



SRV'S INTERIM REPORT 1 JAN.–31 MAR. 2018

Good intake of new orders in the beginning of the year, but revenue and operative operating profit declined

January-March 2018 in brief:

- **Revenue** declined to EUR 215.7 (223.7 1–3/2017) million (down 3.6%). Revenue development was impacted above all by the decline in revenue generated by business construction in Finland and the seasonal nature of construction, while revenue from housing construction continued to rise.
- **Operative operating profit¹⁾** amounted to EUR -5.1 (2.7) million. Operative operating profit was weakened by longer delivery periods and a rise in material and labour costs due to the market situation. The higher-than-expected costs of certain projects that are under construction are also evident in operative operating profit. The most significant of these projects is the REDI shopping centre which will be completed this year.
- **Operating profit** decreased to EUR -8.8 (7.3) million. Operating profit was weakened by the decline in the operating profit of International Operations to EUR -5.4 (3.2) million. The operating profit of International Operations was impacted above all by the change in the rouble exchange rate, which had a net effect of EUR -3.7 (4.6) million. The exchange rate impact was caused by the conversion of euro-denominated loans to roubles and hedging expenses.
- **The result before taxes** was EUR -12.2 (7.3) million.
- **Earnings per share** were EUR -0.19 (0.09).
- At period-end, **the order backlog** stood at EUR 1,653.0 (1,722.0) million. New orders to the value of EUR 284 (155) million were recognised in January-March.
- **Equity ratio** was 32.5 (36.4) per cent and **gearing** was 134.3 (103.4) per cent. In addition to the loss-making result, an increase in net debt due to seasonal growth in invested capital and the weaker exchange rate of the rouble contributed to the change in the equity ratio and gearing.

Outlook for 2018

- Fewer developer-contracted housing units will be completed in 2018 than in the comparison period. It is estimated that a total of 526 housing units will be completed in 2018 (782 in 2017). Although housing will be completed on a steadier schedule in 2018 than in the previous year, a significant part of operating profit will still be made in the second half of the year. In addition, earnings in 2018 will be impacted by the lower-than-expected margins of certain ongoing projects.
- Full-year consolidated revenue for 2018 is expected to decline compared with 2017 (revenue EUR 1,114.4 million). Operative operating profit is expected to be lower than in 2017 (operative operating profit EUR 27.0 million.)
- After 2018, an atypical year, the company anticipates that it will achieve its strategic earnings level by the end of 2022.

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

CEO's review

The year 2018 has started well with regard to our order backlog. In the early part of the year, new orders totalling around EUR 300 million were received, the largest being Siltasairaala Hospital in Helsinki. We

cannot be satisfied with the level of revenue and operative operating profit. Higher than expected costs have been encountered for some projects under construction, the most significant of these being REDI. The project as a whole has been more demanding than anticipated. Massive infrastructure work and tower foundations have tied up our capital significantly, and high financing expenses are still negatively impacting our result. The final earnings impact of REDI will not become clear until the shopping centre is sold and all of the residential towers are completed. Amid all of the challenges, there have been no compromises on quality; REDI will be a fine complex down to the last detail, of which the builders, customers and tenants can be proud. REDI shopping centre will open its doors on 20 September.

Material and labour costs have been rising for a long time now. We are concerned about how potentially expanding strike and industrial action will ultimately impact the progress of our projects and therefore the second-quarter result. It is clear that constantly rising costs will not benefit anyone in the end. We hope that the issue of pay increases can be mutually resolved soon.

Earnings in Russia during the first quarter were weak due to the rouble, but when business is examined from the perspective of shopping centre operations, the trend remains good. Our sales in roubles are still on the rise and visitor numbers are also clearly increasing.

One of our major achievements in the first months of the year was the renewal of our EUR 75 million bond on even better terms. This provides us with a solid foundation for moving ahead with future projects.

Although 2018 did not start the way we would have wanted it to, we still believe that we will achieve the targets set for the year. However, it is clear that there is much to be done to improve our financial performance. We have taken and we are further taking many steps to enhance operational efficiency.

Juha Pekka Ojala, President and CEO

Overall review

Group key figures (IFRS, EUR million)	1-3/ 2018	1-3/ 2017	change	change, %	1-12/ 2017
Revenue	215.7	223.7	-8.0	-3.6	1,114.4
Operative operating profit ¹⁾	-5.1	2.7	-7.8		27.0
Operative operating profit, %	-2.4	1.2			2.4
Operating profit*	-8.8	7.3	-16.1		15.3
Operating profit, %	-4.1	3.3			1.4
Financial income and expenses, total **)	-3.4	0.0	-3.4		-10.7
Profit before taxes	-12.2	7.3	-19.5		4.6
Net profit for the period	-10.7	6.5			5.8
Net profit for the period, %	-5.0	2.9			0.5
Order backlog	1,653.0	1,722.0	-69.0	-4.0	1,547.9
New agreements	284.4	155.4	129.0	83.0	771.4
¹⁾ net effect of currency exchange fluctuations	-3.7	4.6	-8.2		-11.7
^{**)} of which accounted for by derivatives	0.1	0.5	-1.7	-362.1	0.3



¹⁾ Operative operating profit is determined by deducting the calculated currency exchange differences included in financial items in Russian operations and their potential hedging impacts from operating profit. Exchange rate differences during the review period amounted to EUR -3.7 (4.6) million, with hedging expenses of EUR -0.5 (-0.9) million.

January–March 2018

The Group's revenue declined to EUR 215.7 (223.7 in 1-3/2017) million (down 3.6%). Revenue was impacted above all by the decline in revenue generated by business construction in Finland and the seasonal nature of construction. The completion of several larger projects in 2017, such as Niitty Shopping Centre and the Kalasatama Health Care and Wellness Centre, also contributed to the decline in revenue. Revenue from housing construction in turn saw further growth of about 8 per cent.

The Group's operative operating profit amounted to EUR -5.1 (2.7) million. Operative operating profit was weakened by longer delivery periods and a rise in material and labour costs due to the market situation. The higher-than-expected costs of certain projects that are under construction are also evident in operative operating profit. The most significant of these projects is the REDI shopping centre which will be completed this year. Slightly fewer developer-contracted housing units were recognised than in the comparison period, a total of 70 (76).

The Group's operating profit declined to EUR -8.8 (7.3) million. Operating profit was weakened by the decline in the operating profit of International Operations to EUR -5.4 (3.2) million. The operating profit of International Operations was impacted above all by the change in the rouble exchange rate, which had a net effect of EUR -3.7 (4.6) million. The exchange rate impact was caused by the conversion of euro-denominated loans to roubles and hedging expenses. Exchange rate differences with no impact on cash flow vary in each interim report in line with fluctuations in the exchange rate of the rouble.

At period-end, the Group's order backlog stood at EUR 1,653.0 (1,722.0) million. The order backlog remains at a good level. New agreements valued at EUR 284 (155) million were signed in January-March. The Siltasairaala Hospital in Helsinki was recognised in the order backlog in January 2018. Other projects that are expected to be included in the order backlog later in 2018 include the remaining Phase 1 agreements for the Tampere Central Deck and Arena, the expansion of Helsinki Airport and the renovation of its Terminal 2, and Wood City.

The Group's profit before taxes totalled EUR -12.2 (7.3) million.

The Group's earnings per share were EUR -0.19 (EUR 0.09).

The Group's equity ratio stood at 32.5 (36.4) per cent and **gearing** at 134.3 (103.4) per cent. In addition to the loss-making result, an increase in net debt due to seasonal growth in invested capital and the weaker exchange rate of the rouble contributed to the change in the equity ratio and gearing.

SRV has added the capital invested in the construction and property development businesses to its interim report, as well as the returns on these investments. By nature, SRV's businesses consist of construction and related property development, as well as investment in SRV's own projects. As these two businesses differ in nature, the company is considering changing its segment reporting as from the beginning of 2019 and will begin providing additional information on the capital invested in these and the return on investment already during 2018.

The construction business includes all of the capital required for construction and developer contracting for housing production, as well as the required plots of land. The property development business consists of projects for commercial premises in which the company is an investor, and the primary intention is to sell

the projects several years after construction is complete and the property has attained a normal occupancy rate and standard. The property development operations report on commercial premises that are under development and completed and where the company acts as a longer-term investor. Plots that the company develops itself and where the expected returns arise from the development are also reported as part of property development.

All of the relevant balance sheet items have been allocated to business operations, as well as the operating expenses. The Group's invested capital is accounted for by the construction and property development operations calculated together, but the difference between them is in the elimination of construction profit margins. This division of the businesses aptly describes the company's capital requirements and profitability levels. Construction generates a stable operating profit, the requirement for invested capital is lower and the turnover rate is higher. Property development ties up more capital for a longer period. In the construction business, revenue and profit are realised more rapidly than in property development, where profits are usually only obtained when the sites are sold off.

Group key figures (IFRS, EUR million)	1-3/ 2018	1-3/ 2017	change	change, %	1-12/ 2017
Equity ratio, %	32.5	36.4			35.5
Net interest-bearing debt	355.4	311.0	44.4	14.3	297.6
Gearing ratio, %	134.3	103.4			105.0
Return on investment, %	-5.2	6.5			3.1
Return on investment, construction, %	-2.2	15.3			7.4
Return on investment, property development, %	-6.1	6.6			-4.8
Invested capital	650.0	653.0	-3.0	-0.5	604.5
Invested capital, construction	327.1	288.6	38.4	13.3	276.6
Invested capital, property development	322.9	364.3	-41.4	-11.4	327.9
Return on equity, %	-15.7	8.8			2.0
Earnings per share, EUR	-0.19	0.09	-0.28		0.05
Equity per share, EUR	3.72	4.32	-0.60	-13.9	4.03
Share price at end of period, EUR	2.90	4.40	-1.50	-34.1	3.60
Weighted average number of shares outstanding, millions	59.6	59.5			59.5

Earnings trends for the segments

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

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

Revenue (EUR million)	1-3/ 2018	1-3/ 2017	change	change, %	1-12/ 2017	previous 12 mo.
Operations in Finland	213.9	219.3	-5.4	-2.5	1,096.1	1,090.7
International Operations	1.7	4.4	-2.7	-61.0	18.0	15.3
Other operations and eliminations	0.1	0.0	0.1		0.3	0.5
Group, total	215.7	223.7	-8.0	-3.6	1,114.4	1,106.4

Operative operating profit (EUR million)	1-3/ 2018	1-3/ 2017	change	change, %	1-12/ 2017	previous 12 mo.
Operations in Finland	-3.7	5.0	-8.7		38.6	29.9
International Operations	-1.8	-1.4	-0.4		-6.7	-7.1
Other operations and eliminations	0.4	-0.8	1.2		-4.8	-3.6
Group, total	-5.1	2.7	-7.8		27.0	19.2

Operative operating profit (%)	1-3/ 2018	1-3/ 2017	1-12/ 2017	previous 12 mo.
Operations in Finland	-1.7	2.3	3.5	2.7
International Operations	-102.7	-31.4	-37.4	-46.5
Group, total	-2.4	1.2	2.4	1.7

Operating profit (EUR million)	1-3/ 2018	1-3/ 2017	change	change, %	1-12/ 2017	previous 12 mo.
Operations in Finland	-3.7	5.0	-8.7		38.6	29.9
International Operations ^{*)}	-5.4	3.2	-8.6		-18.4	-27.0
Other operations and eliminations	0.4	-0.8	1.2		-4.8	-3.6
Group, total ^{*)}	-8.8	7.3	-16.1		15.3	-0.7
^{*)} effect of currency exchange fluctuations	-3.7	4.6	-8.2		-11.7	-19.9

Operating profit (%)	1-3/ 2018	1-3/ 2017	1-12/ 2017	previous 12 mo.
Operations in Finland	-1.7	2.3	3.5	2.7
International Operations	-314.6	71.3	-102.3	-176.8
Group, total	-4.1	3.3	1.4	-0.1

Order backlog (EUR million)	3/2018	3/2017	change	change, %	12/2017
Operations in Finland	1,634.0	1,691.3	-57.4	-3.4	1,526.7
International Operations	19.0	30.6	-11.6	-37.9	21.2
Group, total	1,653.0	1,722.0	-69.0	-4.0	1,547.9
- sold order backlog	1,399	1,437	-39	-2.7	1,273
- unsold order backlog	254	285	-30	-10.7	275
- sold order backlog, %	85	83			82
- unsold order backlog, %	15	17			18

Operations in Finland

Operations in Finland (EUR million)	1-3/ 2018	1-3/ 2017	change	change, %	1-12/ 2017	previous 12 mo.
Revenue	213.9	219.3	-5.4	-2.5	1,096.1	1,090.7
- business construction	154.5	164.4	-9.9	-6.0	716.1	706.2
- housing construction	59.3	54.8	4.5	8.2	379.9	384.5
Operating profit	-3.7	5.0	-8.7		38.6	29.9
Operating profit, %	-1.7	2.3			3.5	2.7
Order backlog	1,634.0	1,691.3	-57.4	-3.4	1,526.7	
- business construction	1,065.2	1,057.7	7.6	0.7	920.3	
- housing construction	568.7	633.7	-64.9	-10.2	606.4	

Business environment in Finland

Although the European economy is continuing to grow, significant financial and political uncertainty factors in several countries, both inside the Euro zone and elsewhere, are continuing to pose risks in development. The Finnish economy is seeing broad-scale recovery. Exports and industrial investments have increased, supporting the growth started by domestic consumption and construction. GDP is expected to grow by 2.5–3.3 per cent in 2018. Growth in construction will slow down this year from five to two per cent. Housing start-ups will remain at a high level, but the total number of building construction start-ups will go into decline. (Source: Business cycle review by the Confederation of Finnish Construction Industries RT 3/2018.) An industrial action began in the construction industry towards the end of April 2018, after the review period. It is difficult to assess its impact on business operations at this time.

Urbanisation and population shift will continue to be the general drivers of construction growth and will maintain the need for both housing and business construction in growth centres, which are SRV's strategic focal points. According to VTT's forecast, urbanisation will continue, as Finland's urbanisation ratio is clearly lagging behind other industrialised nations, such as Sweden. The most optimistic forecasts estimate that about 620,000 people in Finland might move into urban areas by 2040. For instance, the new Helsinki master plan enables the population of the city to grow to about 860,000 by 2050. (Sources: new Helsinki master plan 10/2017 & VTT, Demand for new dwelling production in Finland 2015-2040, 01/2016.)

Housing, business and infrastructure construction in Finland

In general, housing sales in growth centres have remained at a good level thanks to population shift and investor sales. Housing production is still focusing on small apartments. In 2017, construction was launched on a total of about 46,000 housing units in Finland, which was significantly more than in the previous year.



The Confederation of Finnish Construction Industries forecasts start-ups for about 44,000 housing units in 2018.

The total number of start-ups in business construction (construction of commercial, office, public service, industrial and warehouse premises) is expected to decline slightly in both 2018 and 2019. Exports stimulate industrial construction, but at the same time construction of warehouses is decreasing. The outlook for hotel construction is bright. Renovation is expected to see year-on-year growth of about two per cent in 2018, while civil engineering investments are anticipated to grow by about one per cent. (Source: Business cycle review by the Confederation of Finnish Construction Industries RT, 3/2018.)

According to Statistics Finland, construction costs have risen slightly compared with February 2017. The prices of supplies in particular have risen over the past 12 months. (Source: Statistics Finland, Building Cost Index.)

Housing construction

January–March 2018

SRV's revenue from housing construction in Finland rose to EUR 59.3 (54.8) million in the January-March period. Slightly fewer housing units were recognised as income in January-March than in the corresponding period of the previous year, 70 (76). The order backlog for housing construction in Finland was EUR 568.7 (633.7) million. A major reason for the lower order backlog for housing construction is that construction of the first of REDI's residential towers, Majakka, got underway in January-March 2017.

■ Housing under construction

In line with its strategy, SRV is focusing on housing development in urban growth centres in locations with good transport connections. For some time now, SRV has been one of the largest housing constructors in the Helsinki metropolitan area. SRV currently has a total of 3,211 (2,894) housing units under construction in Finland, mostly in growth centres.

One of SRV's strategic targets is to increase its developer-contracted housing production. A total of 1,054 (1,076) developer-contracted housing units were under construction at the end of March. The number of developer-contracted units currently under construction will continue to contribute to strengthening SRV's result in the future. (The average construction period is about 18 months.)

The number of units under construction has been boosted by high consumer and investor demand. At the end of March, a total of 1,360 (1,068) units were under construction for investors, mainly in Helsinki, Espoo, Vantaa and Kerava.

■ Completed housing units

A total of 61 (42) developer-contracted housing units were completed during January-March 2018. The number of unsold housing units has continued to decline. At the end of March, 59 (77) completed apartments remained unsold. Housing sales are still going well. In January-March, a total of 197 (356) units were sold.

■ Housing units recognised as income

In January-March 2018, 70 (76) developer-contracted housing units were recognised as income, generating total revenue of EUR 20 (22) million. A developer-contracted 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 the project has been completed and as the units are sold.

Housing construction in Finland (units)	1-3/ 2018	1-3/ 2017	change, units	1-12/ 2017	previous 12 mo.
Units sold, total	197	356	-159	1,627	1,468
- developer contracting	129	266	-137	983	846
- investor sales ²⁾	68	90	-22	644	622
Developer contracting					
- start-ups	43	282	-239	1,018	779
- completed	61	42	19	782	801
- recognised as income	70	76	-6	825	819
- completed and unsold ¹⁾	59	77	-18	68	
Under construction, total ¹⁾	3,211	2,894	317	3,254	
- contracts ¹⁾	504	586	-82	504	
- negotiated contracts ¹⁾	293	164	129	293	
- sold to investors ^{1) 2)}	1,360	1,068	292	1,385	
- developer contracting ¹⁾	1,054	1,076	-22	1,072	
- sold ¹⁾	661	634	27	602	
- unsold ¹⁾	393	442	-49	470	
- of which sold, % ¹⁾	63	59		56	
- of which unsold, % ¹⁾	37	41		44	

¹⁾ at period-end

²⁾ investor sales under negotiated contracts

Order backlog, housing construction in Finland (EUR million)	3/2018	3/2017	change	12/2017
Contracts and negotiated contracts	150	196	-46	179
Under construction, sold developer contracting	185	164	21	161
Under construction, unsold developer contracting	214	243	-29	241
Completed and unsold developer contracting	20	30	-11	25
Housing construction, total	569	634	-65	606

REDI apartments

REDI in Kalasatama, Helsinki is the largest construction project in SRV's history. By the end of March, 272 of the 282 units in REDI's first residential tower (Majakka) had been sold. Construction of Majakka is progressing on schedule and it is estimated that occupants will be able to move into the apartments in spring 2019.

SRV will start shortly the advance marketing of REDI's second residential tower, Loisto. The actual decision to start up construction of Loisto will only be made on the basis of the advance marketing phase.

The REDI apartments will be recognised as revenue when each residential tower has been completed and as its apartments are sold.

The largest developer-contracted housing projects under construction in Finland

Project name	Location	SRV, contract value, EUR million	Completion date (estimated)*	Units	Sold*	For sale*
REDI Majakka	Helsinki	106	Q2/2019	282	272	10
Piruetti	Espoo	31	Q1/2019	113	58	55
Kulmaniitty	Espoo	22	Q1/2019	67	22	45
Aleksinkaarre	Kerava	22	Q4/2019	80	18	62
Maalisuora	Vantaa	17	Q4/2018	96	63	33
Tikkurila Starlet	Vantaa	14	Q4/2018	55	6	49
Smokki	Helsinki	13	Q2/2019	32	8	24
Holvi	Jyväskylä	12	Q4/2019	43	16	27

Total value of projects approx. EUR 237 million

* Situation as of 31 March 2018

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

Project name	Location	Developer	Completion level, %*	Completion date (estimated)*
Wood City	Helsinki	ATT**	69	Q4/2018
Neilikkatie	Vantaa	Ilmarinen	87	Q2/2018
Orno	Kerava	Ilmarinen	89	Q2/2018
Hernetie	Vantaa	OP	83	Q2/2018
Suurpelto, Puistokatu D	Espoo	TA	78	Q3/2018
Välimerenkatu 10	Helsinki	Ilmarinen	67	Q3/2018
Kumpula	Helsinki	HOAS	61	Q3/2018
Aleksinkulma and park	Kerava	Ilmarinen	44	Q1/2019
Aleksinhuippu	Kerava	LocalTapiola	36	Q1/2019
Pihapuisto and Puistoniitty	Espoo	LocalTapiola	11	Q3/2019
Punanotko	Helsinki	Ilmarinen	4	Q2/2020

Total value of projects approx. EUR 247 million

*Situation as of 31 March 2018 **Schedule will be specified in Q2/2018

SRV is currently building housing as developer-contracted, development, and contracted projects. A developer-contracted 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 the project has been completed and as the units are sold. A residential development project is a project that is developed by SRV, but which is sold to an investor before construction begins. SRV bears the construction risks in such projects, which are recognised as revenue according to the percentage of completion. Construction contracts are construction projects that are launched by other parties but implemented by SRV. They are recognised as revenue on the basis of the percentage of completion or as set out in the agreement.



Business construction

January–March 2018

SRV's **revenue** from business construction declined to EUR 154.5 (164.4) million, and the **order backlog** was EUR 1,065.2 (1,057.7) million.

The decline in revenue compared with January-March 2017 is above all due to the completion of many large projects, such as Shopping Centre Niitty in Espoo and the Kalasatama Health Care and Wellness Centre in Helsinki.

Hospital construction generates 22 per cent of consolidated revenue. SRV is currently building several large hospital projects, such as the Nova Hospital in Central Finland, a new building for Tampere University Hospital, the New Children's Hospital in Helsinki and the HUS Siltasairaala Hospital, which entered the construction phase at the beginning of 2018.

Revenue from shopping centre construction accounts for about 16 per cent of consolidated revenue. SRV is currently building two shopping centres as developer-contracted projects: REDI in Helsinki and Karuselli in Kerava. The construction of Ainoa shopping centre as part of the renewal of Tapiola city centre in Espoo also contributed to revenue.

SRV currently has many alliance projects whose revenue amounts to about eight per cent of consolidated revenue. These projects provide additional earnings potential over and above the ordinary profit margin. In practice, SRV can gain additional earnings if the project fulfils quality criteria and is completed for less than the target cost and on or under schedule.

SRV is currently building several educational institutions, such as the Jätkäsaari comprehensive school and premises in Otaniemi, Helsinki for the use of Aalto University. In addition, SRV has agreed on the construction of Kurittula school in Masku. After the end of the review period, the Kirkkonummi Services Division accepted SRV's offer on building a new educational centre in Jokirinne, Kirkkonummi. SRV's offer comprised the construction of the property and building maintenance for 10 years at a cost of about EUR 39 million. It will be implemented using a lifecycle model, which is still a relatively new method of implementing construction projects in Finland. In such a project, a private company takes on end-to-end responsibility for the implementation of a public project and building maintenance. The agreement for the Jokirinne school will be signed once the decision of the Services Division enters into legal force.

SRV has numerous projects in the development phase, which will be included in the order backlog later in 2018. In 2017, an agreement was signed for the expansion of Helsinki Airport and the renovation of its Terminal 2. The project will be included in the order backlog once Finavia has made a construction decision, which is expected in the latter half of 2018.

It is estimated that about EUR 87 million will be recognised in SRV's order backlog in 2018 for the Tampere Central Deck and Arena project when the final contract agreements for the 1. phase are signed.

■ REDI shopping centre

The REDI shopping centre is an SRV development project. In addition to SRV, the investor group includes Ilmarinen, OP Group and LocalTapiola. Construction work on the project is progressing on schedule. The parking facility is almost complete. The REDI shopping centre will open on 20 September and leasing is proceeding as planned. By the end of March 2018, there were binding lease agreements for more than 70 per cent of the target lease level and by the end of April, 73 per cent of the target lease level has been



leased. Negotiations with prospective tenants are also currently ongoing for almost all of the remaining premises. The REDI shopping centre is expecting over 12 million visitors in its first full year of operation.

■ Tampere Central Deck and Arena

The Central Deck and Arena project will be built in the heart of Tampere on top of the railway station. It includes a multipurpose arena, residential towers, office and business premises, and a hotel. The agreements also include apartment buildings in Ranta-Tampella, which will be built separately.

The implementation of the project was confirmed in January 2018. Pile drilling and electric railway alteration works are currently ongoing at the site. The total estimated value of the project has been specified to be about EUR 550 million. The share of Phase I agreements recognised in SRV's order backlog in 2017 amounts to about EUR 210 million. It is estimated that about EUR 87 million will be recognised in SRV's order backlog in 2018 when the final contract agreements are signed. Revenue will be recognised for the construction of Phase I during the period from 2018 to 2022. A proportion equivalent to SRV's holding is eliminated from the profit margin of construction.

■ Wood City

For many years, SRV has been developing Wood City in the Jätkäsaari neighbourhood of Helsinki. Wood City will comprise an office building, hotel, and two apartment buildings for Helsinki Housing Production Department (ATT). This wooden quarter will also include a multi-storey car park. The schedule of Wood City apartments will be specified in the second quarter of 2018 once the project partners have agreed on how the overall schedule is impacted by repairs of problems in the wood structures.

In October 2017, SRV and Supercell signed a conditional agreement for the purchase of an office building and car park in Wood City. The final contracts are required before the transaction can be completed, and it is expected that they will be signed in the second quarter of 2018. Construction work can be started in spring 2018 at the earliest. The final sale price will not be published. Investor and tenant negotiations for the Wood City hotel building are currently ongoing.

■ Hanhikivi-1 nuclear power plant project

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

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	90	Q3/2018
Aleksintori/Karuselli,	Kerava	*	Retail	57	Q4/2018

Central Deck and Arena, southern deck and infrastructure**	Tampere	*	Public	13	Q3/2021
Central Deck and Arena, multipurpose arena**	Tampere	*	Retail	2	Q3/2021
Central Deck and Arena, arena hotel**	Tampere	*	Retail	0	Q3/2021
BUSINESS PREMISES					
Central Finland Hospital Nova	Jyväskylä	290	Public	28	Q3/2020
HUS Siltasairaala	Helsinki	243	Public	1	Q4/2022
TAYS Etupiha	Tampere	170	Public	60	Q2/2019
Tapiola city centre (Phase 2)	Espoo	100 +	Retail	16	Q1/2020
Aalto University	Espoo	76	Public	75	Q2/2018
Ring Road I, Keilaniemi	Espoo	49	Public	74	Q2/2019
Kaitaa metro station excavation	Espoo	32	Public	99	Q1/2018
University's renovation	Lappeenranta	91	Public	78	Q4/2018
HDC Teliasonera	Helsinki	*	Industry	83	Q2/2018
New Children's Hospital	Helsinki	*	Public	91	Q2/2018
Autokeskus Konala	Helsinki	*	Retail	37	Q2/2019
Jätkäsaari comprehensive school	Helsinki	*	Public	16	Q3/2019
Hotel Marriot	Tampere	*	Retail	1	Q2/2019

Situation as of 31 March 2018

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

**The total value of the Tampere Central Deck and Arena project is EUR 550 million.

Business premises projects to be recognised in the order backlog after the end of the review period

Project	Location	SRV total contract value, EUR million	Project type	Agreement status	In order backlog (estimate)
BUSINESS PREMISES					
Wood City	Helsinki	*	Commercial	The final contracts are required before the transaction can be completed, and it is expected that they will be signed in the second quarter of 2018.	Q2/2018



Expansion of the Helsinki Airport and renovation of Terminal 2	Vantaa	**	Commercial	SRV has been selected to participate in an alliance project for the expansion of Helsinki Airport and alteration works in the area in front of its Terminal 2 (6/2017). The plans will be implemented if Finavia decides to go ahead with the investment.	H2/2018
Central Deck and Arena	Tampere	87	Commercial	The implementation of this project valued at about EUR 550 million was confirmed in January 2018. It is estimated that about EUR 87 million will be recognised in SRV's order backlog in 2018 when the final contract for the 1. phase agreements are signed.	H2/2018

**The total value of the project has not been published. **It is intended that the project development phase and its implementation, if greenlit, will be carried out using the alliance model, which has become common in Finland. The total value of the project will be determined during the development phase.*

International Operations

SRV's International Operations currently largely comprise the management of shopping centres in Russia.

Business environment

In spite of the mounting external problems facing Russia, the country's economy has seen reasonably positive development. The rise in the price of oil last autumn has supported the country's economy and inflation has remained under control. According to Rosstat, the recovery of household consumption accelerated in the latter half of last year to more than four per cent, and growth in exports rose to about five per cent. The Russian economy is expected to grow by about 1.5-2 per cent in 2018 as purchasing power gathers strength in the domestic market. Investments are also on the rise.

New sanctions imposed on Russia by the United States and the mounting tension between the two countries in Syria have made the Moscow Stock Exchange nervous and depressed the rate of the rouble against the euro. The markets will most likely remain anxious in the recent future, but will probably calm down if no new problems arise. The key risks to the recovery of the Russian economy are a decline in the price of oil, the tightening of the financial position of the Central Bank, and the prolongation and escalation of problems with Western countries. (Source: Bank of Finland Institute for Economies in Transition BOFIT.)

International Operations (EUR million)	1-3/ 2018	1-3/ 2017	change	change, %	1-12/ 2017	previous 12 mo.
Revenue	1.7	4.4	-2.7	-61.0	18.0	15.3
Percentage of associated companies' profits	-4.2	4.4	-8.6		-13.0	-21.6
- of which exchange rate gains/losses	-3.1	5.4	-8.6		-9.2	-17.7
Hedging expenses	-0.5	-0.9	0.3		-2.5	-2.2
Operative operating profit *)	-1.8	-1.4	-0.4		-6.7	-7.1

Operative operating profit, %	-102.7	-31.4			-37.4	-46.5
Operating profit	-5.4	3.2	-8.6		-18.4	-27.0
Operating profit, %	-314.6	71.3			-102.3	-176.8
Order backlog	19.0	30.6	-11.6	-37.9	21.2	
*) net effect of currency exchange fluctuations	-3.7	4.6	-8.2		-11.7	-19.9

January–March 2018

Revenue from International Operations decreased to EUR 1.7 (4.4) million. This decrease was expected, as the bulk of revenue was previously generated by the construction of shopping centres. Revenue for January-March now only comprises finishing works and interior decoration at shopping centres and sales of housing in apartment buildings in Vyborg.

Operative operating profit from International Operations decreased to EUR -1.8 (-1.4) million. The occupancy rates and rental income of the shopping centres owned by associated companies improved, but earnings were burdened by the fact that management and financing expenses after opening were higher than income. During the construction phase, interest expenses on loans are capitalised, but once the shopping centres are completed the interest expenses are presented in full in the result of the company that owns the property.

Operating profit from International Operations decreased to EUR -5.4 (3.2) million. Operating profit was decreased particularly by the weaker rouble exchange rate; exchange rate movements had a net impact of EUR -3.7 (4.6) million. The exchange rate impact was caused by the conversion of euro-denominated loans to roubles and hedging expenses. Exchange rate differences with no impact on cash flow vary in each interim report in line with fluctuations in the exchange rate of the rouble.

SRV's **share in its associated companies'** profit, which is included in operating profit, was EUR -4.2 (4.4) million. A weaker rouble exchange rate was the main reason for the lower profits generated by associated companies.

The **order backlog** for International Operations fell to EUR 19.0 (30.6) million, as no new projects were launched.

Shopping centres

■ Pearl Plaza, St Petersburg

Visitor numbers at Pearl Plaza shopping and recreational centre in St Petersburg decreased slightly in January-March compared with the previous year. However, this decline was significantly smaller than in St Petersburg in general. In April, after the end of the review period, visitor numbers at Pearl Plaza once again rose significantly and surpassed the figures for April 2017.

Pearl Plaza is also performing excellently with respect to the leasing of the premises, as it remains fully leased. Sales in roubles saw further growth compared with the corresponding period of the previous year. In February 2018, SRV announced that it is investigating the possible sale of the Pearl Plaza shopping centre in St Petersburg.

■ Okhta Mall, St Petersburg

Okhta Mall, built in the heart of downtown St Petersburg, opened its doors in August 2016 and has been SRV's major project in St Petersburg over the last few years. Leasing of Okhta Mall has progressed according to plan. The shopping centre's occupancy rate stood at about 87 per cent at the end of March, and it is expected to be fully leased by the end of 2018. About 83 per cent of its stores were open at the end of March.

■ 4Daily, Moscow

The 4Daily shopping centre opened its doors in Moscow in April 2017. 4Daily is the only shopping centre to open in Moscow in 2017. About 69 per cent of the shopping centre's premises had been leased by the end of March, with reservations and letters of intent signed for eight per cent.

■ Other projects

SRV owns 50 per cent of the Etmia II office project in downtown Moscow. The occupancy rate of Etmia rose by five percentage points since the beginning of the year and was about 91 per cent at the end of March.

The most significant completed projects

Site	Holding, %	Opened	Floor area (m ²)	Occupancy rate 3/2018, %
Pearl Plaza, shopping centre, St Petersburg	SRV 50 Shanghai Industrial Corporation 50	August 2013	Gross floor area 96,000 Leasable area 48,000	Binding lease agreements 100
Okhta Mall, shopping centre, St Petersburg	SRV 45 Russia Invest 55 *	August 2016	Gross floor area 144,000 Leasable area 78,000	Binding lease agreements 87 Letters of intent and reservations 2
4Daily, shopping centre, Moscow	Vicus 26.26 SRV 18.68 Blagosostoyanie 55.06	April 2017	Gross floor area 52,000 Leasable area 25,500	Binding lease agreements 69 Letters of intent and reservations 8

*Russia Invest's shareholders are Finnish institutional investors. The owners are Ilmarinen, Sponda and SRV and Onvest.

Projects under construction

■ Papula, Vyborg

SRV is building apartment blocks in the Papula district in northern Vyborg. All of the apartments in the first phase, which comprises two apartment buildings, have been sold. Both of the apartment buildings in the second phase were completed in January 2017. Of the 110 apartments, 82 had been sold or reserved by the end of March.

Outlook for operations in Russia

In Russia, SRV is focusing on leasing and managing already completed locations, and developing its management operations. The shopping centre market still holds great potential, as sanctions and the rouble's weak exchange rate mean that foreign travel has declined among the middle class. Consumption is



therefore focused on the domestic market. In relation to its population, Russia does not have many modern shopping centres. For example, there are twice as many shopping centres per inhabitant in Western Europe than there are in Russia.

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

Activity in the Russian real estate market is picking up after several quiet years and many large property deals were made in Russia in 2017.

SRV intends to sell its holdings once stable rental income has been achieved or the market situation allows. Stable rental income is usually reached 3–4 years after opening. For instance, the rental income of Pearl Plaza, which was opened in 2013 in St. Petersburg, is now stable. In February 2018, SRV announced that it is investigating the possible sale of Pearl Plaza shopping centre in St Petersburg.

Group project development

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

Projects close to rail transport

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

■ Kivenlahti

In January 2016, the Trade and Competitiveness Division of the Espoo City Board reserved an area for SRV and VVO Group Plc to design the Kivenlahti Metro Centre. The plans for the area comprise about 1,300 housing units and about 45,000 m² of commercial, office and service premises, plus park-and-ride spaces. Construction will begin once zoning has been completed – current estimate 2019–2020 – and the Metro Centre is scheduled for completion by the time the Western Metro extension is opened.

■ Espoonlahti

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

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

■ Keilaniemi

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



As part of the overall plan, Espoo City Board's Trade and Competitiveness Division decided in spring 2016 to sell two residential plots in Keilaniemi to SRV. Preliminary contracts on the sale of these plots were signed in May 2016. On 18 October 2017, the Administrative Court of Helsinki dismissed a complaint made about the sale of the plots. A complaint was then lodged with the Supreme Administrative Court. If realised, the Keilaniemi residential towers would be the tallest residential buildings in Finland, with the tallest soaring to a height of almost 145 metres. SRV has not as yet made a final decision on the construction of the towers.

■ Raide-Jokeri Vermonniitty

Raide-Jokeri is a rapid tramline that will link Itäkeskus in Helsinki to Keilaniemi in Espoo. It will also enable numerous residential sites to be built along the line. For instance, SRV is planning to build housing in the vicinity of the future Vermonniitty station in cooperation with SATO and Ilmarinen. It will have a total of almost 2,000 housing units. SRV also has a planning reservation for the Säterintorni plot, where the company plans to build housing and an office building. The design of Säterinkallionkulma in Leppävaara progressed when the Espoo City Planning Committee reviewed the proposed city plan in January 2018. The city is planning housing for about 800 people in Säterinkulma.

Other projects

■ Lapinmäentie

The Lapinmäentie project in Munkkivuori, Helsinki, is progressing well. SRV is continuing to develop the area in accordance with the city plan approved in August 2016. Seven new residential towers are planned for the area in addition to the existing Tower A, which will remain. Different concepts are currently being considered for Tower A, and it may contain shops, services and office space. The demolition permit for the Pohjola building came into force in December 2017 and the ongoing demolition work is currently on the final stretch.

■ Bunkkeri in Jätkäsaari

SRV is highly involved in revitalising the Jätkäsaari district of Helsinki. It is intended that Bunkkeri will be a 13-storey landmark in Jätkäsaari, featuring a wide range of fitness facilities, a swimming hall, and about 300 housing units. The development of Bunkkeri was delayed in autumn 2017, when the Administrative Court of Helsinki overturned an acquisition decision that had been made in April 2016 concerning the sale of Bunkkeri to SRV. The Administrative Court held that the deal did not constitute a public procurement, but a real estate transaction. After this ruling, the City of Helsinki resumed its preparatory work. On 11 April, after the end of the review period, the Helsinki City Council approved the sale of Bunkkeri to SRV in accordance with the proposal of the Helsinki City Board. The decision has not as yet entered into legal force.

Land reserves 31 March 2018	Business construction	Housing construction	International Operations	Total
Unbuilt land areas, land acquisition commitments and rented plots				
Building rights ¹⁾ , 1,000 m ²	133	381	702	1,216
Land development agreements				
Building rights ¹⁾ , 1,000 m ²	99	228	0	327

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 2,000 m² (0.2%) compared to 31 December 2017.

Financing and financial position

IFRS, EUR million	31 March 2018	31 March 2017	Change, %	31 December 2017
Equity ratio, %	32.5	36.4	-10.7	35.5
Gearing ratio, %	134.3	103.4	29.9	105.0
Shareholders' equity	264.6	300.8	-12.0	283.4
Invested capital	650.0	653.0	-0.5	604.5
Net interest-bearing debt	355.4	311.0	14.3	297.6
Interest-bearing debt	382.2	352.2	8.5	321.1
- of which short-term	130.4	77.0	69.4	150.3
- of which long-term	251.8	275.2	-8.5	170.8
Cash and cash equivalents	26.8	41.2		23.5
Unused binding liquidity limits and account limit agreements	122.0	121.3	0.6	122.0
Unused project loans that can be drawn immediately	12.0	32.0	-62.4	18.0

At the end of the reporting period, the Group's financing reserves totalled EUR 160.8 million with the Group's cash and cash equivalents amounting to EUR 26.8 million. Unused committed liquidity facilities, account limit agreements and undrawn project loans amounted to EUR 134.0 million. In addition, EUR 13.5 million of the EUR 100.0 million commercial paper programme remained unused.

In March, SRV made a voluntary tender offer to holders of its EUR 75 million unsecured bond maturing in December 2018, as a result of which SRV bought back 47.4 million ahead of time. At the same time, SRV issued a senior unsecured bond of EUR 75 million. The bond matures in four years and carries a fixed annual interest of 4.875 per cent.

The bond is listed on Nasdaq Helsinki Ltd and the Frankfurt Stock Exchange. The proceeds from the new bond will be used for the repayment of the existing bond, partly in connection with the March tender offer and partly on the maturity date in December 2018.

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

Net interest-bearing debt totalled EUR 355.4 (311.0) million at the end of the review period. Net interest-bearing debt saw year-on-year growth of EUR 44.4 million. Housing corporation loans account for EUR 73.2 (74.3) million of the interest-bearing debt. Cash flow from operating activities was EUR -48.6 (-52.0) million and net cash flow from investing activities was EUR -2.7 (-0.9) million. In particular, an increase in incomplete production in Finland had an unfavourable impact on net cash flow from operating activities.

Net financial expenses since the beginning of the year totalled EUR -3.4 (0.0) million. Net financial expenses were impacted by the positive fair value revaluation of a ten-year interest rate hedge by EUR 0.1 (0.5) million and the capitalisation of interest on incomplete production. When the 10-year interest level rises from its current level, a positive change in fair value will be recognised in the income statement, and vice versa. EUR 0.3 (0.7) million in interest expenses have been capitalised in accordance with IAS 23 since the beginning of the year. Exchange rate losses in financial expenses totalled EUR -0.5 (1.6) million. Net financial expenses were increased by a nonrecurring amount of EUR 1.9 million due to the early redemption of a bond.

SRV's investment commitments totalled EUR 77.1 (31.2) million, and mainly consisted of investments in Fennovoima's Hanhikivi-1 project and the Tampere Central Deck and Arena project.

SRV is exposed to changes in the exchange rate of the rouble through its Russian subsidiaries. The weakening rouble led to translation differences of EUR -1.4 (8.8) million, which impacted both shareholders' equity and the comprehensive result for the period. In addition to currency exchange rate losses of EUR -0.5 (1.6) million in financial income and expenses, the Group also entered similarly derived currency exchange rate losses of EUR -3.1 (5.4) million with no cash flow impact under the profit accounted for by associated companies, which are due primarily to the conversion of currency-denominated loans to roubles. Currency exchange rate losses were increased by EUR -0.5 (-0.9) million in hedging expenses.

Personnel

Personnel by business area	31 March 2018	31 March 2017	Percentage of Group personnel,	
			31 March 2018, %	31 March 2017
Operations in Finland	869	825	78	853
International Operations	148	185	13	156
Other operations	97	94	9	99
Group, total	1,114	1,104	100	1,108

The number of people employed by SRV has seen slight growth. SRV employed 1,109 people (1,099) on average in early 2018. At the end of the review period, 869 (825) of these worked in Operations in Finland and 148 (185) in International Operations. 97 (94) people worked in Group operations and SRV Kalusto.

Risks, risk management and corporate governance

SRV has published a separate Corporate Governance Statement in its 2017 Annual Report and on the company's website. Detailed information about the company's business risks and risk management is provided in the 2017 Notes to the Financial Statements and 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. 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 reporting date would have had an impact of about EUR 10 million on the Group's equity translation differences. A 10 per cent change in the exchange rate would correspondingly have an impact of about EUR 10 million on SRV's earnings.



SRV's transaction risk largely comprises the euro-denominated loans of associated companies that are partly owned by SRV. Part of the loans of SRV's associated companies in Russia were converted to roubles in the first months of 2018, reducing SRV's exchange rate risk. The remaining exchange rate risk is hedged in accordance with the hedging policy approved by the Board of Directors.

In order to improve comparability of operations, the company reports "operative operating profit" in addition to its operating result. It differs from the IFRS definition of operating profit in that it eliminates the calculated currency exchange differences included in financial items in Russian operations and their potential hedging impacts.

Corporate governance and the decisions of the Annual General Meeting

The Annual General Meeting of SRV Group Plc was held on 20 March 2018. The meeting adopted the Financial Statements and granted release from liability to the members of the Board of Directors and the President & CEO for the financial year 1 January–31 December 2017.

Dividends paid

As proposed by the Board of Directors, a dividend of EUR 0.06 per share was approved for the financial year now ended. The record date was 22 March 2018 and the dividend was paid on 29 March 2018.

The Members and Chair of the Board of Directors

The AGM verified that the Board of Directors shall have six (6) members. **Minna Alitalo**, M.Sc. (Econ.), **Juhani Elomaa**, M.Sc. (Pol.), eMBA, **Juhani Hintikka**, M.Sc. (Eng.), **Olli-Pekka Kallasvuo**, Master of Laws, LL.D.h.c., **Ilpo Kokkila**, M.Sc. (Eng.) and **Timo Kokkila**, M.Sc. (Eng.) were re-elected to the Board of Directors. Ilpo Kokkila was elected as Chair of the Board.

Auditor

The authorised firm of public accountants PricewaterhouseCoopers Oy was elected as the company's auditor for the next term of office, which ends at the conclusion of the 2019 Annual General Meeting. PricewaterhouseCoopers Oy has announced that Samuli Perälä, Authorised Public Accountant, will serve as the responsible auditor.

Authorisation to decide on the acquisition of treasury shares

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

The Board was authorised to acquire a maximum of 6,049,957 of the company's own shares in such a manner that the number of shares acquired on the basis of this authorisation, when combined with the shares already owned by the company and its subsidiaries, does not at any given time exceed 6,049,957 shares, or 10 per cent of all shares of the company.

Based on this authorisation, the Board may acquire a maximum of 6,049,957 shares in public trading arranged by Nasdaq OMX Helsinki Oy at a market price valid at the moment of acquisition, as well as a maximum of 500,000 SRV shares issued on the basis of incentive schemes to individuals employed by SRV



Group, either without consideration or for no more than the price at which an individual within the sphere of an incentive scheme is obliged to convey a share, such that the maximum number of acquired shares nevertheless remains at 6,049,957.

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

Treasury shares can be acquired for use as payment in corporate acquisitions, when the company acquires assets relating to its business, as part of the company's incentive programmes, or to be otherwise conveyed, held or cancelled. The Board of Directors shall decide on all other terms relating to the acquisition of shares.

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 23 March 2017.

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

The meeting regarding organisation of SRV Group Plc's Board of Directors was held on 20 March 2018. The Board of Directors elected a Vice Chair and the members of its Board Committees for a term ending at the closing of the Annual General Meeting in 2019. Olli-Pekka Kallasvuo was selected as Vice Chair of the Board of Directors.

Minna Alitalo was elected as Chair and Juhani Elomaa and Timo Kokkila as members of the Audit Committee. Ilpo Kokkila was elected as Chair and Juhani Hintikka and Olli-Pekka Kallasvuo as members of the HR and Nomination Committee.

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 7,158 shareholders on 31 March 2018.

The closing price at OMX Helsinki on 31 March 2018 was EUR 2.90 (EUR 4.40 on 31 March 2017, change - 34%). The highest share price during the reporting period was EUR 4.12 and the lowest EUR 2.83. At the end of the period, SRV's equity per share excluding the hybrid bond was EUR 3.72. On 31 March 2018, SRV had a market capitalisation of EUR 173 million, excluding the Group's treasury shares. 1.7 million shares were traded during the review period with a trade volume of EUR 5.9 million.

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

Financial objectives

SRV's strategy and all of its operations are guided by the 2018–2022 strategic financial objectives that were approved in February 2018:



- After a phase of rapid revenue growth, SRV primarily seeks to increase annual operative operating profit.
- The operative operating profit margin will rise to 8 per cent. Of this objective, 6 percentage points will be generated by construction and 2 percentage points by shopping centre rental income as part of associated company holdings.
- Return on equity will be at least 15 per cent by the end of the strategy period.
- Return on investment will rise to at least 12 per cent by the end of the strategy period.
- The equity ratio will remain above 35 per cent.
- The longer-term objective is to distribute dividend of 30-50 per cent of the annual result, taking into account the capital needs of business operations.

The achievement of these strategic objectives will be based on moderate but steady economic growth in Finland, and Russia's economy stabilising at a slightly stronger level. Growth in SRV's developer-contracted projects is also required. SRV seeks to divest shopping centres that are in the management phase when the market situation allows. SRV will continue to develop projects in Russia that can be launched when the Group's capital structure allows and the financial criteria of the properties are fulfilled.

Reaching the profitability targets requires not only boosting the efficiency of the company's own operations, but also the more prudent selection of new projects with regard to profitability and capital commitment.

Outlook for 2018

In addition to general economic trends, SRV's revenue and result in 2018 will be affected by several factors, such as: the trend in the exchange rate of the rouble; 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.

Fewer developer-contracted housing units will be completed in 2018 than in the comparison year. It is estimated that 526 housing units will be completed in 2018 (782 in 2017). Although housing will be completed on a steadier schedule in 2018 than in the comparison year, a significant part of operating profit will still be made in the second half of the year. In addition, earnings in 2018 will be impacted by the lower-than-expected margins of certain ongoing projects.

Full-year consolidated revenue and operative operating profit for 2018 are expected to decrease compared with 2017 (revenue EUR 1,114.4 million). Operative operating profit is expected to be lower than in 2017 (operative operating profit EUR 27.0 million.)

After 2018, an atypical year, the company anticipates that it will achieve its strategic earnings level by the end of 2022.

Espoo, 25 April 2018

Board of Directors



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

For further information, please contact

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Key figures
EUR million

	1-3/ 2018	1-3/ 2017	1-12/ 2017	Last 12 Months
Revenue	215.7	223.7	1 114.4	1 106.4
Operative operating profit ^{*)1)}	-5.1	2.7	27.0	19.2
Operative operating profit, % revenue ¹⁾	-2.4	1.2	2.4	1.7
Operation profit	-8.8	7.3	15.3	-0.7
Operation profit, % revenue	-4.1	3.3	1.4	-0.1
Profit before taxes	-12.2	7.3	4.6	-14.8
Profit before taxes, % of revenue	-5.6	3.3	0.4	-1.3
Net profit attributable to equity holders of the parent company	-10.5	6.4	6.0	-10.9
Return on equity, %	-15.7	8.8	2.0	
Return on investment, %	-5.2	6.5	3.1	
Return on investment, construction % ¹⁾	-2.2	15.3	7.4	
Return on investment, real estate development % ¹⁾	-6.1	6.6	-4.8	
Invested capital	650.0	653.0	604.5	
Invested capital, construction ¹⁾	327.1	288.6	276.6	
Invested capital, real estate development ¹⁾	322.9	364.3	327.9	
Equity ratio %	32.5	36.4	35.5	
Net interest-bearing debt	355.4	311.0	297.6	
Gearing ratio, %	134.3	103.4	105.0	
Order backlog	1 653.0	1 722.0	1 547.9	
New agreements	284.4	155.4	771.4	900.4
Personnel on average	1 109	1 099	1 134	
Earnings per share	-0.19	0.09	0.05	-0.24
Earnings per share (diluted)	-0.19	0.09	0.05	-0.24
Equity per share	4.47	5.08	4.78	
Equity per share (without hybrid bond), euros	3.72	4.32	4.03	
Dividend per share, euros	0.06	0.10	0.10	
Dividend payout ratio, %	neg.	105.3	209.9	
Dividend yield, %	2.1	2.3	2.8	
Price per earnings ratio	neg.	46.3	75.6	
Share price development:				
Share price at the end of the period, eur	2.90	4.40	3.60	
Average share price, eur	3.41	4.94	4.60	
Lowest share price, eur	2.83	4.17	3.52	
Highest share price, eur	4.12	5.74	5.74	
Market capitalisation at the end of the period	172.8	262.2	214.5	
Trading volume, 1 000 units	1 731	1 705	6 362	
Trading volume, %	2.9	2.9	10.7	
Weighted average number of shares outstanding during the period, 1 000 units	59 581	59 478	59 540	
Weighted average number of shares outstanding during the period (diluted) 1 000 units	59 581	59 478	59 540	
Number of shares outstanding at the end of the period, 1 000 units	59 581	59 581	59 581	
 *)Effect of currency exchange fluctuations	 -3.7	 4.6	 -11.7	 -19.9

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1) Alternative performance measures used in interim reporting

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

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

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

SRV presents the capital invested in the construction and property development businesses in the interim report, as well as the returns on these investments

By nature, SRV's businesses consist of construction and related property development, as well as investment in SRV's own projects. As these two businesses differ in nature, the company considers it justified to begin providing additional information about the capital invested in these and the return on investment. The construction business includes all of the capital required for construction and developer contracting for housing production, as well as the required plots of land. The property development business consists of projects for commercial premises in which the company is an investor, and the primary intention is to sell the projects several years after construction is complete and the property has attained a normal occupancy rate and standard. The property development operations report on commercial premises that are under development and completed and where the company acts premises that are under development and completed and where the company acts as a longer-term investor. Plots that the company will develop itself and where the expected return will arise from the development are also reported as part of property development.

All of the relevant balance sheet items have been allocated to operations, as well as the operating expenses. The Group consists of these businesses calculated together, taking into consideration the construction balance sheet elimination between them. This division of the businesses aptly describes the company's capital requirements and profitability levels.

Construction generates a stable operating profit, the requirement for invested capital is lower and the turnover rate is higher. Property development ties up more capital for a longer period. In the construction business, revenue and profit are realised more rapidly than in the property business, where profits are usually only obtained when the sites are sold off.

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Calculation of key figures

Gearing ratio, %	=	$100 \times \frac{\text{Net interest-bearing debt}}{\text{Total equity}}$
Return on equity, %	=	$100 \times \frac{\text{Total comprehensive income for the period}}{\text{Total equity, average}}$
Return on investment, %	=	$100 \times \frac{\text{Result before taxes + interest and other financial expenses (without exchange rate gains and losses)}}{\text{Invested capital, average}}$
Equity ratio, %	=	$100 \times \frac{\text{Total equity}}{\text{Total assets – advances received}}$
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, %	=	$100 \times \frac{\text{Dividend per share}}{\text{Earnings per share}}$
Dividend yield, %	=	$100 \times \frac{\text{Dividend per share}}{\text{Share price at end of period}}$
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
Operative operating profit	=	Operating profit-/+ currency exchange rate gains and losses -/+ income and expenses from hedging

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Group and Segment information by quarter

SRV Group EUR million	1-3/ 2018	10-12/ 2017	7-9/ 2017	4-6/ 2017	1-3/ 2017
Revenue	215.7	339.0	267.8	283.9	223.7
Operation profit	-8.8	11.2	7.2	-10.3	7.3
Financial income and expenses, total	-3.4	-1.8	-3.8	-5.0	0.0
Profit before taxes	-12.2	9.3	3.3	-15.3	7.3
Order backlog ¹⁾	1 653.0	1 547.9	1 535.7	1 594.6	1 722.0
New agreements	284.4	313.0	162.6	140.5	155.4
Earnings per share, eur	-0.19	0.18	0.04	-0.26	0.09
Equity per share, eur ¹⁾	3.72	4.03	3.88	3.84	4.32
Share closing price, eur ¹⁾	2.90	3.60	4.41	4.99	4.40
Equity ratio, % ¹⁾	32.5	35.5	34.0	33.5	36.4
Net interest-bearing debt ¹⁾	355.4	297.6	338.7	310.3	311.0
Gearing, % ¹⁾	134.3	105.0	123.4	114.4	103.4

1) at the end of the period

Revenue EUR million	1-3/ 2018	10-12/ 2017	7-9/ 2017	4-6/ 2017	1-3/ 2017
Operations in Finland	213.9	336.7	263.2	276.9	219.3
- business construction	154.5	198.6	173.0	180.1	164.4
- housing construction	59.3	138.1	90.2	96.8	54.8
International Operations	1.7	2.3	4.2	7.0	4.4
Other operations and eliminations	0.1	0.0	0.4	0.0	0.0
Group, total	215.7	339.0	267.8	283.9	223.7

Operating profit EUR million	1-3/ 2018	10-12/ 2017	7-9/ 2017	4-6/ 2017	1-3/ 2017
Operations in Finland	-3.7	18.2	9.7	5.7	5.0
International Operations	-5.4	-5.2	-2.4	-14.0	3.2
Other operations and eliminations	0.4	-1.8	-0.1	-2.1	-0.8
Group, total	-8.8	11.2	7.2	-10.3	7.3

Operating profit (%)	1-3/ 2018	10-12/ 2017	7-9/ 2017	4-6/ 2017	1-3/ 2017
Operations in Finland	-1.7	5.4	3.7	2.1	2.3
International operations	-314.6	-222.5	-57.5	-199.6	71.3
Group, total	-4.1	3.3	2.7	-3.6	3.3

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Order backlog EUR million	31.3.18	31.12.17	30.9.17	30.6.17	31.3.17
Operations in Finland	1 634.0	1 526.7	1 513.9	1 570.7	1 691.3
- business construction	1 065.2	920.3	850.6	950.0	1 057.7
- housing construction	568.7	606.4	663.3	620.7	633.7
International operations	19.0	21.2	21.7	23.9	30.6
Group, total	1 653.0	1 547.9	1 535.7	1 594.6	1 722.0
- sold order backlog	1 399	1 273	1 251	1 309	1 437
- unsold order backlog	254	275	284	286	285
Order backlog, housing construction in Finland					
EUR million	31.3.18	31.12.17	30.9.17	30.6.17	31.3.17
Negotiation and construction contracts	150	179	195	166	196
Under construction, sold	185	161	195	180	164
Under construction, unsold	214	241	241	232	243
Completed and unsold	20	25	34	43	30
Housing construction, total	569	606	663	621	634
Invested capital					
EUR million	31.3.18	31.12.17	30.9.17	30.6.17	31.3.17
Operations in Finland	388.7	368.4	383.2	347.6	342.9
International operations	231.2	241.7	239.5	241.4	270.1
Other operations and eliminations	30.0	-5.6	12.1	28.0	40.0
Group, total	650.0	604.5	634.9	617.0	653.0
Housing production in Finland (units)					
	1-3/2018	10-12/2017	7-9/2017	4-6/2017	1-3/2017
Housing sales, total	197	253	543	475	356
- sales, developer contracting	129	208	249	260	266
- sales, negotiation contracts ²⁾	68	45	294	215	90
Developer contracting					
- start-ups	43	172	248	316	282
- completed	61	319	200	221	42
- recognized in revenue	70	362	213	174	76
- completed and unsold ¹⁾	59	68	111	124	77
Under construction, total ¹⁾	3 211	3 254	3 346	3 098	2 894
- construction contracts ¹⁾	504	504	424	458	586
- negotiation contracts ¹⁾	293	293	363	472	164
- negotiated contracts ^{1) 2)}	1 360	1 385	1 340	997	1 068
- developer contracting ¹⁾	1 054	1 072	1 219	1 171	1 076
- of which sold ¹⁾	661	602	756	720	634
- of which unsold ¹⁾	393	470	463	451	442

1) at the end of the period

2) investor sales, under negotiation contracts

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SRV GROUP PLC THE FINANCIAL STATEMENTS, 1 JANUARY–31 MAR 2018: TABLES

- 1) Accounting policies
- 2) Consolidated income statement and consolidated statement of comprehensive income
- 3) Consolidated balance sheet
- 4) Consolidated cash flow statement
- 5) Consolidated statement of changes in shareholder's equity
- 6) Group commitments and contingent liabilities
- 7) Segment information
- 8) Inventories
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1) The Financial Statements Report 1 January – 31 March 2018

Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. In preparing this interim report release, SRV has applied the same accounting policies as in its annual financial statements for 2017, however so that the Group has introduced as of 1 January 2018 the new or revised IFRS standards and IFRIC interpretations published by the IASB mentioned in the accounting policies of the annual financial statements for 2017.

Changes in accounting policies

IFRS 15

SRV has applied the IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The standard replaced IAS 18, which applied to the sales of goods and services, and IAS 11, which applied to long-term projects.

SRV has applied the standard retrospectively and has restated the financial figures for 2017 in order for them to be comparable. The change in the treatment procedure with regard to a separate financing component for development and developer-contracted projects resulted in a reduction in revenue and a decline in interest expenses on financial items amounting in total to EUR -1.7 million. The restated comparison figures can be found in the release published on 26 April 2018.

The core principle of the new standard is that sales revenue is recognised when control over goods or services is transferred to the customer – previously sales revenue was recognised when risks and benefits related to goods or services were transferred to the customer. The customer obtains control when it is able to direct the use of goods or services and to obtain the benefit from them.

Before the standard came into force, Group management evaluated the impact of revenue recognition for the different project types. Further information on the adoption of IFRS 15 and its impact can be found in SRV's Financial Statements 2017, pages 26 and 27.

Sales revenue from contract projects and development business and housing projects as well as from plots of land for development projects is recognised over time according to degree of completion in the manner of the earlier standards. The timing of the revenue recognition of plots is always assessed on a case-by-case basis, however.

Revenue from developer-contracted housing and business projects is recognised after the transfer of control, in the manner of the earlier standards.

Revenue is recognised differently from the earlier practice in contracts which have separate performance obligations. The number of performance obligations taken into account in revenue recognition might grow in situations where a contract also covers services other than construction services (parking space or removal service). The parking space and removal service are considered to be separate performance obligations. Separate additional services (removal service) and parking spaces are typically handed over and recognised as revenue at the same time as the apartment itself.

Development and developer contracting projects may include a separate financing component. In such projects, the treatment procedure for a substantial financing component will apply with regard to factoring and this will be recognised as an adjustment to

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revenue. In projects where the average financing period is less than one year, the Group applies the “practical expedient” for periods of less than 12 months, as set out in IFRS 15.63. The Group also has projects with an average financing period of more than one year. In such projects, the treatment procedure for a substantial financing component will apply with regard to factoring.

The breakdown of sales revenue by type of revenue recognition is presented in item 7 in the table section of the interim report.

IFRS 9

SRV has applied IFRS 9 Financial Instruments from 1 January 2018. The new standard replaced the IAS 39 Financial Instruments: Recognition and Measurement.

SRV has adjusted its opening balance at 1 January 2018 for cumulative changes of EUR -1.1 million in the fair values of other financial assets. The adjustment has been made within equity between the fair value reserve and retained earnings and is presented in the equity calculation.

The standard changes the classification and measurement of financial assets and liabilities, the determination of impairment and the principles of hedge accounting.

In the Group, debt securities held as financial assets are measured at amortised cost, when the objective of the business model is to hold the assets and to collect the contractual cash flows and when the assets’ contractual cash flows consist only of payments of principal and interest. All other financial assets are recognised and measured in the Group at fair value through profit and loss.

As of 1 January 2018, the Group classifies its financial assets and liabilities into the following categories:

Financial assets: Financial assets recognised at amortised cost or at fair value through profit and loss.

Financial liabilities: Financial liabilities recognised at fair value through profit and loss or at amortised acquisition cost using the effective interest rate method.

The new standard affected the classification and measurement of the Group’s other financial assets. Classification and measurement of other financial assets and liabilities takes place in the manner of the standard applied earlier. The Group does not apply hedge accounting, so the relevant changes have no impact.

Impairment

As of 1 January 2018, the impairment of financial assets is assessed on the basis of expected credit losses. Trade receivables and receivables from customers related to long-term projects involve a credit loss risk. The Group has estimated that there are no material expected credit losses with respect to these items. However, the Group constantly assesses the probability of credit loss risks and monitors changes in the status of them.

IFRS 2

SRV has applied IFRS 2 Share-based Payments amendment from 1 January 2018. The changed standard had no significant impact on the consolidated financial statements.

IFRS 16

IFRS 16 Leases (1 January 2019) will mainly affect the accounting practices of lessees and it will result in all leases except low-value and short-term leases being recognised in the balance sheet. The Group is studying the impact of the standard.

The preparation of the Financial Statements in accordance with IFRS requires Group management to make estimates and assumptions that affect both the values of assets and liabilities on the balance sheet date, and income and expenditure for the financial period.

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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 2017.

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

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2) Consolidated income statement and statement of comprehensive income

Consolidated income statement EUR million	1-3/ 2018	1-3/ 2017	change MEUR	change %	1-12/ 2017	Last 12 Months
Revenue	215.7	223.7	-8.0	-3.6	1 114.4	1 106.4
Other operating income	0.2	0.7	-0.4	-66.6	2.4	2.0
Change in inventories of finished goods and work in progress	23.2	20.5	2.6	12.8	1.9	4.5
Use of materials and services	-218.7	-216.5	-2.2	1.0	-985.6	-987.8
Employee benefit expenses	-19.1	-19.0	-0.1	0.7	-77.7	-77.8
Share of profits of associated and joint venture companies	-4.3	4.5	-8.8		-13.4	-22.2
Depreciation and impairments	-0.9	-0.9	0.0	4.0	-5.7	-5.8
Other operating expenses	-4.9	-5.7	0.8	-14.6	-21.0	-20.1
Operating profit	-8.8	7.3	-16.1		15.3	-0.7
Financial income	1.1	2.9	-1.7	-59.8	5.3	3.6
Financial expenses ^{*)}	-4.6	-2.9	-1.7	60.0	-16.0	-17.7
Financial income and expenses, total	-3.4	0.0	-3.4		-10.7	-14.1
Profit before taxes	-12.2	7.3	-19.5		4.6	-14.8
Income taxes	1.5	-0.7	2.2		1.2	3.4
Net profit for the period	-10.7	6.5	-17.3		5.8	-11.5
Attributable to						
Equity holders of the parent company	-10.5	6.4			6.0	-10.9
Non-Controlling interests	-0.2	0.1			-0.2	-0.5
Earnings per share attributable to equity holders of the parent company	-0.19	0.09			0.05	-0.24
Earnings per share attributable to equity holders of the parent company (diluted)	-0.19	0.09			0.05	-0.24
^{*)} of which derivative expenses fair value revaluation	0.1	0.5			0.3	
Statement of comprehensive income EUR million	1-3/ 2018	1-3/ 2017			1-12/ 2017	Last 12 Months
Net profit for the period	-10.7	6.5			5.8	-11.5
Other comprehensive income						
Other comprehensive income to be reclassified to profit or loss in subsequent periods:						
Financial assets available for sale	0.0	0.0			0.0	0.0
Income tax related to components of other comprehensive income	0.0	0.0			0.0	0.0
Gains and losses arising from translating the financial statements of a foreign operation	-0.4	1.2			-1.1	-2.8
Share of other comprehensive income of associated companies and joint ventures	-0.9	7.6			-7.0	-15.5
Other comprehensive income for the period, net of tax	-1.4	8.8			-8.1	-18.3
Total comprehensive income for the period	-12.1	15.4			-2.2	-29.7
Attributable to						
Equity holders of the parent company	-11.9	15.3			-2.1	-29.2
Non-Controlling interests	-0.2	0.1			-0.2	-0.5

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3) Consolidated balance sheet

Consolidated balance sheet EUR million	31.3.18	31.3.17	change %	31.12.17
ASSETS				
Non-current assets				
Property, plant and equipment	11.2	11.7	-4.6	11.0
Goodwill	1.7	1.7	0.0	1.7
Other intangible assets	1.5	1.9	-18.1	1.5
Shares in associated companies and joint ventures	187.1	223.6	-16.3	190.5
Other financial assets	16.0	13.9	14.8	16.0
Receivables	0.9	0.0		0.9
Loan receivables from associated companies and joint ventures	71.7	57.5	24.7	66.8
Deferred tax assets	13.2	9.9	34.1	11.7
Non-current assets, total	303.4	320.2	-5.3	300.2
Current assets				
Inventories	433.1	447.0	-3.1	418.8
Trade and other receivables	160.8	121.3	32.6	145.1
Loan receivables from associated companies and joint ventures	2.0	0.0		0.0
Current tax receivables (based on profit for the review period)	1.6	3.1	-48.5	1.0
Cash and cash equivalents	26.8	41.2	-34.9	23.5
Current assets, total	624.4	612.6	1.9	588.4
ASSETS, TOTAL	927.7	932.9	-0.6	888.5
Consolidated balance sheet EUR million	31.3.18	31.3.17	change,%	31.12.17
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent company				
Share capital	3.1	3.1	0.0	3.1
Invested free equity fund	141.5	141.5	0.0	141.5
Translation differences	-1.5	16.8		-0.1
Fair value reserve	0.0	-1.1		-1.1
Hybrid bond	45.0	45.0	0.0	45.0
Retained earnings	78.4	97.1	-19.3	96.6
Equity attributable to equity holders of the parent company, total	266.4	302.4	-11.9	285.0
Non-controlling interests	-1.9	-1.7	11.3	-1.6
Total equity	264.6	300.8	-12.0	283.4
Non-current liabilities				
Deferred tax liabilities	5.1	4.0	26.6	5.1
Provisions	8.9	7.7	16.1	8.8
Interest-bearing liabilities	251.8	275.2	-8.5	170.8
Other liabilities	7.5	16.7	-54.8	17.7
Non-current liabilities, total	273.4	303.6	-10.0	202.4
Current liabilities				
Trade and other payables	250.9	243.8	2.9	244.5
Current tax payables (based on profit for the review period)	0.2	1.0	-79.7	0.1
Provisions	8.2	6.7	21.8	7.8
Interest-bearing liabilities	130.4	77.0	69.4	150.3
Current liabilities, total	389.8	328.5	18.6	402.8
Liabilities, total	663.1	632.1	4.9	605.1
EQUITY AND LIABILITIES, total	927.7	932.9	-0.6	888.5

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4) Consolidated cash flow statement EUR million	1-3/ 2018	1-3/ 2017	1-12/ 2017	Last 12 Months
Cash flows from operating activities				
Cash receipts from customers	193.5	221.0	1 082.9	1 055.5
Cash receipts from other operating income	0.2	0.7	2.4	2.0
Cash paid to suppliers and employees	-231.4	-261.2	-1 098.6	-1 068.8
Net cash before interests and taxes	-37.6	-39.5	-13.2	-11.3
Interests received and other financial income	0.0	0.3	0.4	0.1
Interests paid and other expenses from financial costs	-11.1	-13.7	-22.1	-19.5
Income taxes paid	0.1	1.0	2.4	1.5
Cash flows from operating activities	-48.6	-52.0	-32.5	-29.2
Cash flow from investing activities				
Purchase of tangible and intangible assets	-1.1	-0.6	-3.5	-3.9
Purchase of investments	0.2	0.0	-2.0	-1.9
Investments in associated companies and joint ventures	-1.9	0.0	-0.4	-2.2
Increase in loan receivable from associated companies and joint ventures	0.1	-0.3	-2.6	-2.2
Loans granted	0.0	0.0	0.0	0.0
Net cash used in investing activities	-2.7	-0.9	-8.5	-10.3
Cash flow from financing activities				
Proceeds from loans	75.4	56.6	16.9	35.7
Repayment of loans	-48.4	-40.4	-28.3	-36.3
Hybrid bond intrests	-3.9	-3.9	-3.9	-3.9
Change in housing corporation loans	17.1	32.1	14.0	-1.1
Net change in short-term loans	18.0	0.7	17.5	34.8
Dividends paid	-3.6	-6.0	-6.0	-3.6
Net cash flow from financing activities	54.7	39.2	10.1	25.6
Net change in cash and cash equivalents	3.3	-13.8	-30.9	-13.8
Cash and cash equivalents at the beginning of period	23.5	54.6	54.6	23.5
Effect of exchange rate changes in cash and cash equivalents	0.0	0.4	-0.2	-0.6
Cash and cash equivalents at the end of period	26.8	41.2	23.5	9.1

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5) Statement of changes in Group equity

	Equity attributable to the equity holders of the parent company							Non-controlling interests	Total equity
	Share Capital	Invested Free Equity Fund	Hybrid Bond	Trans-lation diffe-rences	Fair value reserve	Retained earnings	Total		
1 January- 31 March 2018 (EUR million)									
Equity on 31 December 2017	3.1	141.5	45.0	-0.1	-1.1	96.6	285.0	-1.6	283.4
Change in accounting principles (IFRS 9)	0.0	0.0	0.0	0.0	1.1	-1.1	0.0	0.0	0.0
Equity 1 January 2018	3.1	141.5	45.0	-0.1	0.0	95.5	285.0	-1.6	283.4
Comprehensive income for the review period	0.0	0.0	0.0	-1.4	0.0	-10.5	-11.9	-0.2	-12.1
Dividends paid	0.0	0.0	0.0	0.0	0.0	-3.6	-3.6	0.0	-3.6
Share-based incentive plan	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share issue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs related to share issue, tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid bond	0.0	0.0	0.0	0.0	0.0	-3.2	-3.2	0.0	-3.2
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity on 31 March 2018	3.1	141.5	45.0	-1.5	0.0	78.4	266.4	-1.9	264.6
1 January- 31 March 2017 (EUR million)									
Equity 1 January 2017	3.1	141.5	45.0	8.0	-1.1	100.6	297.1	-1.8	295.3
Comprehensive income for the review period	0.0	0.0	0.0	8.8	0.0	6.4	15.3	0.1	15.4
Dividends paid	0.0	0.0	0.0	0.0	0.0	-6.0	-6.0	0.0	-6.0
Share-based incentive plan	0.0	0.0	0.0	0.0	0.0	-0.8	-0.8	0.0	-0.8
Purchase of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share issue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs related to share issue, tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid bond	0.0	0.0	0.0	0.0	0.0	-3.2	-3.2	0.0	-3.2
Other changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity on 31 March 2017	3.1	141.5	45.0	16.8	-1.1	97.1	302.4	-1.7	300.8
1 January- 31 December 2017 (EUR million)									
Equity 1 January 2017	3.1	141.5	45.0	8.0	-1.1	100.6	297.1	-1.8	295.3
Comprehensive income for the review period	0.0	0.0	0.0	-8.1	0.0	6.0	-2.1	-0.2	-2.3
Dividends paid	0.0	0.0	0.0	0.0	0.0	-6.0	-6.0	0.0	-6.0
Share-based incentive plan	0.0	0.0	0.0	0.0	0.0	-1.0	-1.0	0.0	-1.0
Purchase of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sale of treasury shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share issue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Costs related to share issue, tax	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid bond	0.0	0.0	0.0	0.0	0.0	-3.2	-3.2	0.0	-3.2
Other changes ¹⁾	0.0	0.0	0.0	0.0	0.0	0.2	0.2	0.3	0.5
Equity on 31 December 2017	3.1	141.5	45.0	-0.1	-1.1	96.6	285.0	-1.6	283.4

¹⁾ Other changes includes update of the acquisition calculation

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6) Group commitments and contingent liabilities (EUR million)	31.3.18	31.3.17	change	
			%	31.12.17
Collateral given for own liabilities				
Real estate mortgages given ¹⁾	90.3	110.2	-18.1	70.0
Other commitments				
Investment commitments given	77.1	31.2	147.4	81.9
Plots purchase commitments	54.1	31.3	72.7	41.5
Contingent liabilities (rented plots)	104.0	84.1	23.7	105.8

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

Liability of derivative instruments (EUR million)	3/2018 Fair value		3/2017 Fair value		12/2017 Fair value	
	Posit.	Negat.	Posit.	Negat.	Posit.	Negat.
Hedge accounting not applied						
Currency option	0.3	0.0	0.0	0.0	0.4	0.0
Interest rate swaps	0.0	5.8	0.0	7.3	0.0	6.1
		3/2018		3/2017		12/2017
Nominal values of derivative instruments						
Currency option		60.0		0.0		80.0
Interest rate swaps		100.0		100.0		100.0

7) Group and Segment Information

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

Group and Segment information						
Revenue EUR million	1-3/ 2018	1-3/ 2017	change, MEUR	change %	1-12/ 2017	Last 12 Months
Upon completion						
Operations in Finland	20.0	21.9	-1.9	-8.6	209.2	207.3
International operations	0.1	0.1	0.0	-3.4	3.2	3.2
Percentage of completion						
Operations in Finland	191.4	196.7			877.8	872.4
International operations	0.5	3.1			9.6	7.0
Other revenue						
Operations in Finland	2.5	0.6	1.9	305.0	9.1	10.9
International operations	1.2	1.3	-0.1	-8.9	5.2	5.1
Other operations and eliminations	0.1	0.0	0.1		0.4	0.5
Group, total	215.7	223.7	-8.0	-3.6	1 114.4	1 106.4
Operation profit EUR million	1-3/ 2018	1-3/ 2017	change, MEUR	change %	1-12/ 2017	Last 12 Months
Operations in Finland	-3.7	5.0	-8.7		38.6	29.9
International operations	-5.4	3.2	-8.6		-18.4	-27.0
Other operations and eliminations	0.4	-0.8	1.2		-4.8	-3.6
Group, total	-8.8	7.3	-16.1		15.3	-0.7
Operating profit, %	1-3/ 2018	1-3/ 2017			1-12/ 2017	Last 12 Months
Operations in Finland	-1.7	2.3			3.5	2.7
International Operations	-314.6	71.3			-102.3	-176.8
Group, total	-4.1	3.3			1.4	-0.1

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Assets			change	change,	
EUR million	31.3.2018	31.3.2017	MEUR	%	31.12.2017
Operations in Finland	636.9	578.2	58.8	10.2	613.4
International operations	252.8	303.3	-50.5	-16.7	266.5
Other operations and eliminations	38.0	51.4	-13.4	-26.0	8.7
Group, total	927.7	932.9	-5.1	-0.6	888.5

Liabilities			change	change,	
EUR million	31.3.2018	31.3.2017	MEUR	%	31.12.2017
Operations in Finland	413.1	359.8	53.3	14.8	386.9
International operations	163.7	173.2	-9.5	-5.5	169.8
Other operations and eliminations	86.3	99.0	47.4	-12.9	48.4
Group, total	663.1	632.1	31.0	4.9	605.1

Invested capital			change	change,	
EUR million	31.3.2018	31.3.2017	MEUR	%	31.12.2017
Operations in Finland	388.7	342.9	45.9	13.4	368.4
International operations	231.2	270.1	-38.9	-14.4	241.7
Other Operations	30.0	40.0	-9.9	-24.8	-5.6
Group, total	650.0	653.0	-3.0	-0.5	604.5

Return on investment %			change	change,	
	31.3.2018	31.3.2017	MEUR	%	31.12.2017
Operations in Finland	-3.6	6.5	-10.1		11.4
International operations	-8.7	8.6	-17.2		-6.7
Group, total	-5.2	6.5	-11.7		3.1

8) Inventories			change	
EUR million	31.3.2018	31.3.2017	MEUR	31.12.2017
Land areas and plot-owning companies	167.1	212.0	-44.9	186.3
Operations in Finland	83.2	120.5	-37.3	101.7
International operations	84.0	91.6	-7.6	84.6
Work in progress	230.1	199.3	30.8	195.3
Operations in Finland	230.1	190.7	39.4	195.3
International operations	0.0	8.6	-8.6	0.0
Shares in completed housing corporations and real estate companies	25.5	29.0	-3.6	29.7
Operations in Finland	20.9	29.0	-8.1	25.0
International operations	4.6	0.1	4.5	4.8
Other inventories	10.4	6.7	3.7	7.5
Operations in Finland	10.4	6.5	3.8	7.5
International operations	0.0	0.1	-0.1	0.0
Inventories, total	433.1	447.0	-13.9	418.8
Operations in Finland	344.5	346.7	-2.2	329.4
International operations	88.6	100.3	-11.7	89.4

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9) Related party transactions

EUR million	Salaries and compensation	Sale of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities
31.3.18						
Management and the Board of						
Directors	0.5	0.0	0.0	0.0	0.0	0.0
Joint ventures	0.0	31.1	0.0	0.1	19.5	0.0
Associated companies	0.0	0.8	0.0	0.8	54.5	0.0
Other related parties	0.0	0.0	0.0	0.0	0.0	0.0
Total	0.5	31.9	0.0	0.9	73.9	0.0
	Salaries and compensation	Sale of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities
31.3.17						
Management and the Board of						
Directors	1.5	0.0	0.0	0.0	0.0	0.0
Joint ventures	0.0	39.7	0.0	0.5	17.2	0.0
Associated companies	0.0	3.4	0.0	0.7	52.6	0.7
Other related parties	0.0	0.0	0.0	0.0	0.0	0.0
Total	1.5	43.1	0.0	1.2	69.8	0.7
	Salaries and compensation	Sale of goods and services	Purchase of goods and services	Interest income	Receivables	Liabilities
31.12.17						
Management and the Board of						
Directors	3.6	0.0	0.0	0.0	0.0	0.0
Joint ventures	0.0	150.3	0.1	0.6	18.4	0.0
Associated companies	0.0	10.1	0.0	3.4	53.1	0.0
Other related parties	0.0	0.0	0.0	0.0	0.0	0.0
Total	3.6	160.4	0.1	4.0	71.5	0.0