsinki. They form part of a framework agreement SRV made in March 2016, covering investor sales for a total of 500 housing units. Other significant sites under construction for investors include residential housing units for Elo and LocalTapiola in Tikkurila, Vantaa, and Wood City for Helsinki Housing Production Department (ATT) in Helsinki.

In December, SRV made an agreement with Etera on the sale of a city-centre property with 140 residential units in Kerava. SRV will sell to Etera Mutual Pension Insurance Company a new complex in the Aleksintori block to be implemented in Kerava town centre. The total value of the deal, consisting of the Karuselli shopping centre, housing units and a joint parking facility, is over EUR 50 million.

After the end of the review period, SRV signed a frame agreement valued at about EUR 100 million for the sale of 528 residential units to LocalTapiola.

Completed housing units

A total of 503 (247) developer-contracted housing units were completed during the January–December period. 111 (107) completed housing units remain unsold. In 2016, a total of 1,260 (873) housing units were sold.

A total of 503 developer-contracted residential units in the RS system were completed during 2016. The majority of these units were completed at the end of the year, particularly in December, when 247 units were completed.

Housing units recognised as income

In the January-December period, 499 (323) developer-contracted housing units were recognised as income, generating total revenue of EUR 144 (90) 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. SRV completed most of its housing units towards the end of the year. As they had already been sold, the vast majority of them were recognised as income in December.

October-December 2016

Revenue from housing construction in Finland totalled EUR 151.9 (92.9) million in the October-December period. **The order backlog** increased to EUR 562.6 (554.0) million. The construction of the REDI tower foundations was the main contributor to this growth. The apartments in the first of the towers, Majakka, will be included in the order backlog in the first quarter of 2017.

Housing production in Finland (units)	**1-12/ 2016**	1-12/ 2015	change, units	**10-12/ 2016**	10-12/ 2015
Units sold, total	**1,260**	873	387	**681**	397
- developer contracting	**509**	646	-137	**151**	207
- investor sales [2]	**751**	227	524	**530**	190
Developer contracting					
- start-ups	**454**	802	-348	**199**	116
- completed	**503**	247	256	**420**	225
- recognised as income	**499**	323	176	**389**	228
- completed and unsold [1]	**111**	107	4		
Under construction, total [1]	**2,696**	1,849	847		
- contracts [1]	**441**	59	382		
- negotiation contracts[1]	**441**	428	13		
- negotiated contracts [1] [2]	**978**	477	501		
- developer contracting [1]	**836**	885	-49		
- sold [1]	**444**	434	10		
- unsold [1]	**392**	451	-59		
- of which sold, % [1]	**53**	49			
- of which unsold, % [1]	**47**	51			

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

Order backlog, housing construction in Finland (EUR million)	**1-12/ 2016**	1-12/ 2015	change
Contracts and negotiated contracts	**193**	132	61
Under construction, sold developer contracting	**105**	114	-9
Under construction, unsold developer contracting	**222**	269	-47
Completed and unsold developer contracting	**43**	39	3
Housing construction, total	**563**	554	9

REDI apartments

REDI in Kalasatama, Helsinki is the largest construction project in SRV's history. Pre-marketing of the first REDI residential tower, Majakka, got off to a flying start in January 2016. At the end of December, over 90 per cent of Majakka's 283 apartments had either confirmed reservations (246) or preliminary reservations (18).

The permit process for Majakka's facades has progressed more slowly than expected, and thus the start-up of Majakka has been pushed back. The City Planning Department of the City of Helsinki approved the Majakka facades after the end of the review period on January 2017, and thus sales of housing units will begin in February 2017.

According to current estimates, construction of Majakka's tower section will begin during the first quarter of 2017. A more precise completion date for the Majakka apartments will be given once construction has begun. It is currently estimated that occupants will be able to move into the apartments in spring 2019.

The REDI apartments will be recognised as revenue when each residential tower has been completed and its apartments sold. The apartments in the first tower, Majakka, will be entered into the order backlog when the final construction decision has been made and sales have begun. According to current estimate the apartments in the first of the towers, Majakka, will be included in the order backlog in the first quarter of 2017. Although the REDI residential towers will be completed at a later date, the foundations for all of the towers will be built in one go, by the end of 2018. As the contractor agreement for Majakka's foundations was signed back in 2015, the foundation section of the Majakka residential tower has already been entered into the order backlog.

The largest developer-contracted housing projects under construction in Finland

Project name, location	SRV, contract value, EUR million	Completion level, %*	Completion date (estimated)*	Units	Sold*	For sale*
Niittyhuippu, Espoo	57	58	Q4/2017	200	142	58
Satamarannan Masto, Oulu	21	55	Q3/2017	100	47	53
Försti, Helsinki	23	70	Q2/2017	52	24	28
Mantteli, Helsinki	16	65	Q1/2017	55	55	0
Niittyheinä, Espoo	16	59	Q1/2017	59	0	59

*Situation as of 31 December 2016

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

Project name, location, client	SRV, contract value, EUR million	Completion level, %*	Completion date (estimated)*
Wood City, Helsinki, ATT	**	16	Q1/2018
Vantaan Celica, LocalTapiola	**	72	Q2/2017
Vantaan Verso, Elo	**	79	Q1/2017
Espoon Niittytori, SATO	**	78	Q2/2017
Suurpellon Puistokatu	**	28	Q1/2018
Vantaan Neilikkatie, Ilmarinen	**	7	Q2/2018
Keravan Ormo, Ilmarinen	**	13	Q2/2018
Vantaan Hernetie, OP	**	13	Q2/2018
Helsingin Välimerenkatu 10, Ilmarinen	**	14	Q3/2018
Aleksinkulma and park, Helsinki	**	0	Q1/2019
Suurpellon Puistokatu, Espoo, TA	**	6	Q3/2018
Projects, estimated value in total EUR 210 million			

*Situation as of 31 December 2016
** The value of individual contracts has not been made public.

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.

In November 2016, the Helsinki District Court announced its judgement in the case between SRV and Kiinteistö Oy Abraham Wetterintie 6. According to the judgement in the Helsinki Distric Court, the AW 6 will be required to pay SRV unpaid payments of the contract price and additional and modification works approved by the client added with penalty interest.

Business construction

January-December 2016

SRV's revenue from business construction totalled EUR 559.5 (434.0) million. The order backlog rose to a record-breaking EUR 1,163.5 (952.3) million, especially thanks to the many new agreements that were signed in January-September. No major new orders came in during the last quarter with the exception of the agreement of Aleksintori in Kerava.

In line with its strategy, SRV is aiming to increased the share of its business construction order backlog accounted for better margin for projects in average.

The order backlog was boosted by hospital projects, alliance contracts and infrastructure construction in particular. SRV further bolstered its position as an implementer of large-scale spearhead projects in June, when it was selected as the project management contractor for the new Nova hospital in Central Finland. The total value of the contract is about EUR 290 million, and it is the largest contract in SRV's history that does not include the company's own equity. Construction of the hospital has begun, and the project is already generating revenue for SRV. Also contributing to revenue are other large-scale hospital projects that are currently under construction, such as the new construction project for Tampere University Hospital, the New Children's Hospital in Helsinki, the basic renovation of the Women's Hospital and the health and wellbeing centre in Kalasatama, Helsinki.

Renovation and refurbishment projects also increased revenue, such as the basic renovation of an administrative building for the University of Helsinki and the renovation of the Helsinki City Theatre.

SRV's infrastructure construction bolstered its position in summer and early autumn. In June, SRV was selected to implement the Ring Road I construction project in Keilaniemi, Espoo. Ring Road I traffic will be diverted into an underground tunnel, and a park will be built above it. Infrastructure construction volumes are also being boosted by the excavation of the Western Metro tunnel in Kaitaa and the underground parking facilities under the REDI shopping centre.

SRV currently has five alliance projects whose revenue amounts to about one-fifth of the total revenue from business construction. Alliance projects provide additional earnings potential over and above ordinary income recognition. In practice, SRV can gain additional earnings if the project fulfils quality criteria and is completed for less than the target price earlier than scheduled.

SRV's shopping centre development projects also generated revenue during the January-December period. SRV is currently building the Niittykumpu and REDI shopping centres.

REDI

The REDI shopping centre is an SRV development project. In addition to SRV, the investor group includes Ilmarinen, OP Group and LocalTapiola. The REDI shopping centre will open in autumn 2018 and negotiations with tenants are currently ongoing. Leasing is proceeding as planned. At the end of December, about 50 per cent of the premises had binding lease agreements or letters of intent (47% 9/2016). The large premises designated for daily consumer goods stores have been leased to K-Supermarket and Lidl. All of the shopping centre's restaurant premises have also been leased.

Niittykumpu Metro Centre

SRV is developing the Niittykumpu Metro Centre in Espoo into a new centre for the area. It will comprise several residential buildings, a shopping centre and metro station. The first phase of the project, comprising the construction of shopping centre Niitty and two residential buildings has been held up due to delays with the Western Metro and challenges encountered during construction of the centre's foundations. The Metro Centre is now scheduled for completion in summer 2017 (the original estimate was October 2016). All of the commercial premises in the Metro Centre's new shopping centre, Niitty, have been leased.

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 co-operation agreement with Rosatom Group and the main contractor Titan-2. SRV will act as the project manager, and the exact nature of its activities will be confirmed at a later date. More detailed negotiations on project management activities are ongoing.

October-December 2016

SRV's revenue from business construction totalled EUR 167.4 (119.8) million. The order backlog increased to EUR 1,163.5 (952.3) million.

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	48	Q3/2018
TeHyKe, Kalasatama, Helsinki	*	Public services	49	Q4/2017
Niittykumpu Metro Centre, Espoo	*	Retail	71	Q2/2017
Keravan Aleksintori	*	Retail	4	Q4/2018
BUSINESS PREMISES				
Hospital Nova, Central Finland, Jyväskylä	290	Public	3	Q3/2018
TAYS Etupiha, Tampere	170	Public	19	Q3/2018
Tapiola city centre (Ainoa), Espoo	110	Retail	75	Q1/2017
Tapiola city centre (Phase 2), Espoo	100 +	Retail	0	Q1/2020
Aalto University, Espoo	76	Public	17	Q2/2018
Ring Road I, Keilaniemi, Espoo	49	Public	43	Q4/2018
HK Scan poultry processing plant Rauma	38	Industry	51	Q2/2017
Helsinki City Theatre renovation	38	Public	74	Q1/2017
Kaitaa metro station excavation, Espoo	32	Public	36	Q2/2018
Renovation of Lappeenranta University	31	Public	19	Q4/2018

Court and police building, Joensuu	30	Public	71	Q3/2017
Renovation of an administrative building for the University of Helsinki	*	Public	37	Q3/2017
HDC Teliasonera, Helsinki	*	Industry	19	Q1/2018
New Children's Hospital, Helsinki	*	Public	63	Q4/2017-Q2/2018

*The value of individual contracts has not been made public.

International Operations

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

Business environment

Expectations concerning the Russian economy have become slightly positive. According to the Russia forecast of the Bank of Finland Institute for Economies in Transition (9/2016), the GDP of the country is recovering gradually. In 2017, Russia's GDP is expected to grow by about one per cent. The price of oil rose in 2016, contributing to the Russian economy, and is expected to see further moderate increases in 2017-2018. In addition, the oil price has affected the exchange rate of the rouble, which strengthened by about 20 per cent in 2016.

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

The change in the rouble exchange rate has had a positive impact on SRV's earnings. SRV believes that the strengthening of the rouble will provide a good foundation for operating shopping centres in Russia. Although retail sales declined by -5.1 per cent in Russia during the review year, both sales and visitor numbers have grown at SRV's shopping centres. In 2016, visitor numbers at Pearl Plaza in St Petersburg grew as much as by 11 per cent year-on-year, and rouble-denominated sales were also up almost 19 per cent.

International Operations (EUR million)	**1-12/ 2016**	1-12/ 2015	change	change, %
Revenue	**52.4**	65.1	-12.8	-19.6
Percentage of associated companies' profits	**8.0**	0.2	7.8	
- Foreign exchange gains/losses	**10,1**	0,3	9,8	
- Forward deal	**-8,8**	0	-8,8	
Operating profit	**-4.2**	-0.1	-4.0	
Operating profit, %	**-7.9**	-0.2		
Order backlog	**32.4**	77.1	-44.8	-58.1

January-December 2016

In the January–December period, revenue from International Operations fell to EUR 52.4 (65.1) million and accounted for 6 (9) per cent of the Group's revenue. This decrease was expected, as the bulk of revenue has been generated by the construction of the Okhta Mall and 4Daily shopping centres. The Okhta Mall shopping centre in St Petersburg opened its doors in August 2016 and the 4Daily shopping centre in Moscow was handed over to the client in December 2016.

Operating profit from International Operations decreased to EUR -4.2 (-0.1) million. The rouble exchange rate improved operating profit by a net amount of EUR 1.3 million. Operating profit was weakened by temporary rent discounts granted to tenants, depreciation according to plan and the amortisation of one property. To date, SRV's operating currency in Russia has primarily been the euro. 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 changed to the rouble in 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.

The order backlog for International Operations fell to EUR 32.4 (77.1) million, as no new projects have been launched. In line with its strategy, SRV instead spent 2016 focusing on finishing the 4Daily shopping centre in Moscow, the opening of the Okhta Mall and operating other completed shopping centres.

October-December 2016

The revenue from International Operations decreased to EUR 9.4 (13.8) million in the October-December period. Operating profit was EUR -2.8 (-0.6) million. Operating profit was improved by a net amount of EUR 1.3 million by the rouble exchange rate and weakened by temporary rent discounts granted to tenants, depreciation according to plan and the amortisation of one property.

Completed projects

Okhta Mall, St Petersburg

The Okhta Mall's opening ceremony was held in St Petersburg in August 2016. The Okhta Mall is located in the heart of downtown St Petersburg, within easy reach of over 1.5 million residents. It is the largest retail project to have been completed in the St Petersburg economic area in recent years. The shopping centre has been SRV's major project in St Petersburg in the past several years.

Considering the numerous challenges that have been faced in the Russian shopping centre market in recent years, leasing of premises in Okhta Mall is proceeding according to plan. The occupancy rate was approximately 70 per cent at the end of December. In addition, negotiations are currently ongoing for 10 per cent of business premises. In December, letters of intent and reservations had been made for 7.4 per cent of the premises. Okhta Mall's footfall has developed according to expectations and is already approaching 10,000 visitors per day.

In line with current trends, only some of the stores were open on the shopping centre's first day of business. Over half of the Okhta Mall's premises have been leased to anchor tenants, of which the majority are international and Russian retail chains. The largest tenant is the Russian daily consumer goods chain Lenta. All of Okhta Mall's anchor tenants opened their doors in autumn 2016. During the autumn, all anchor tenants such as H&M, Decathlon, Detski Mir and Eldorado opened stores in the shopping centre. At the end of January, 54 per cent of the stores were in business. According to current estimate 90 percent of lease contracts will be signed by the end of 2017 and Okhta Mall would be fully leased by summer 2018.

Numerous small gallery stores will be established in the shopping centre in spring 2017. They have rented relatively small retail space in terms of square metres. Thus there will be no great changes in the total percentage of retail space in business in the spring.

That figure will rise again in late summer 2017, when the KARO cinema opens its doors to film goers. KARO has leased about 10 per cent (about 47,000 m^2) of the retail space in Okhta Mall.

Pearl Plaza, St Petersburg

Ever since it opened in August 2013, both visitor numbers and total sales figures have risen continuously at the Pearl Plaza shopping and entertainment centre, even though retail sales figures have been declining in Russia. In January-December 2016, the number of visitors was about 8.4 million, a year-on-year increase of 11 per cent.

Towards the end of the year, the shopping centre kept breaking visitor records. For instance, Pearl Plaza hit a new high in the last week of December: 225,000 customers visited the shopping centre that week, while 200,000 came in the first week of January. On Christmas Eve alone, 40,000 people came to shop. Considering the market situation, Pearl Plaza is also performing excellently with respect to the leasing of the premises, as it has been fully leased almost continuously.

In January-December, the shopping centre’s monetary sales increased by 19 per cent (in rouble terms) and 10 per cent (in euro terms) compared with the corresponding period of the previous year. Rouble-denominated sales at Pearl Plaza have increased about 15 per cent more than the market average for retail business.

Other projects

SRV owns 50 per cent of the Etmia II office project in downtown Moscow. 80 per cent of the premises had been leased by the end of December.

The most significant completed projects

Name	Holding, %	Opened	Floor area (m^2)	Occupancy rate 12/2016, %
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 98.5 Letters of intent and reservations 1.5
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 62.7 Letters of intent and reservations 7.4

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

Projects under construction

4Daily, Moscow

The 4Daily shopping centre in Moscow was handed over to the client in December 2016, but there are still some finalising work to be done.. At the end of December, binding lease agreements had been signed for 59,7 per cent of the premises and letters of intent for 5,2 per cent. At the end of January, binding lease agreements had been signed for 60 per cent of the premises and letters of intent for 8 per cent. The anchor tenant of the shopping centre changed in the final phase of construction. The new supermarket operator will be the Russian company Miratorg. A final lease agreement was signed with the company in December 2016. At 4Daily, Miratorg will open its new concept store targeted especially at the middle class. Due to the change in anchor tenant, the opening of the property was postponed to April 2017.

Papula, Vyborg

SRV is building apartment blocks in the Papula district in the northern part of Vyborg. Only one (2) of the apartments in already completed buildings in Papula remains unsold. The construction of the next two buildings, consisting of 110 apartments in total, is under way. 49 apartments have been sold or reserved at the year end 2016.

The largest projects under construction

Name	Holding, %	Total investment, EUR million	Completion level, %	Completion date (estimated)	Floor area (m^2)	Occupancy rate 12/2016, %
4Daily, shopping centre, Moscow	Vicus 26.26 SRV 18.68 Blagosostoyanie 55.06	61	93	Q1-Q2/ 2017	52,000	Binding lease agreements 59.7 Letters of intent and reservations 5.2 Total 64.9

Outlook for operations in Russia

In Russia, SRV is focusing on completing its current construction projects, managing already completed locations, and developing its management operations. The shopping centre market still has massive potential, as the weak exchange rate of the rouble means that middle-class consumption is focused on Russia. There are also twice as many shopping centres per 1,000 inhabitants in Western Europe than there are in Russia.

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

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

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

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

Group project development

In accordance with its strategy, SRV is focusing on improving profitability. Developer-contracted and development projects are by far the best way to improve profitability, as they generally yield a better margin than, for instance, contracting. SRV's development projects target growth centres and, in the Greater Helsinki Area, particularly locations close to rail transport.

Rail transport

The Greater Helsinki Area metro is being expanded to run from Ruoholahti to Espoo via Lauttasaari. In the first phase of the Western Metro, a 14 kilometers rail line will be completed from Ruoholahti to Matinkylä, with eight new stations. SRV has numerous projects on the route of this metro line. The Western Metro completion schedule has been revised during the project. In December 2016, it was announced that joint usage tests had been successfully performed at three stations and that the metro can start running to Tapiola in April and to Matinkylä in June. 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. Among other works, SRV has built the Koivusaari metro station and has been responsible for the excavated work 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, and park-and-ride spaces. Construction will begin once zoning has been completed – current estimate 2018–2019 – and the Metro Centre is scheduled for completion in 2020.

Espoonlahti

Apartments covering approximately 100,000 square metres of floor area will be built next to the forthcoming Espoonlahti metro station (Espoonlahden keskus/Mårtensbro). SRV is seeking a holding of around 30 per cent. 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. The plan for the Espoonlahti centre was approved by the City Council after the end of the review period in January 2017.

Niittykumpu

The Niittykumpu neighbourhood is well on its way of becoming a modern metro centre and home to thousands of new residents. SRV is building the new Metro Centre and, when it opens, the old Niittykumpu shopping centre will be demolished and apartments will be built in its place. At the second phase of the project three buildings have been planned, encompassing a total floor area of 12,650 square metres.

Construction will begin in 2017. SRV made an agreement after the end of the review period in January 2017 about selling two of the buildings to be constructed to LocalTapiola.

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. SRV was chosen to implement the Ring Road I construction project in June 2016. Ring Road I traffic will be diverted into an underground tunnel, and a park will be built above it. The original plan was to build an approximately 400-metre-long tunnel in two sections. However, in October 2016, the Espoo City Board decided to complete the Ring Road I tunnel in one go.

As part of the overall plan, Espoo City Board's Trade and Competitiveness Division decided to sell two residential plots in Keilaniemi to SRV. Preliminary contracts on the sale of these plots were signed in May 2016. A complaint on the City of Espoo's sale decision has been lodged with the administrative court. 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 in Perkkaa

Raide-Jokeri is a rapid tramline planned to 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 Perkkaa station in cooperation with SATO and Ilmarinen. A total of almost 2 000 housing units will be built on the plot. Construction is planned to start during 2017. SRV also has a planning reservation for the Säterintorni plot, where the company plans to build housing and an office building.

Other projects

Wood City

SRV and Stora Enso are co-operating on the construction of Wood City in the Jätkäsaari district 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 started in spring 2016 and the elements of the first wooden apartment building are currently being installed. It is estimated that the wooden apartment buildings will be completed 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. A complaint on the sale decision and city plan has been lodged with the administrative court. It is intended that Bunkkeri construction work will begin in 2017. The fitness facilities will be leased to the City of Helsinki and the handover is set for May 2019. According to current estimates, the first housing units will be completed in 2019. SRV is currently negotiating the sale of the fitness facilities with potential investors.

Tampere Central Deck and Arena

In the beginning of 2016, Tampere City Council selected a consortium formed by SRV to further develop the city's Central Deck and Arena project. The City of Tampere and SRV signed the implementation agreement in summer 2016. The project is valued approximately EUR 500 million and comprises a multi-purpose arena, office, commercial and hotel premises, and housing. The implementation agreement also involves a plot reservation agreement under which a consortium formed by SRV can buy plots in the new Ranta-Tampella area. A complaint on the implementation agreement has been lodged with the administrative court.

The project is currently in the development phase, during which financing and key lease agreements will be negotiated in preparation for the final investment decision. The project took a big step closer to being realised, as in October 2016 Finland's Slot Machine Association (RAY) chose to locate Finland's second casino in Tampere's new multi-purpose arena. It is intended that the final implementation decision will be taken in summer 2017, depending on the ongoing appeal and investor negotitiations. It is intended that construction work will begin in 2017.

Land reserves 31 December 2016	**Business construction**	**Housing construction**	**International Operations**	**Total**
Unbuilt land areas and land acquisition commitments				
Building rights[1)], 1,000 m^2	**164**	**292**	**718**	**1,174**
Land development agreements				
Building rights[1)], 1,000 m^2	**114**	**151**	**0**	**266**

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 94 000 m^2 (-7%) compared to 31 December 2015.

Financing and financial position

IFRS, EUR million	31 December 2016	31 December 2015	Change, %
Equity ratio, %	**38.3**	42.5	-9.9
Gearing ratio, %	**83.4**	83.3	0.2
Shareholders' equity	**295.3**	277.2	6.5
Invested capital	**596.2**	543.0	9.8
Interest-bearing debt	**300.9**	265.8	13.2
- of which short-term	**73.7**	102.6	-28.1
- of which long-term	**227.2**	163.2	39.2
Cash and cash equivalents	**54.6**	35.0	
Unused binding liquidity limits and account limit agreements	**122.0**	122.1	-0.1
Unused project loans that can be drawn immediately	**47.5**	18.2	161.0

At the end of the year, the Group's financing reserves totalled EUR 224.1 million with the Group's cash assets amounting to EUR 54.6 million, and open-ended account limits and committed undrawn financing reserves and loans to EUR 169.5 million. In addition, EUR 49 million of the non-committed limits of the EUR 100 million commercial paper programme remained unused.

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

SRV Group Plc carried out two significant financial transactions in the first quarter of 2016 with a view to strengthening its equity ratio and financing growth in the years ahead. In March, SRV made a tender offer for its outstanding hybrid bond issued in 2012.

As a result of this tender offer, SRV bought back EUR 28.3 million of the hybrid bond from investors in March 2016, and the remaining EUR 16.7 million in December 2016. The company issued a new EUR 45 million hybrid bond in connection with the buyback. The coupon rate of the new hybrid bond is fixed at 8.750 per cent per annum. The first redemption date of the new hybrid bond is 22 March 2020. On March 2016, SRV Group Plc also issued a EUR 100 million bond. This bond carries a fixed annual interest rate of 6.875 per cent. The company can first redeem the bond three years after its date of issue. The bond matures on 23 March 2021.

Net interest-bearing debt totalled EUR 246.3 (230.8) million at the end of the year. Net interest-bearing debt saw year-on-year growth of EUR 15.5 million mainly due to equity capital employed in REDI. Housing corporation loans account for EUR 42.1 (58.9) million of the interest-bearing debt. The Group's financial position was affected not only by financial transactions but also by net cash flow from operating activities and investments. Net cash flow was EUR 27.8 (51.0) million and net cash flow from investing activities was EUR -39.4 (-119.8) million. An increase in incomplete housing in Finland in particular had an unfavourable impact on net cash flow from operating activities. Net cash flow from investing activities is at the usual level – the comparison figures are mainly explained by investments in the REDI project.

Net financial expenses since the beginning of 2016 totalled EUR -11.3 (-6.8) million. Financial expenses rose due to an increase in interest expenses and, in particular, the EUR -4.7 (-3.3) million fair value revaluation of 10-year interest rate derivatives. The figures for the comparison period also include a EUR 1.4 million release of credit loss provisions. 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. The company does not believe that there will be any further significant decreases in the interest rate. EUR 2.0 (1.6) million in interest expenses have been capitalised in accordance with IAS 23 since the beginning of the year.

SRV's investment commitments totalled EUR 31.2 (47.6) million and were earmarked for Fennovoima's Hanhikivi-1 project and the REDI project in Kalasatama.

During the third quarter, the company increased its holding in the associated company Olgino-4. As a result of the transaction, SRV now exercises authority in the company and will therefore consolidate it as a subsidiary. Its consolidation will impact the figures for inventories and minority interest in the consolidated balance sheet. The transaction in question is the acquisition of a company that owns an unbuilt plot in the St Petersburg area. It will not have a significant impact on cash flow.

In 2016, the operating currency for SRV's property companies in Russia has been the rouble. This means that subsidiaries and associated companies that operate in the Russian property business and have previously been using the euro will now use the rouble as their operating currency. The change stems from the challenging state of the Russian economy, which has continued for longer than expected and has caused the shopping centre rental market to become more rouble-based. This accounting change will make SRV more susceptible to fluctuations in the rouble exchange rate through translation differences. The strengthening rouble led to translation differences of EUR 15.2 (-1.6) million, which impacted both shareholders' equity and the comprehensive result for the period. In addition to currency exchange rate gains of EUR 3.8 (1.3) million in financial income and expenses, the Group also entered similarly derived currency exchange rate gains of EUR 10.1 (0.3) million under the profit accounted for by associated companies. Foreign exchange gains are reduced by EUR 8.8 million in hedging expenses.

Personnel

Personnel by business area	**31 December 2016**	**31 December 2015**	Percentage of Group personnel, 31 Dec 2016
Operations in Finland	**806**	721	75
International Operations	**181**	235	17
Other operations	**94**	90	9
Group, total	**1,081**	1,046	100

SRV's payroll increased steadily during 2016, and at the end of December the company had 1,081 (1,046) employees, of whom an average of 857 (785) were salaried employees. Growth has been robust in Operations in Finland thanks to progress in the implementation of numerous large-scale projects such as

REDI, the Nova hospital in Central Finland and TAYS. The number of employees in International Operations has declined due to the completion of the Okhta Mall.

The parent company had 61 (56) salaried employees at the end of the review period. At the end of the review period, SRV's Operations in Finland employed a total of 40 (31) trainees (students on work placements and students working on a thesis or diploma).

The SRV STEP Academy remained active during the whole year. 240 people have already participated in the production training programme. An agreement was made with Hanken & Stockholm School of Economics for an executive coaching programme called "SRV Leader 2020". 41 SRV executives from both Finland and Russia have been invited to participate and it will be carried out in 2017.

SRV Group was once again ranked in the AAA category in Corporate Spirit Oy's personnel survey. Operations in Finland gained an AA+ rating in Finland's Most Inspiring Workplaces survey. The survey shows that indices for commitment, leadership, performance and engagement at SRV are clearly above average.

Risks, risk management and corporate governance

SRV will publish 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 will be provided in the 2016 Notes to the Financial Statements and 2016 Annual Report, and on the company's website.

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

To date, SRV's operating currency in Russia has primarily been the euro. 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 changed to the rouble in 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 13 million on the Group's equity translation differences. SRV's transaction risk largely comprises the foreign currency-denominated loans of associated companies that are partly owned by SRV. Changes in these would correspondingly have had an impact of about EUR 14 million on SRV's earnings.

The Russian recession has lasted longer than expected, which has led to the continuation of temporary rent discounts for shopping centre tenants. It may therefore take longer than planned to reach the target for rental income.

REDI is a major project in relation to the size of the company and therefore includes risks associated with its implementation and financing.

The bond SRV issued in March 2016 has improved the company's equity.

Corporate governance and the decisions of the Annual General Meeting

The Annual General Meeting (AGM) of SRV Group Plc was held on 22 March 2016. The AGM adopted the Financial Statements for the period 1 January-31 December 2015 and released the members of the Board of Directors and the President & CEO from liability.

A dividend of EUR 0.10 per share was confirmed, and the dividend was paid on 4 April 2016.

Mr Ilpo Kokkila was elected chairman of the Board of Directors and **Ms Minna Alitalo, Mr Arto Hiltunen, Mr Olli-Pekka Kallasvuo, Mr Timo Kokkila,** and **Mr Risto Kyhälä** were elected to seats on the Board.

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 2017 Annual General Meeting. PricewaterhouseCoopers Oy has announced that **Samuli Perälä,** Authorised Public Accountant, will serve as the responsible auditor.

Authorisations to decide on a share issue and an issue of special rights

The Annual General Meeting authorised the Board of Directors to decide on the issue of new shares or the reissue of treasury shares and/or the issue of special rights entitling to shares as referred to in Chapter 10 Section 1 of the Companies Act either for or without consideration.

Based on the authorisation, the Board of Directors may decide on the issue of shares such that the number of shares issued, including shares issued on the basis of special rights, is in total a maximum of 6,049,957.

The authorisation entitles the Board of Directors to decide on all the terms and conditions of a share issue and special rights entitling to shares, including the right to derogate from the pre-emptive subscription right of shareholders, if there is a weighty financial reason for the company to do so. A directed share issue may be executed without consideration only if there is an especially weighty financial reason for the company to do so, taking the interests of all shareholders into account.

The authorisation may be used, for example, when issuing new shares or conveying shares as consideration in corporate acquisitions, when the company acquires assets relating to its business and for implementing incentive schemes.

The authorisation shall be valid for five years from the decision of the Annual General Meeting.

Authorisation to decide on the acquisition of the company’s own 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 of Directors was authorised to acquire shares in the company, such that the number of shares acquired on the basis of this authorisation when combined with the treasury shares owned by the company and its subsidiaries does not at any given time exceed a total of 6,049,957 shares (10% of all shares in the company).

On the basis of 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 shares issued on the basis of incentive schemes to individuals employed by SRV Group 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. Shares may be acquired otherwise than in proportion to the holdings of the shareholders.

The company's own shares can be acquired for use, for example, 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 decision of the general meeting and cancel the authorisation granted by the Annual General Meeting to the Board of Directors on 25 March 2015.

The Board of Directors shall decide on all other terms relating to the acquisition of shares.

Organisation of SRV Group Plc’s Board of Directors

SRV Group Plc's Board of Directors held its assembly meeting on 22 March 2016. **Olli-Pekka Kallasvuo** was selected as Vice Chairman of the Board of SRV Group Plc. **Minna Alitalo** was elected as Chairman and **Olli-Pekka Kallasvuo** and **Timo Kokkila** as members of the Audit Committee. **Ilpo Kokkila** was elected as Chairman of the HR and Nomination Committee (former Nomination and Remuneration Committee) and **Arto Hiltunen** and **Risto Kyhälä** as members.

Changes in the Corporate Executive Team

SRV Group’s SVP and General Counsel **Katri Innanen** resigned from her position on 27 April 2016. **Johanna Metsä-Tokila**, LL.M., was appointed as SRV Group's SVP, General Counsel and as a member of the Corporate Executive Team as of 1 June 2016. **Jussi Kuutsa**, Vice President, Business Operations in Russia, resigned from SRV on 1 December 2016.

SRV revises its insider guidelines and duration of the closed window

On 15 June 2016, in accordance with a decision made by the Board of Directors, SRV amended its insider guidelines, on the basis of which the duration of the closed window was extended to at least 30 calendar days. The new insider guidelines came into force on 3 July 2016.

The amendment to the insider guidelines was based on the European Union's Market Abuse Regulation (MAR), and on regulations and instructions issued by the European Securities and Markets Authority (ESMA) and other parties on the basis of MAR, which came into force on 3 July 2016.

SRV applies the closed window principle before the publication of its results. From now on, SRV’s closed window will always start at least 30 calendar days before the publication of an interim report or financial statement release, excluding the publication of the result for the second quarter of 2016, in which case the closed window only began on 3 July 2016, when the legal amendment came into force. The closed window also applies to the date of publication.

Flagging notifications

- SRV Group Plc has received a flagging notification 22.12.2016 from **Ilpo Kokkila**, pursuant to Chapter 9 Section 5 of the Finnish Securities Markets Act. According to the flagging notification, the share of Lauri Kokkila`s ownership and votes in SRV Group Plc has exceeded 20%.

- SRV Group Plc has received a flagging notification 22.12.2016 from **Tuomas Kokkila**, pursuant to Chapter 9 Section 5 of the Finnish Securities Markets Act. According to the flagging notification, the share of Lauri Kokkila`s ownership and votes in SRV Group Plc has exceeded 10%.
- SRV Group Plc has received a flagging notification 22.12.2016 from **Lauri Kokkila**, pursuant to Chapter 9 Section 5 of the Finnish Securities Markets Act. According to the flagging notification, the share of Lauri Kokkila`s ownership and votes in SRV Group Plc has exceeded 10%.

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 7,427 shareholders on 31 December 2016.

The closing price at OMX Helsinki on 31 December 2016 was EUR 5.43 (EUR 3.10 on 31 December 2015, change +75%). The highest share price during the review period was EUR 5.58 and the lowest EUR 2.60. At the end of 2016, SRV's equity per share excluding the hybrid bond was EUR 4.25. On 31 December 2016, the company had a market capitalisation of EUR 322.4 million, excluding the Group's treasury shares. 6.3 million shares were traded during the review period with a trade volume of EUR 25.8 million.

At the end of September, the Group held 1,125,075 shares (1.9 per cent of the total number of the company's shares and votes). SRV Group Plc divested 49,042 treasury shares in 2016 in order to execute incentive schemes.

Financial objectives

SRV's strategy and all of its operations are guided by the objectives set for the strategy period 2017-2020 confirmed 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
- The return on investment will rise to at least 12 per cent by the end of the strategy period
- An equity ratio of over 35 per cent will be maintained
- A dividend payment equalling 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 operating phase. The development of new projects is continued that can be launched when the Group's capital structure allows and the sites' financial criteria are fulfilled.

One of SRV's strategic goals is to improve long-term profitability. This will be achieved by not only boosting the efficiency of the company's own operations but also through the more prudent selection of new projects on the basis of the capital commitment required and their profitability.

Events after the end of the review period

- As of 1 January 2017, **Veli-Matti Kullas** has been appointed to lead SRV's International Operations. According to stick exchange release published in 3.1.2017. Senior Vice President, Financial Administration **Valtteri Palin** will continue in his former role being in charge of Group finance, controller function and taxation, but in future will no longer be a member of the Corporate Executive Team.
- SRV and LähiTapiola have signed a framework agreement for the construction of 528 market-financed rental housing units. Under this framework agreement worth approximately EUR 100 million, SRV will construct several apartment houses for LähiTapiola in the Helsinki metropolitan area, Turku and Jyväskylä. Project-specific agreements will be signed before the construction work at each site is started. All buildings will be completed during 2018 and 2019~~.~~
- On the basis of a decision taken by the Board of Directors on 2 February, SRV changed its communications policy such that in addition to stock exchange releases and press releases, the company will introduce a new category of releases: investor news.

Outlook for 2017

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

Developer-contracted housing will be completed on a steadier schedule than in 2016. However, 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.

Full-year consolidated revenue for 2017 is expected to increase and operating profit to improve on 2016 (revenue EUR 884 million and operating profit EUR 27.7 million). A profitability level in accordance with the 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 in 2016. This accounting change will make SRV more susceptible to fluctuations in the rouble exchange rate and may impact on full-year operating profit.

Proposal for the distribution of profits

The parent company's distributable funds on 31 December 2016 are	EUR 171,197,174.26
of which the loss for the financial year is	EUR 4,140,646.47

The Board of Directors proposes to the Annual General Meeting that distributable funds be disposed of as follows:

A dividend of EUR 0.10 per share be paid to shareholders, or	EUR 6,049,957.50
The amount to be transferred to shareholders' equity is	EUR 165,147,216.76

No material changes have taken place in the company's financial position after the close of the financial year. The company's liquidity is good and, in the view of the Board of Directors, the proposed dividend payout does not compromise the company's solvency.

Annual General Meeting

SRV Group Plc's Annual General Meeting will be held on Thursday, 23 March 2017. The General Meeting will deal with the matters specified in Article 11§ of the Articles of Association and any other proposals made by the Board of Directors. The Board will decide on the notice of meeting and its proposals at a later date.

Espoo, 2 February 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

Juha Pekka Ojala, CEO, +358 (0)40 733 4173, jp.ojala@srv.fi
Ilkka Pitkänen, CFO, +358 (0)40 667 0906, ilkka.pitkanen@srv.fi
Päivi Kauhanen, SVP, Communications, +358 (0)50 598 9560, paivi.kauhanen@srv.fi

Key figures

EUR million	1-12/ 2016	1-12/ 2015	10-12/ 2016	10-12/ 2015
Revenue	884.1	719.1	328.7	226.6
Operation profit	27.7	24.4	16.2	17.0
Operation profit, % revenue	3.1	3.4	4.9	7.5
Profit before taxes	16.4	17.6	19.4	14.9
Profit before taxes, % of revenue	1.8	2.4	5.9	6.6
Net profit attributable to equity holders of the parent company	13.9	14.0	16.4	12.3
Return on equity, % [1)]	5.0	5.6		
Return on investment, % [1)]	6.1	5.9		
Invested capital	596.2	543.0		
Equity ratio %	38.3	42.5		
Net interest-bearing debt	246.3	230.8		
Gearing ratio, %	83.4	83.3		
Order backlog	1 758.5	1 583.4		
New agreements	1 013.1	1 393.5	183.2	286.9
Personnel on average	1 089	1 008		
Earnings per share [1)]	0.15	0.25	0.26	0.27
Earnings per share (diluted) [1)]	0.15	0.25	0.26	0.27
Equity per share [1)]	5.00	4.66		
Equity per share (without hybrid bond), euros [1)]	4.25	3.90		
Dividend per share, euros [1)]	0.10	0.10		
Dividend payout ratio, % [1)]	67.6	40.2		
Dividend yield, % [1)]	1.8	3.2		
Price per earnings ratio [1)]	36.7	12.5		
Share price development:				
Share price at the end of the period, eur	5.43	3.10		
Average share price	4.07	2.94		
Lowest share price	2.60	2.36		
Highest share price	5.58	3.42		
Market capitalisation at the end of the period	322.4	183.9		
Trading volume, 1 000 units	6 355	11 463		
Trading volume, % [1)]	10.7	26.9		
Weighted average number of shares outstanding during the period, 1 000 units [1)]	59 349	42 616		
Weighted average number of shares outstanding during the period (diluted) 1 000 units [1)]	59 576	42 648		
Number of shares outstanding at the end of the period,1 000 units [1)]	59 375	59 325		

[1)] Comparative data is share adjusted

Calculation of key figures

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

*) Comparative data is share issue adjusted

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Group and Segment information by quarter

SRV Group EUR million	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016	10-12/ 2015	7-9/ 2015	4-6/ 2015	1-3/ 2015
Revenue	328.7	193.1	218.5	143.8	226.6	155.1	164.5	172.9
Operation profit	16.2	7.3	4.1	0.0	17.0	4.1	0.8	2.5
Financial income and expenses, total	3.2	-3.4	-5.6	-5.6	-2.1	-4.0	-1.5	0.8
Profit before taxes	19.4	3.9	-1.5	-5.5	14.9	0.1	-0.7	3.3
Order backlog [1)]	1 758.5	1 888.1	2 021.6	1 572.1	1 583.4	1 517.5	1 258.8	1 179.8
New agreements	183.2	54.9	648.6	126.5	286.9	389.9	227.6	489.1
Earnings per share, eur [2)]	0.26	0.04	-0.04	-0.11	0.27	-0.03	-0.04	0.05
Equity per share, eur [1)2)]	4.25	3.81	3.71	3.71	3.90	3.80	4.51	4.53
Share closing price, eur [1)]	5.43	4.40	4.00	3.53	3.10	2.53	3.71	3.39
Equity ratio, % [1)]	38.3	37.8	36.9	36.7	42.5	41.6	36.3	39.8
Net interest-bearing debt [1)]	246.3	285.0	291.2	247.2	230.8	248.3	251.0	228.5
Gearing, % [1)]	83.4	99.7	103.1	87.5	83.3	91.5	111.4	101.0

1) at the end of the period

2) Comparative data is share issue adjusted

Revenue EUR million	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016	10-12/ 2015	7-9/ 2015	4-6/ 2015	1-3/ 2015
Operations in Finland	319.3	180.9	200.4	131.5	212.8	137.3	146.9	157.1
- business construction	167.4	141.4	143.8	106.9	119.8	105.6	94.5	114.0
- housing construction	151.9	39.5	56.6	24.6	92.9	31.7	52.4	43.1
International Operations	9.4	12.1	18.4	12.4	13.8	17.9	17.6	15.9
Other operations	4.0	4.0	4.0	4.0	3.7	3.5	3.4	3.8
Eliminations	-4.1	-3.9	-4.3	-4.0	-3.7	-3.6	-3.4	-3.8
Group, total	328.7	193.1	218.5	143.8	226.6	155.1	164.5	172.9

Operating profit EUR million	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016	10-12/ 2015	7-9/ 2015	4-6/ 2015	1-3/ 2015
Operations in Finland	21.8	6.6	7.6	2.2	18.3	4.9	2.4	3.3
International Operations	-2.8	1.2	-1.5	-1.1	-0.6	-0.3	0.1	0.7
Other operations	-2.8	-0.4	-2.0	-1.1	-0.7	-0.5	-1.6	-1.5
Eliminations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Group, total	16.2	7.3	4.1	0.0	17.0	4.1	0.8	2.5

Operating profit (%)	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016	10-12/ 2015	7-9/ 2015	4-6/ 2015	1-3/ 2015
Operations in Finland	6.8	3.6	3.8	1.7	8.6	3.5	1.6	2.1
International operations	-29.4	9.5	-8.0	-8.6	-4.0	-1.7	0.5	4.1
Group, total	4.9	3.8	1.9	0.0	7.5	2.6	0.5	1.5

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Order backlog EUR million	31.12.16	30.9.16	30.6.16	31.3.16	31.12.15	30.9.15	30.6.15	31.3.15
Operations in Finland	1 726.1	1 851.3	1 972.6	1 511.7	1 506.2	1 431.7	1 159.3	1 062.9
- business construction	1 163.5	1 293.8	1 426.6	972.9	952.3	1 023.6	806.9	801.1
- housing construction	562.6	557.5	546.0	538.9	554.0	408.1	352.4	261.8
International operations	32.4	36.8	49.0	60.3	77.1	85.7	99.5	116.9
Group, total	1 758.5	1 888.1	2 021.6	1 572.1	1 583.4	1 517.5	1 258.8	1 179.8
- sold order backlog	1 482	1 623	1 720	1 269	1 261	1 295	1 074	1 037
- unsold order backlog	276	265	301	303	322	222	185	142

Order backlog, housing construction in Finland EUR million	31.12.16	30.9.16	30.6.16	31.3.16	31.12.15	30.9.15	30.6.15	31.3.15
Negotiation and construction contracts	193	122	107	115	132	83	88	88
Under construction, sold	105	181	150	134	114	117	86	39
Under construction, unsold	222	227	251	249	269	166	131	79
Completed and unsold	43	28	37	40	39	42	47	56
Housing construction, total	563	557	546	539	554	408	352	262

Invested capital EUR million	31.12.16	30.9.16	30.6.16	31.3.16	31.12.15	30.9.15	30.6.15	31.3.15
Operations in Finland	333.0	364.5	357.0	324.6	315.4	326.3	290.8	273.3
International operations	250.8	227.3	224.7	217.4	216.7	214.6	217.7	211.3
Other operations and	12.4	16.9	46.0	110.7	10.9	6.8	-1.7	-15.5
Group, total	596.2	608.7	627.7	652.7	543.0	547.7	506.8	469.1

Housing production in Finland (units)	10-12/ 2016	7-9/ 2016	4-6/ 2016	1-3/ 2016	10-12/ 2015	7-9/ 2015	4-6/ 2015	1-3/ 2015
Housing sales, total	681	335	151	93	397	166	236	74
- sales, developer contracting	151	165	100	93	207	129	236	74
- sales, negotiation contracts [2]	530	170	51	0	190	37	0	0
Developer contracting								
- start-ups	199	52	148	55	116	244	376	66
- completed	420	0	53	30	225	0	22	0
-recognized in revenue	389	26	58	26	228	16	48	31
- completed and unsold	111	80	106	111	107	110	126	152
Under construction, total [1]	2 696	2 443	2 082	1 830	1 849	1 855	1 628	1 356
- construction contracts [1]	441	319	138	138	59	153	123	190
- negotiation contracts [1]	441	619	661	555	428	345	375	302
- negotiated contracts [1] [2]	978	448	278	227	477	363	380	468
- developer contracting [1]	836	1 057	1 005	910	885	994	750	396
- of which sold [1]	444	681	543	502	434	455	342	154
- of which unsold [1]	392	376	462	408	451	539	408	242

1) at the end of the period

2) investor sales, under negotiation contracts

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SRV GROUP PLC INTERIM REPORT, 1 JANUARY–31 DECEMBER 2016: TABLES

1) Accounting principles
2) Consolidated income statement and consolidated statement of comprehensive income
3) Consolidated balance sheet
4) Consolidated cash flow statement
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1) Interim Report 1 January – 31 December 2016

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 2015. However, as of 1 January 2016, 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 2015.

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 2015.

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
SRV has adopted the Guidelines on Alternative Performance Measures issued by the European Securities and Market Authority (ESMA). In addition to IFRS indicators, the company discloses certain other widely used performance measures that can for the most part be derived from the income statement and balance sheet. The formulas for these performance measures are provided above. In the company’s view, these measures clarify the result of operations and financial position based on the income statement and balance sheet.

2) Consolidated income statement and statement of comprehensive income

Consolidated income statement EUR million	1-12/ 2016	1-12/ 2015	change MEUR	change %	10-12/ 2016	10-12/ 2015	%
Revenue	884.1	719.1	165.1	23.0	328.7	226.6	45.1
Other operating income	2.1	1.8	0.3	16.4	0.3	0.5	-40.7
Change in inventories of finished goods and work in progress	37.8	24.7	13.1		-50.4	-9.7	418.6
Use of materials and services	-797.8	-639.1	-158.7	24.8	-233.2	-178.1	30.9
Employee benefit expenses	-73.0	-64.6	-8.4	13.0	-20.1	-15.8	26.7
Share of results of associated companies	7.4	-0.1	7.5		8.7	-0.8	
Depreciation and impairments	-6.6	-3.5	-3.2		-3.8	-1.4	182.3
Other operating expenses*	-26.3	-13.8	-12.5	90.1	-14.1	-4.3	225.5
Operating profit	27.7	24.4	3.2	13.2	16.2	17.0	-4.4
Financial income	7.0	5.0	2.1	41.3	4.4	0.6	702.9
Financial expenses *)	-18.4	-11.8	-6.5	55.2	-1.2	-2.7	-53.9
Financial income and expenses, total	-11.3	-6.8	-4.5		3.2	-2.1	-251.0
Profit before taxes	16.4	17.6	-1.2		19.4	14.9	
Income taxes	-2.0	-3.6	1.6		-2.4	-2.5	-4.6
Net profit for the period	14.4	14.0	0.4		17.0	12.3	
Attributable to							
Equity holders of the parent company	13.9	14.0			16.4	12.3	
Non-Controlling interests	0.5	0.0			0.7	0.0	
Earnings per share attributable to equity holders of the parent company	0.15	0.25			0.26	0.27	
Earnings per share attributable to equity holders of the parent company (diluted)	0.15	0.25			0.26	0.27	
*) of which derivative expenses	-4.7	-3.3	-1.4		3.1	-0.5	

Statement of comprehensive income EUR million	1-12/ 2016	1-12/ 2015	10-12/ 2016	10-12/ 2015
Net profit for the period	14.4	14.0	17.0	12.3
Other comprehensive income				
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Financial assets available for sale	0.3	-0.5	0.4	0.0
Income tax relaed to components of other comprehensive income	-0.1	0.1	-0.1	0.0
Gains and losses arising from translating the financial statements of a foreign operation	3.8	-1.6	1.7	-1.1
Share of other comprehensive income of associated companies and joint ventures	11.4	-0.3	8.3	-0.3
Other comprehensive income for the period, net of tax	15.5	-2.3	10.3	-1.4
Total comprehensive income for the period	29.9	11.6	27.3	10.9
Attributable to				
Equity holders of the parent company	29.4	11.6	26.7	10.9
Non-Controlling interests	0.5	0.0	0.7	0.0

3) Consolidated balance sheet

Consolidated balance sheet EUR million	31.12.16	31.12.15	change %
ASSETS			
Non-current assets			
Property, plant and equipment	12.0	10.7	11.8
Goodwill	1.7	1.7	0.0
Other intangible assets	1.9	1.9	1.5
Shares in associated companies and joint ventures	211.5	206.6	2.3
Other financial assets	13.9	11.7	18.5
Receivables	0.0	0.7	-94.5
Loan receivables from associated companies and joint ventures	55.9	31.2	78.9
Deferred tax assets	9.2	7.3	26.1
Non-current assets, total	306.1	271.9	12.6
Current assets			
Inventories	400.3	336.6	18.9
Trade and other receivables	116.6	111.9	4.1
Loan receivables from associated companies and joint ventures	1.1	5.6	-80.4
Current tax receivables (based on profit for the review period)	3.9	1.6	141.4
Cash and cash equivalents	54.6	35.0	55.8
Current assets, total	576.4	490.8	17.5
ASSETS, TOTAL	882.5	762.6	15.7

Consolidated balance sheet EUR million	31.12.16	31.12.15	change,%
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent company			
Share capital	3.1	3.1	0.0
Invested free equity fund	141.5	141.2	0.2
Translation differences	8.0	-7.2	-210.7
Fair value reserve	-1.1	-1.4	-19.2
Hybrid bond	45.0	45.0	0.0
Retained earnings	100.6	95.7	5.1
Equity attributable to equity holders of the parent company, total	297.1	276.4	7.5
Non-controlling interests	-1.8	0.8	
Total equity	295.3	277.2	6.5
Non-current liabilities			
Deferred tax liabilities	4.2	2.3	79.3
Provisions	7.8	6.3	23.8
Interest-bearing liabilities	227.2	163.2	39.2
Other liabilities	14.0	4.0	251.1
Non-current liabilities, total	253.2	175.8	44.0
Current liabilities			
Trade and other payables	253.4	201.4	25.8
Current tax payables (based on profit for the review period)	0.0	0.8	-96.0
Provisions	6.8	4.8	43.0
Interest-bearing liabilities	73.7	102.6	-28.1
Current liabilities, total	334.0	309.6	7.9
Liabilities, total	587.2	485.4	21.0
EQUITY AND LIABILITIES, total	882.5	762.6	15.7

4) Consolidated cash flow statement EUR million	1-12/ 2016	1-12/ 2015
Cash flows from operating activities		
Net profit for the period	14.4	14.0
Adjustments:		
Depreciation and impairments	6.6	3.5
Non-cash transactions	-3.0	1.9
Financial income and expenses	11.3	6.8
Income taxes	2.0	3.6
Adjustments, total	16.9	15.8
Changes in working capital:		
Change in trade and other receivables	-3.3	-29.3
Change in inventories	-33.6	-24.6
Change in trade and other payables	50.5	95.1
Changes in working capital, total	13.5	41.2
Interest paid and financing costs	-13.2	-14.7
Interest received	0.2	0.0
Income taxes paid	-4.0	-5.3
Net cash flow from operating activities	27.8	51.0
Cash flow from investing activities		
Purchase of property, plant and equipment	-4.9	-2.4
Purchase of intangible assets	-0.5	-1.6
Purchase of other financial assets	-7.8	-110.1
Increase in loan receivable from associated companies and and joint ventures	-30.7	-5.7
Decrease in loan receivable from associated companies and and joint ventures	4.5	-
Net cash used in investing activities	-39.4	-119.8
Cash flow from financing activities		
Proceeds from loans	171.4	29.6
Repayment of loans	-116.2	-58.2
Hybrid bond issue	45.0	-
Hybrid bond repayment	-45.0	-
Hybrid bond costs	-1.6	-
Change in housing corporation loans	-16.8	13.1
Net change in short-term loans	0.1	56.6
Net proceeds from share issue	0.0	48.6
Dividends paid	-5.9	-4.3
Net cash flow from financing activities	31.0	85.5
Net change in cash and cash equivalents	19.5	16.6
Cash and cash equivalents at the beginning of period	35.0	18.4
Effect of exchange rate changes in cash and cash equivalents	0.1	0.0
Cash and cash equivalents at the end of period	54.6	35.0

The company has adjusted the presentation of the change of loan receivables and the comparison period's data have

5) Statement of changes in Group equity, EUR million

	Equity attributable to the equity holders of the parent company								
	Share Capital	Invested Free Equity Fund	Hybrid Bond	Trans-lation diffe rences	Fair value reserve	Reitained earnings	Total	Non-cont-rolling interests	Total equity
1 January- 31 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
1 January - 31 December 2015 EUR million									
Equity 1 January 2015	3.1	92.3	45.0	-5.3	-0.9	90.3	224.4	0.8	225.2
Comprehensive income for the review period	0.0	0.0	0.0	-1.9	-0.4	14.0	11.6	0.0	11.6
Dividends paid	0.0	0.0	0.0	0.0	0.0	-4.3	-4.3	0.0	-4.3
Share-based incentive plan	0.0	0.0	0.0	0.0	0.0	-0.5	-0.5	0.0	-0.5
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 [1)]	0.0	0.4	0.0	0.0	0.0	-0.4	0.0	0.0	0.0
Share issue	0.0	50.1	0.0	0.0	0.0	0.0	50.1	0.0	50.1
Costs related to share issue	0.0	-1.5	0.0	0.0	0.0	0.0	-1.5	0.0	-1.5
Hybrid bond	0.0	0.0	0.0	0.0	0.0	-3.4	-3.4	0.0	-3.4
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity on 31 December 2015	3.1	141.2	45.0	-7.2	-1.4	95.7	276.4	0.8	277.2

[1)] Sale of treasury shares includes a transfer between an invested free equity fund and retained earnings.

6) Commitments and contingent liablilities

Collateral given for own liabilities (EUR million)	31.12.16	31.12.15	change %
Real estate mortgages given [1)]	70.8	90.4	-21.6
Other commitments			
Investment commitments given	31.2	47.6	-34.5
Plots purchase commitments	42.5	116.1	-63.4
Contingent liabilities (rented plots)	59.8	6.4	831.1

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

Fair and nominal values of derivative instruments (EUR million)	12/2016 Fair value		12/2015 Fair value	
	Posit.	Negat.	Posit.	Negat.
Hedge accounting not applied				
Foreign exchange forward contracts	0.0	4.4	0.0	0.0
Interest rate swaps	0.0	8.0	0.0	3.3
		12/2016		12/2015
Nominal values of derivative instruments				
Foreign exchange forward contracts		37.0		0.0
Interest rate swaps		100.0		100.0

7) Group and Segment Information

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

Group and Segment information

Revenue EUR million	1-12/ 2016	1-12/ 2015	change, MEUR	change %	10-12/ 2016	10-12/ 2015
Operations in Finland	832.2	654.1	178.1	27.2	319.3	212.8
International operations	52.4	65.1	-12.8	-19.6	9.4	13.8
Other operations	15.9	14.4	1.5	10.5	4.0	3.7
Eliminations	-16.3	-14.6	-1.8		-4.1	-3.7
Group, total	884.1	719.1	165.1	23.0	328.7	226.6

Operation profit EUR million	1-12/ 2016	1-12/ 2015	change, MEUR	change %	10-12/ 2016	10-12/ 2015
Operations in Finland	38.3	28.9	9.4	32.6	21.8	18.3
International operations	-4.2	-0.1	-4.0		-2.8	-0.6
Other operations	-6.4	-4.3	-2.1		-2.8	-0.7
Eliminations	0.0	0.0	0.0		0.0	0.0
Group, total	27.7	24.4	3.2	13.2	16.2	17.0

Operating profit, %	1-12/ 2016	1-12/ 2015
Operations in Finland	4.6	4.4
International Operations	-7.9	-0.2
Group, total	3.1	3.4

Assets EUR million	31.12.2016	31.12.2015	change MEUR	change, %
Operations in Finland	569.2	503.5	65.7	13.1
International operations	288.0	245.8	42.3	17.2
Other Operations	502.7	424.1	78.5	18.5
Eliminations and other adjustments	-477.4	-410.7	-66.7	
Group, total	882.5	762.6	119.9	15.7

Liabilities EUR million	31.12.2016	31.12.2015	change MEUR	change, %
Operations in Finland	353.9	353.9	0.0	0.0
International operations	175.9	174.5	1.4	0.8
Other Operations	279.8	197.9	82.0	41.4
Eliminations and other adjustments	-222.4	-240.8	18.4	
Group, total	587.2	485.4	101.8	21.0

Invested capital EUR million	31.12.2016	31.12.2015	change MEUR	change, %
Operations in Finland	333.0	315.4	17.6	5.6
International operations	250.8	216.7	34.1	15.8
Other Operations	12.4	10.9	1.5	13.4
Group, total	596.2	543.0	53.2	9.8

Return on investment %	31.12.2016	31.12.2015	change MEUR	change, %
Operations in Finland	12.0	9.8	2.2	22.2
International operations	0.9	2.1	-1.2	-57.2
Group, total	6.1	5.9	0.2	2.7

8) Inventories EUR million	31.12.2016	31.12.2015	change MEUR
Land areas and plot-owning companies	183.7	187.5	-3.8
Operations in Finland	95.2	116.7	-21.5
International operations	88.5	70.8	17.7
Work in progress	170.3	101.8	68.5
Operations in Finland	162.2	99.4	62.7
International operations	8.2	2.4	5.8
Shares in completed housing corporations and real estate companies	38.3	38.1	0.2
Operations in Finland	38.1	37.6	0.5
International operations	0.2	0.5	-0.3
Other inventories	7.9	9.1	-1.2
Operations in Finland	7.8	6.9	0.9
International operations	0.2	2.2	-2.1
Inventories, total	400.3	336.6	63.7
Operations in Finland	303.3	260.6	42.7
International operations	97.0	76.0	21.0

9) Related party transactions

EUR million	Salaries and compensation	Sale of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities
31.12.16						
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

	Salaries and compensation	Sale of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities
31.12.15						
Management and the Board of Directors	3.0	0.0	5.3	0.0	0.0	0.0
Joint ventures	0.0	113.9	0.0	0.1	1.5	0.0
Associated companies	0.0	49.8	0.2	3.2	41.1	5.1
Other related parties	0.0	0.0	0.0	0.0	0.0	0.0
Total	3.0	163.7	5.5	3.4	42.7	5.1