

SRV – Building for life

Interim report
January – June 2013

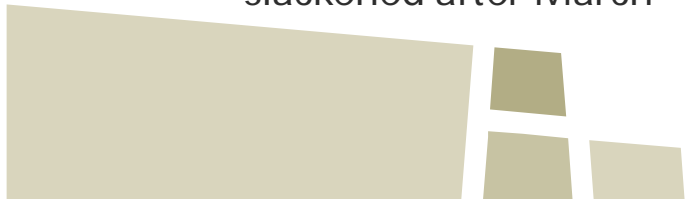
Jukka Hienonen
CEO

1 August 2013



1-6/2013 – Profit improvement from Russian shopping centre projects

- Group's revenue and operating profit increased
 - Revenue EUR 337.8 million, +8.8%
 - Operating profit EUR 14.9 million (EUR 4.9 million 1-6/2012)
- Concentrating on constructing shopping centres in Russia bore fruit
 - Shopping centre Pearl Plaza in St. Petersburg will open in August. 100% of premises are leased out and construction is proceeding according to plan
 - SRV sold 55% of the Okhta Mall shopping centre project to Russia Invest real-estate investment company. SRV owns 27% of Russia Invest. In addition, SRV has a 45% minority share of the project. SRV signed project management contracts valued at more than EUR 160 million on the realization of the shopping centre project
- Domestic operations' revenue and operating profit decreased
 - Revenue of developer-contracted housing construction decreased in 4-6/2013 which reduced both revenue and operating profit
 - Commercial construction consists mainly of low-margin contracting
- Domestic housing sales at a good level
 - Total sales grew, with total of 401 units sold (368), but sales to consumers clearly slackened after March



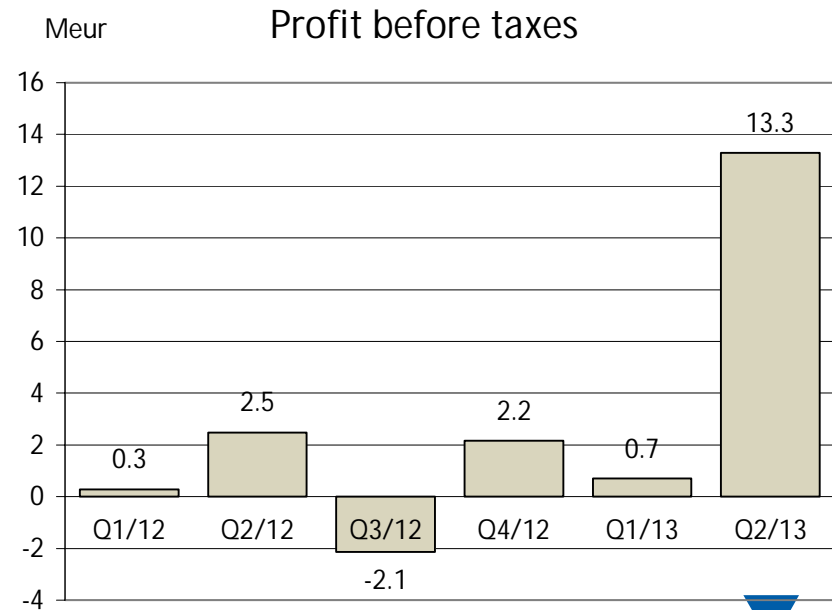
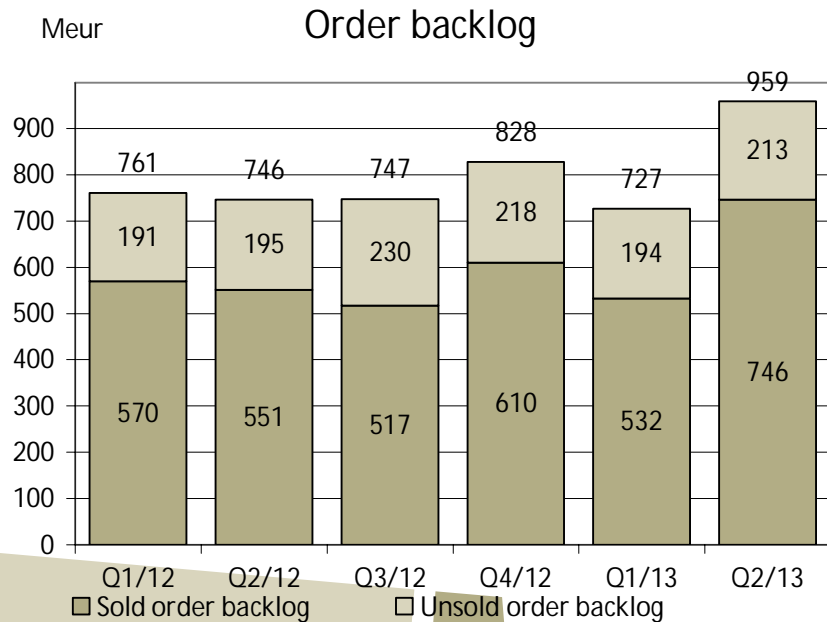
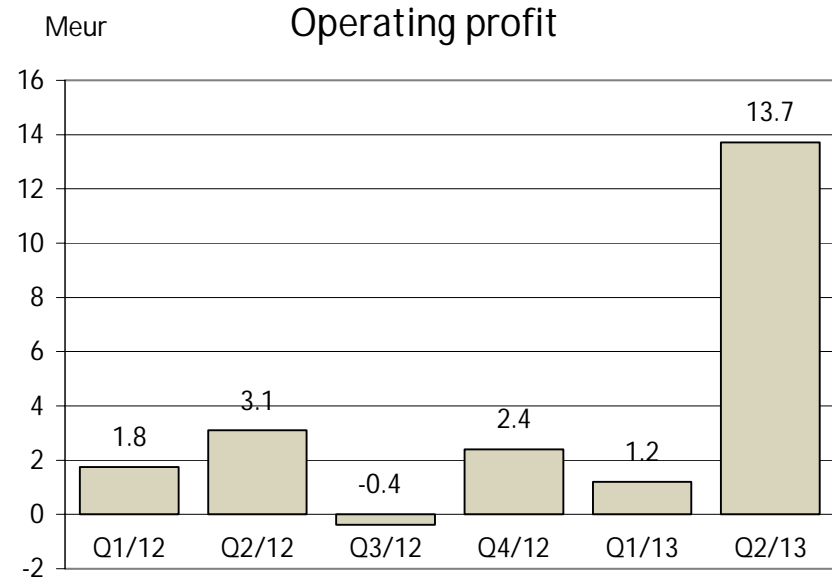
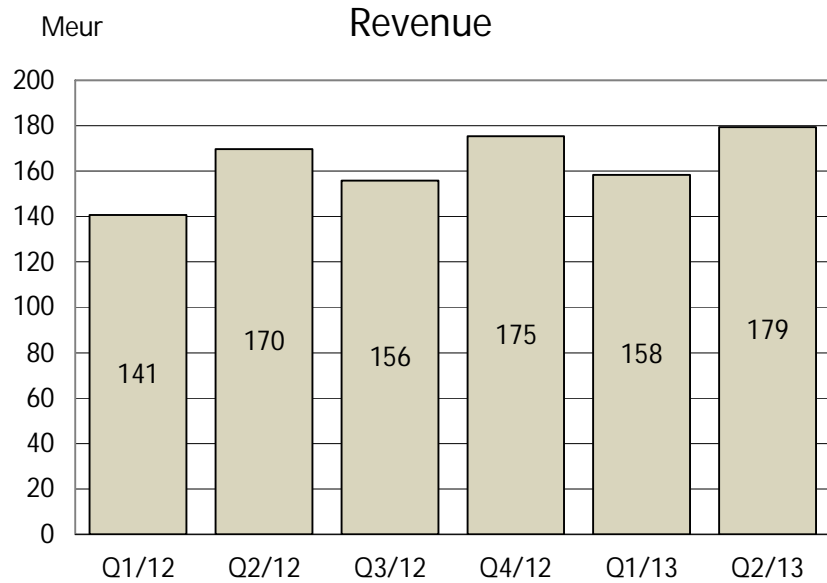
January – June 2013 in brief

	1-6/ 2013	1-6/ 2012	change, meur	change, %	1-12/ 2012
● Revenues, meur	337.8	310.4	+27.4	+9%	641.6
● Operating profit, meur	14.9	4.9	+10.0	+207%	6.9
● Operating profit, %	4.4 %	1.6 %			1.1 %
● Profit before taxes, meur	14.0	2.8	+11.2	+408%	2.8
● Order backlog ¹⁾ , meur	959.2	746.3	+212.9	+29%	827.8
● Equity ratio ¹⁾ , %	35.2 %	29.7 %			34.7 %
● EPS, eur	0.32	0.03	+0.29		0.02
● Share price ¹⁾ , eur	3.28	3.30		-1%	3.26
● Equity per share ¹⁾ , eur	4.86	4.61		+5%	4.62

1) At the end of the period



SRV Group Plc

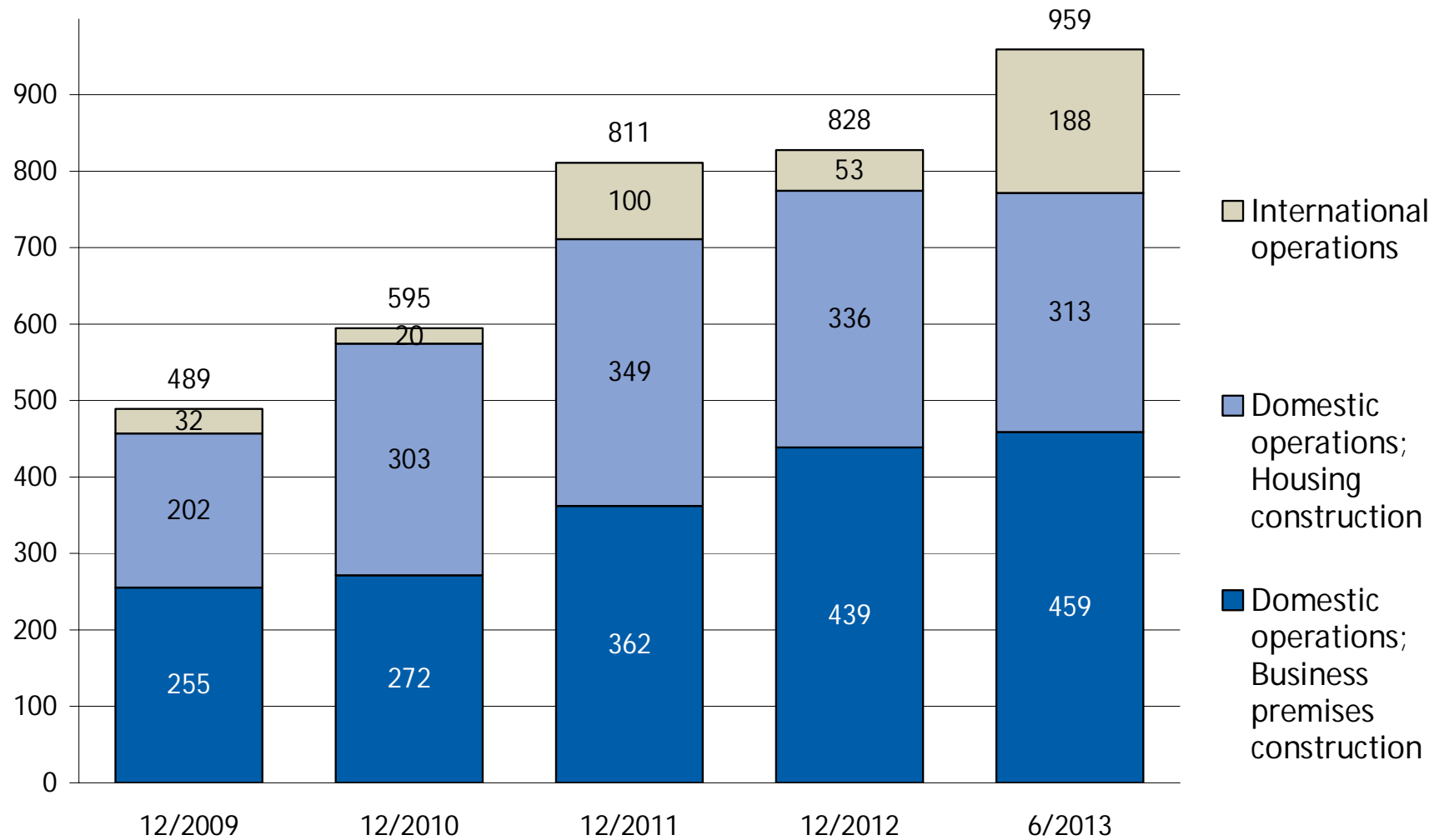


Order backlog at the highest level of the history

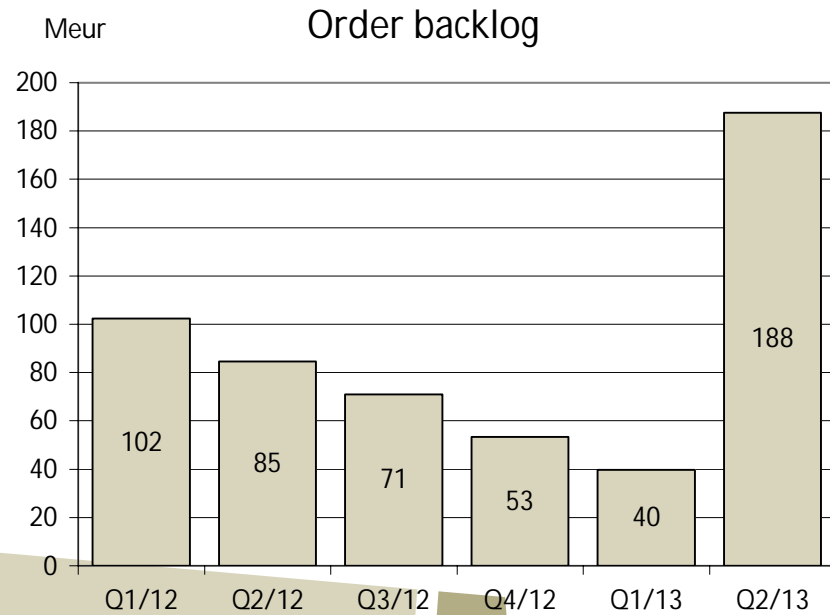
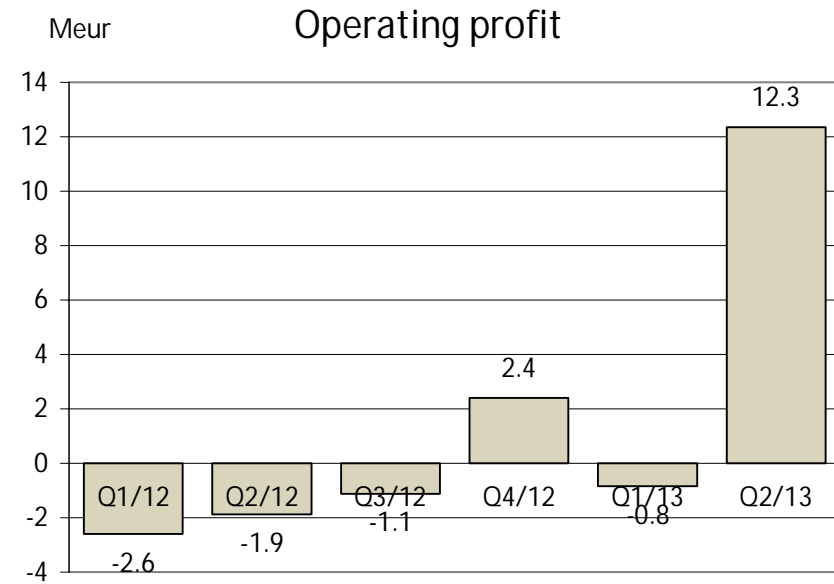
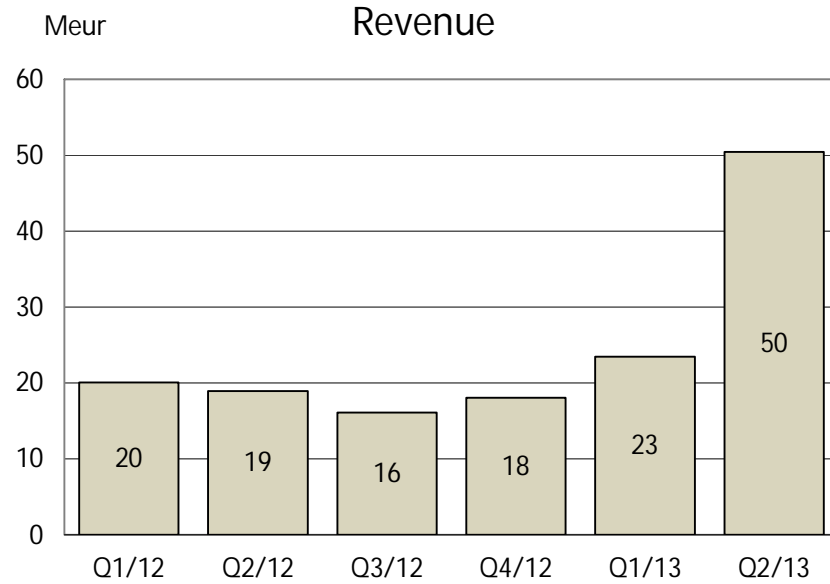
- Order backlog was EUR 959.2 million (+28.5 %, 30 June 2012)
 - Domestic order backlog rose to EUR 771.6 million (EUR 661.7 million)
 - Competitive contracting has been regarded more critically both in commercial and housing construction. The volume of housing contracting has been notably decreased
 - International order backlog rose to EUR 187.6 million (EUR 84.5 million) as SRV signed project management contracts valued at more than EUR 160 million on the realization of the Okhta Mall shopping centre project in St. Petersburg
- Amount of new agreements grew strongly during the second quarter
 - The value of signed agreements EUR 424.5 million (EUR 208.1 million 1-6/2012)
 - Amount of housing units sold to investors under negotiated contracts increased notably



Order backlog

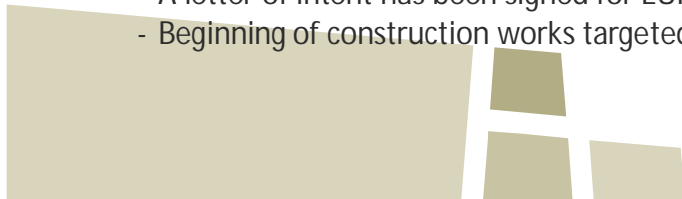


International operations

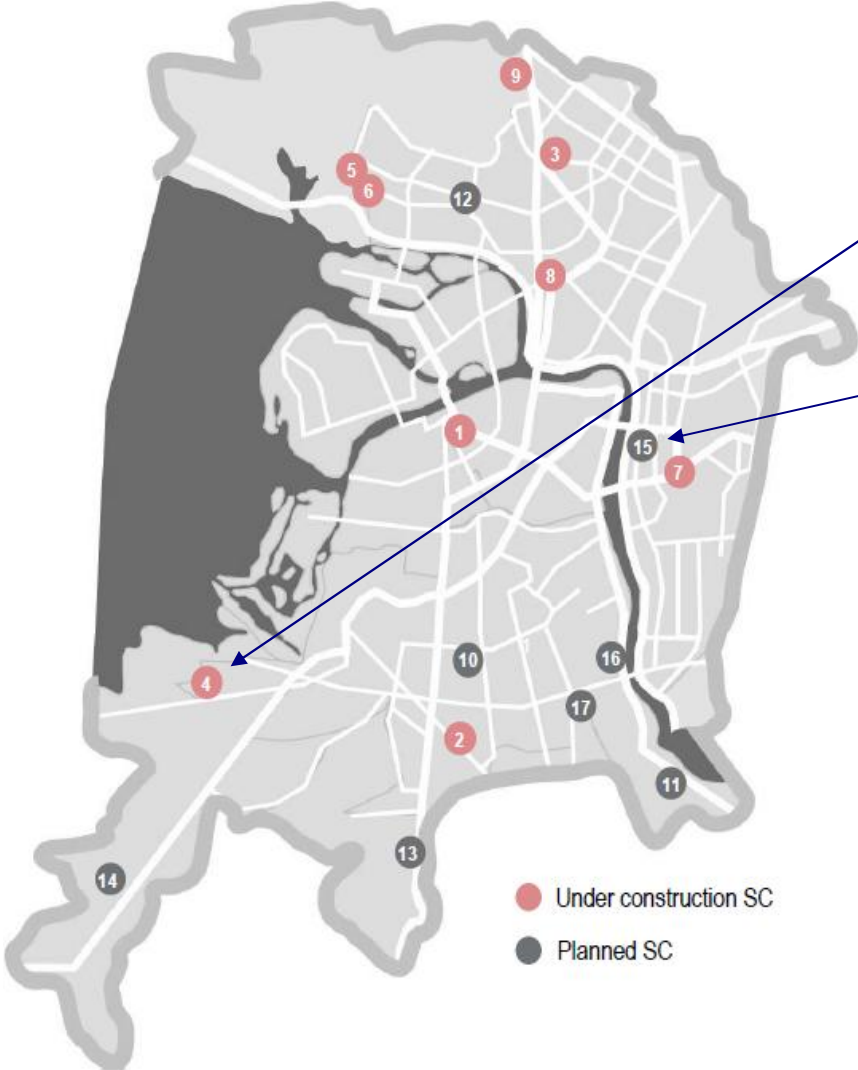


Russian shopping centre market is active

- Pearl Plaza shopping centre
 - 1. phase of the project approx. EUR 140 million, area approx. 92,000 m². SRV's share 50% and investment EUR 22 million
 - SRV acts as a project management constructor in charge of commercialisation. The total value of SRV's project management contracts at the site exceeds EUR 120 million.
 - Construction works underway, will be completed in August 2013
 - 100% of premises leased out, targeted annual rent income approximately EUR 18 million
 - Designing 2. phase has started, with 30% of premises preliminarily leased out
- Septem City's 1. phase – Okhta Mall shopping centre
 - A part of SRV's development project that will be built in Okhta area of St. Petersburg
 - SRV sold 55% to Russia Invest of which SRV owns 27%. In addition, SRV has a 45% minority share of the project. Due to the sale, an EUR 8.3 million change in the fair value of the rest of the ownership was marked.
 - The investment value approx. EUR 250 million, area 144,000 m²
 - SRV invests EUR 44 million during the construction. The cash flows from the project management agreements and the sale of the holding will cover the amount of capital committed to the project.
 - As a project management contractor, SRV is in charge of commercialisation, project management contractor agreements valued at over EUR 160 million. Preliminary lease agreements more than 25%, targeted annual rental income EUR 33 million.
 - A letter of intent has been signed for EUR 160 million in loan financing
 - Beginning of construction works targeted at the last part of 2013



Future Quality Shopping Centres in St. Petersburg, 2013-15



No	Name	GLA
1	Admiralteiskaya	14,000
2	Galaktika	16,750
3	London Park	38,000
4	Pearl Plaza	45,100
5	Monpansye	30,500
6	Pyat ozer	21,500
7	Zanevskiy Kaskad, Phase III	45,600
8	Evropolis	60,500
9	Skandinavia	80,000

No	Name	GLA
10	Piter-Raduga Phase II	24,300
11	Port Nakhodka, Phase II	16,000
12	Hollywood	65,000
13	Hines Outlet Centre	24,800
14	Fashion House	29,600
15	Okhta Mall	75,300
16	Sputnik	43,400
17	Sofyiskaya St., 60	150,000

● Under construction SC
● Planned SC

Source: Jones Lang LaSalle



Illustration of the estimated cumulative profit of the development project

Construction time

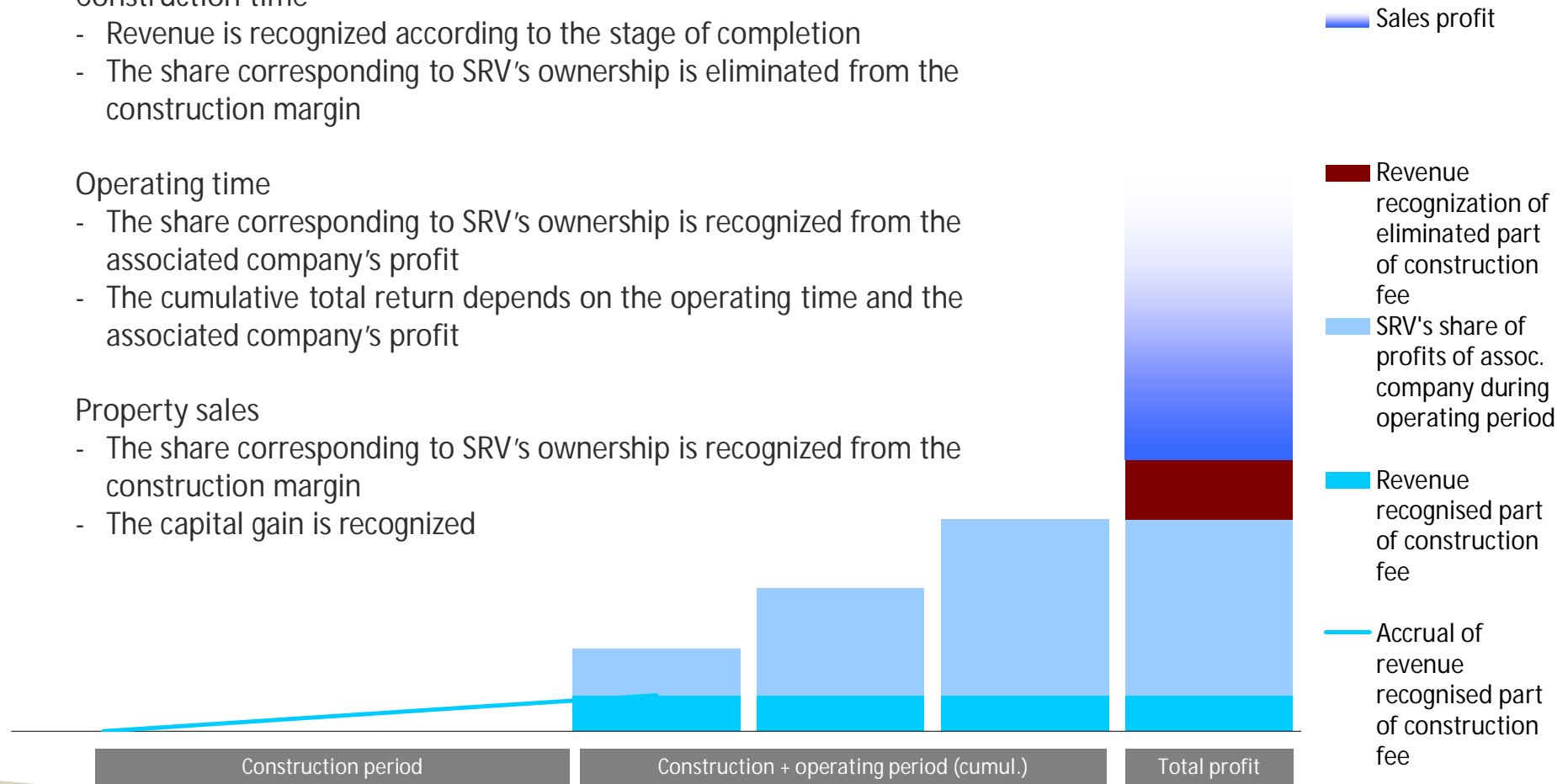
- Revenue is recognized according to the stage of completion
- The share corresponding to SRV's ownership is eliminated from the construction margin

Operating time

- The share corresponding to SRV's ownership is recognized from the associated company's profit
- The cumulative total return depends on the operating time and the associated company's profit

Property sales

- The share corresponding to SRV's ownership is recognized from the construction margin
- The capital gain is recognized



The illustration is based on estimation of the Okhta Mall shopping centre project
 - The purpose of the illustration is to describe the timing of financial results and it is based on current knowledge. The actual figures may be significantly different.



SRV's focus in Russia is in St. Petersburg and Moscow

Key CRE Investment Indicators

	Q2 2012	Q3 2012	Q4 2012	Q1 2013
Moscow prime yields, %				
Office	9.0	9.0	9.0	8.75
Retail	9.0	9.0	9.0	9.0
Warehouse	11.25	11.50	11.50	11.25
St. Petersburg prime yields, %				
Office	10.0	10.0	10.0	10.0
Retail	10.0	10.0	10.0	10.0
Warehouse	13.0	13.0	13.0	13.0
Equity market growth, %				
RTS Index	-17.5	9.3	3.5	-4.4
VTB Capital Real Estate Index	-20.6	6.3	-5.5	-0.7

Source: Moscow Exchange, VTB Capital, Jones Lang LaSalle

H2/2013 completed main projects in St. Petersburg

Table 3. Retail properties, scheduled for opening in H2 2013

Name	Type	Address	GLA, sq m	Developer
London Mall	Shopping and entertainment center	3, Kollontay str.	63,000	Fort Group
Pearl Plaza	Shopping and entertainment center	51 Petergofskoe av.	48,000	SRV Group
Zanevskiy Kaskad (3-rd ph.)	Shopping and entertainment center	Zanevskiy pr. and Energetikov pr.	40,300	Adamant
5 Ozer	Shopping and entertainment center	Dolgozernaya str. and Komendantskiy pr.	22,000	Fort Group
Galaktika	Shopping and entertainment center	7B Moskovskoe av.	16,650	Torgoviy Dvor
Velikan Park	Mixed-use	4 Alexandrovskiy park str.	11,400	Interkom and Kino City
Spar	Hypermarket	Kollontay str. and Badaeva str.	7,500	Edinye Resheniya
TOTAL			208,850	

Source: Colliers International

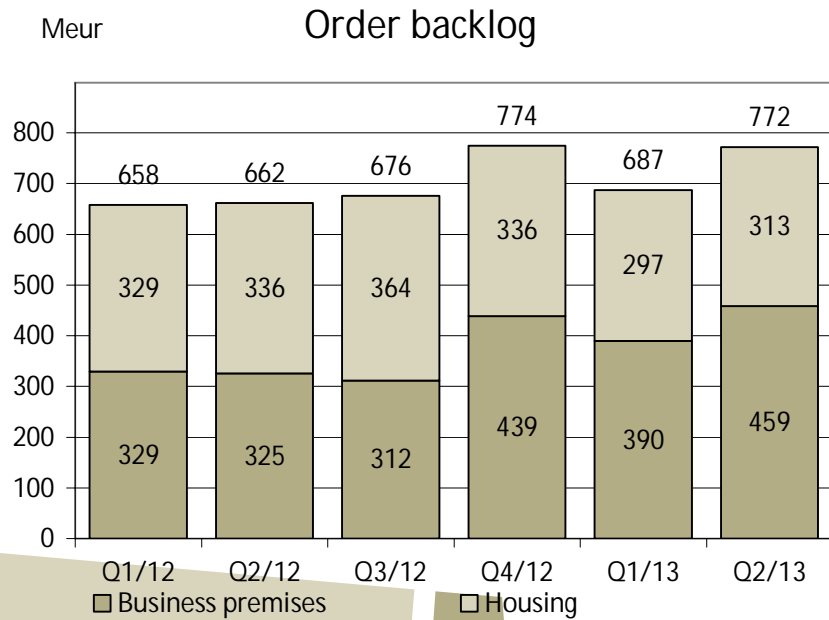
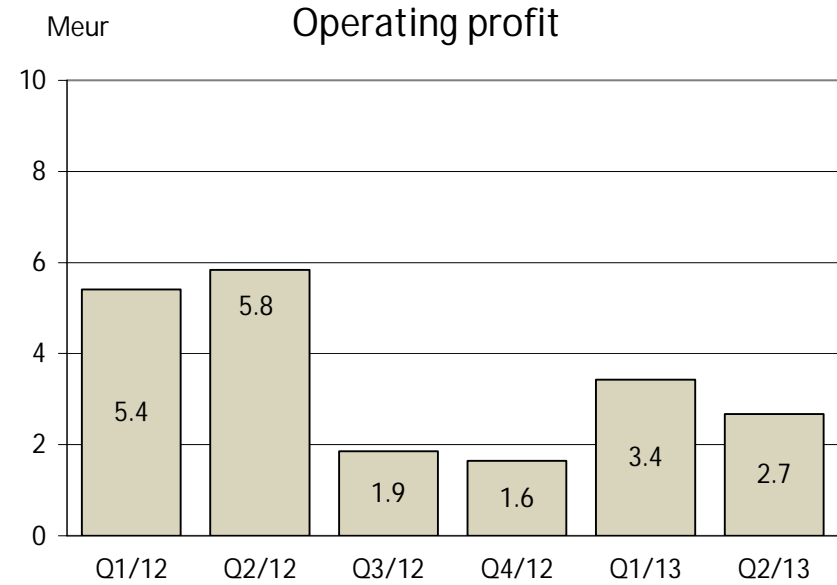
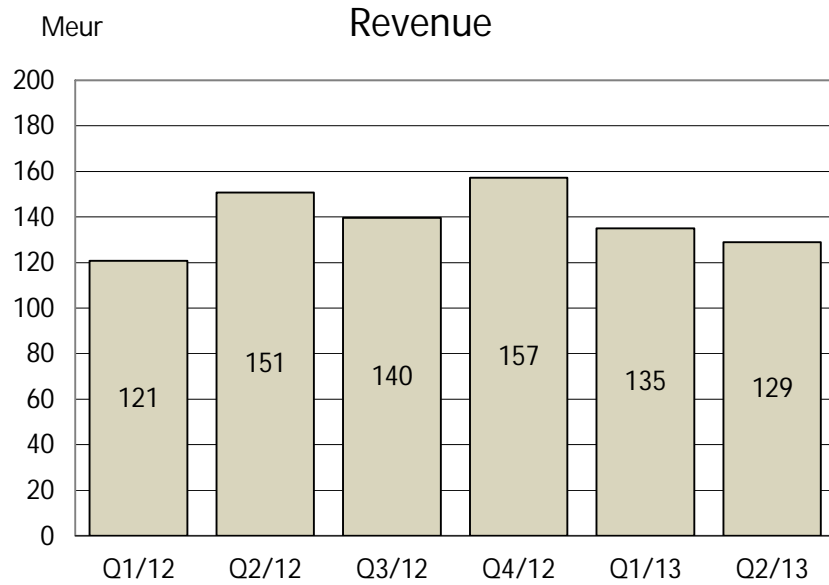


Co-investor arrangements support project development in Russia

- Investment company Russia Invest B.V.
 - Co-investor concept developed by SRV. The company will invest in SRV's development projects in Moscow and St. Petersburg. SRV will be in charge of project development and acts as a project management contractor
 - Partners' investment commitments EUR 95,5 million:
 - › SRV, Ilmarinen, Sponda EUR 26 million, each
 - › Etera EUR 12.5 million
 - › Onvest EUR 5.0 million
 - Development projects will be funded in other respects by project-specific bank loans, the whole investment can equal up to EUR 300 million
 - St. Petersburg's Okhta Mall is the company's first investment
- VTBC Ashmore Real Estate Partners I L.P.
 - Investment fund developed by SRV and VTBC
 - › The fund invests in construction of business premises and upscale housing in Moscow and St. Petersburg. VTBC and Ashmore Group Plc manage the fund as General Partner company's partners. The fund's target is at least EUR 300 million.
 - SRV's share of the investment commitments in the 1. phase EUR 20 million. Other investors Ilmarinen, Etera, VTBC and Ashmore via funds in their control
 - SRV acts both as an investor and project development contractor and estimates to receive construction projects worth of EUR 200 million
 - The fund has acquired an office and logistics premise in Moscow

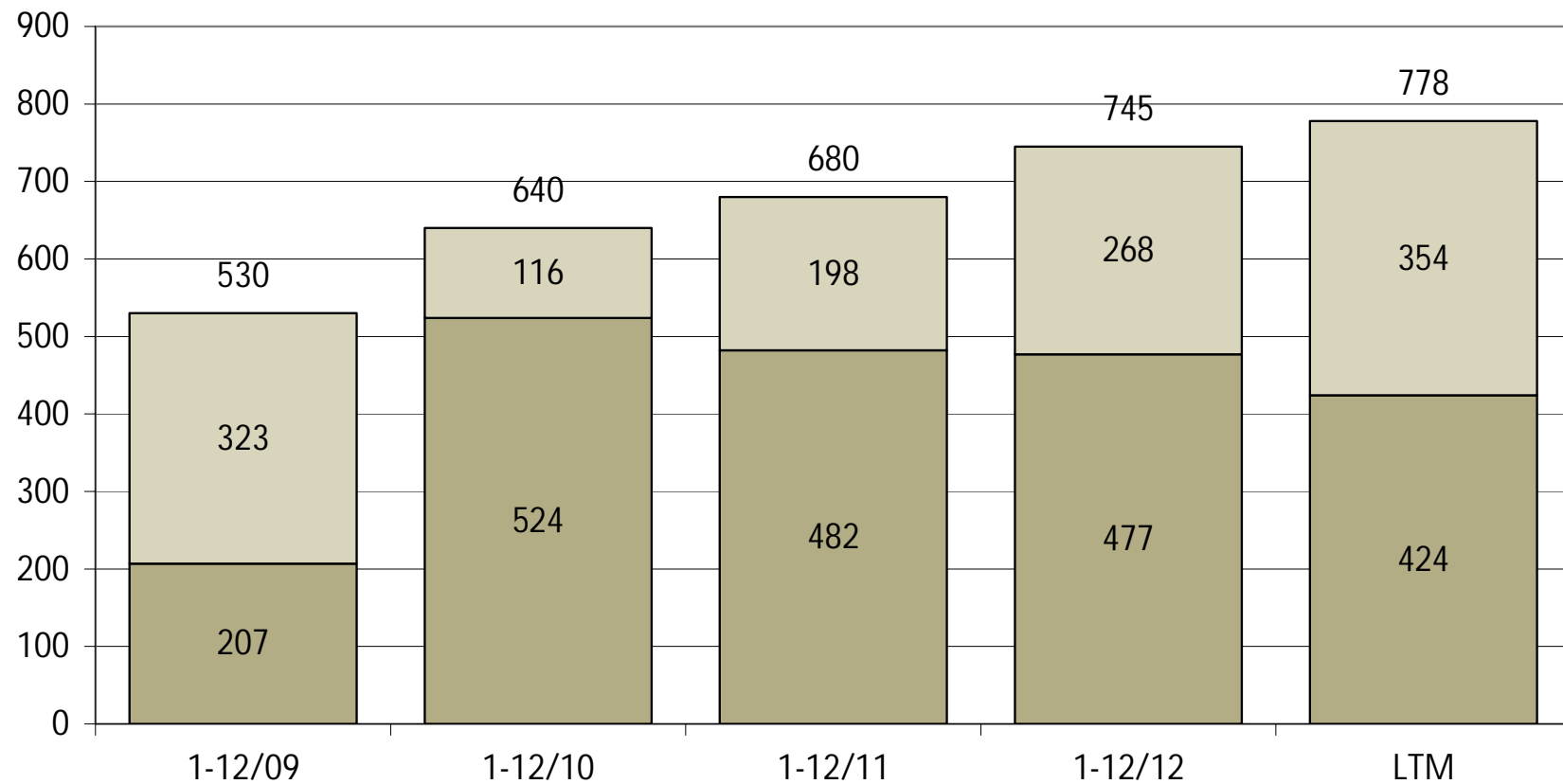


Domestic operations



Development of housing sales

SRV's housing sales in Finland (units)

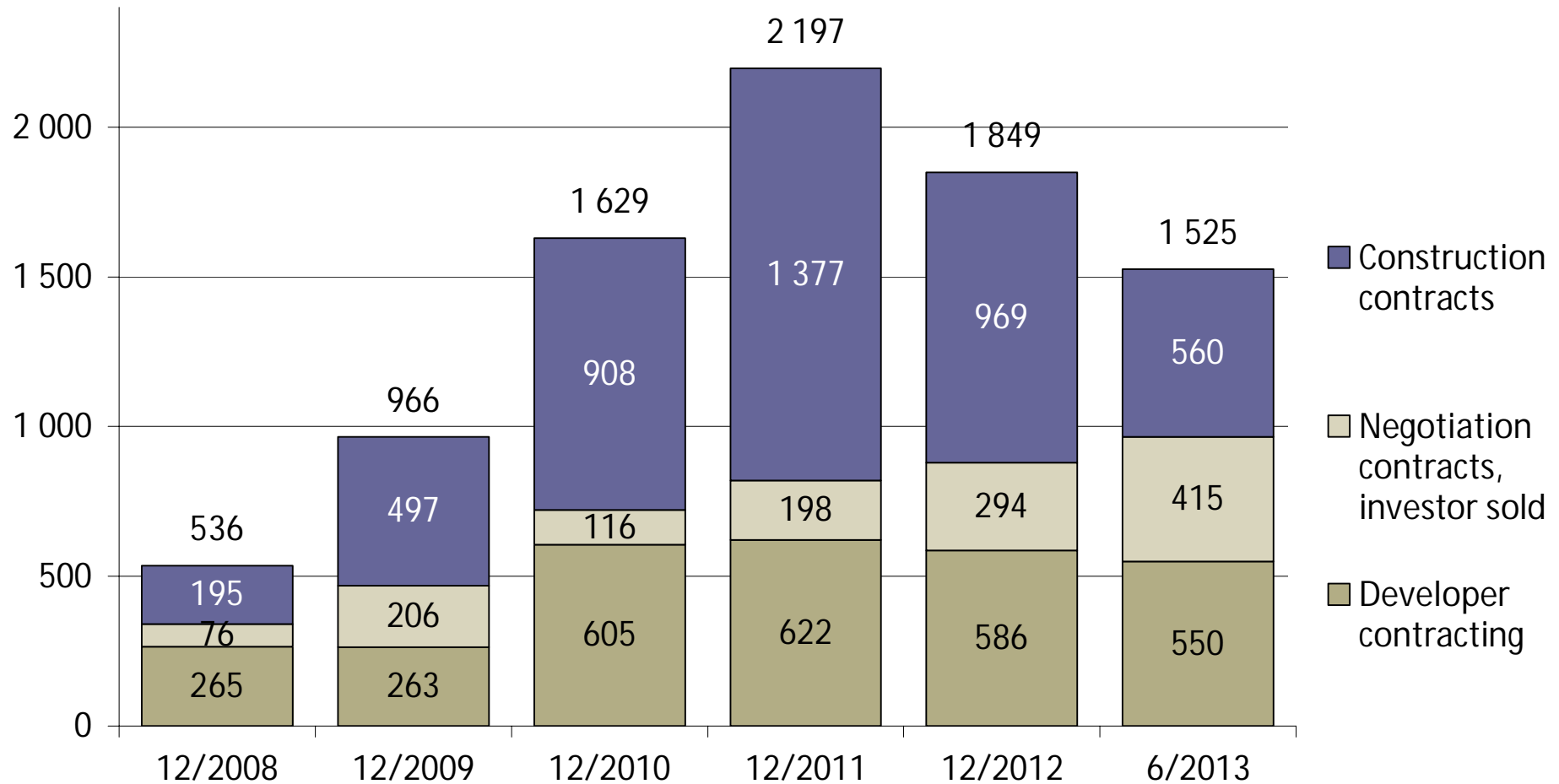


■ Developer contracting

■ Institutional sales, negotiation contracts

Development of housing production

Housing production under construction in Finland (units)

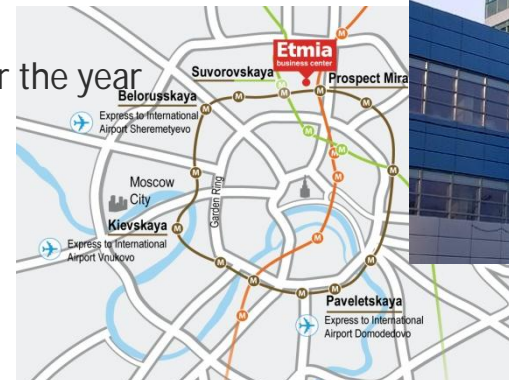
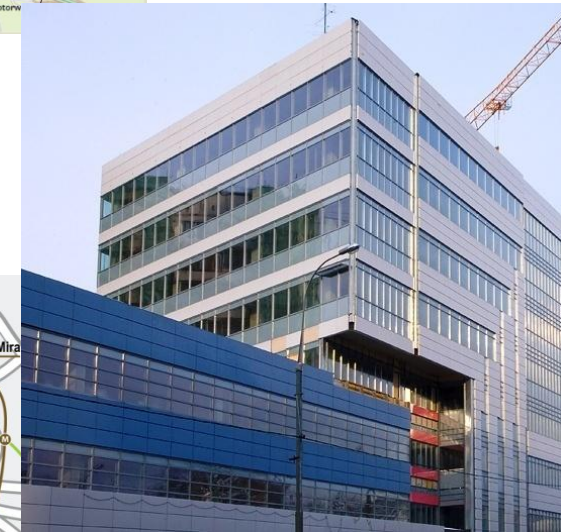
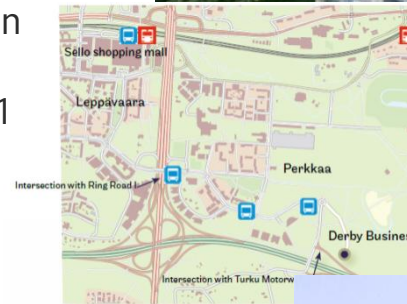


Profitability level of order backlog for housing construction has been improved and preparations made in case of decrease in consumer sales

- 63% of housing production (40%, 30 June 2012) is SRV's developer-contracted production or production sold to investors as negotiation contracts
 - Total of 965 units under construction from developer-contracted projects or development projects (820)
 - In addition, preliminary agreements have been made with two housing funds to build 366 housing units; these agreements are not included in the order backlog
 - The volume of housing contracting has been decreased, 560 units are under construction (1,240)
- Risk level of developer-contracted production is under control
 - Sales to consumers have been notably slackened due to the transfer tax hike and growing uncertainty about the outlook for the economy
 - Preparations have been in case demand continues to be weak by reducing the amount of housing start-ups and tightening start criteria for new projects
 - The amount of unsold housing units has decreased and there are 344 units on sale (375). The median sales price is EUR 273,000, half of the project located in the metropolitan area
- In 7-9/2013, 213 developer-contracted units will be completed (213 1-6/13)

Business premises ready for sale

- Derby Business Park, Espoo
 - Three building office project developed by SRV, borders the new intersection of Turku motorway
 - Over 90% of premises leased, almost 600 parking spaces. 1. phase completed in 8/2012 including among others SRV head office. Phase II (including head office of Siemens) completed in 6/2013
 - SRV estimates, that 100% leased project will generate EUR 4.1 million of annual rent income
 - Sale process started
- Etmia II & III –office building, Moscow
 - SRV's office development project in Moscow
 - Located next to Prospekt Mira metro station, Etmia II was completed 10-12/2009, extension Etmia III was completed 2012
 - Etmia II, "Class A" rated office building. Etmia III has "Class B" rated space
 - SRV owns 50% of joint venture
 - Project has been leased out in full and rent income for the year 2013 is estimated at EUR 4.2 million
 - Sale process initiated



SRV revises its outlook for 2013

- The volume and the completion schedules of developer-contracted housing production, trends in the order backlog margin, the number of new construction contracts, the realisation of planned project sales, the recognition of SRV's own projects as income upon delivery, the fact that the order backlog that is continuously recognised as income mainly consists of low-margin contracting, and the project development nature of operations all have an effect on the quarterly variation and development of revenue and earnings in 2013. Based on current completion schedules, SRV estimates that a total of 504 developer-contracted housing units will be completed in 2013. SRV aims to sell the Etmia II office property in Moscow and the Derby Business Park in Espoo in 2013. The general uncertainty seen in the financial markets has also been unfavourably reflected in real estate markets.
- The Group's full-year revenue is expected to exceed EUR 700 million and the result before taxes is forecast to be at least around EUR 20 million.



Appendices

Q2/2013 in brief

	Q2/ 2013	Q2/ 2012	Change, meur
● Revenues, MEUR	179.4	169.7	+9.7
● Operating profit, MEUR	13.7	3.1	+10.6
● Operating profit, %	7.6 %	1.8 %	
● Profit before taxes, MEUR	13.3	2.5	+10.8
● New agreements, MEUR	424.5	208.1	+216.5
● EPS, EUR	0.35	0.04	+0.31



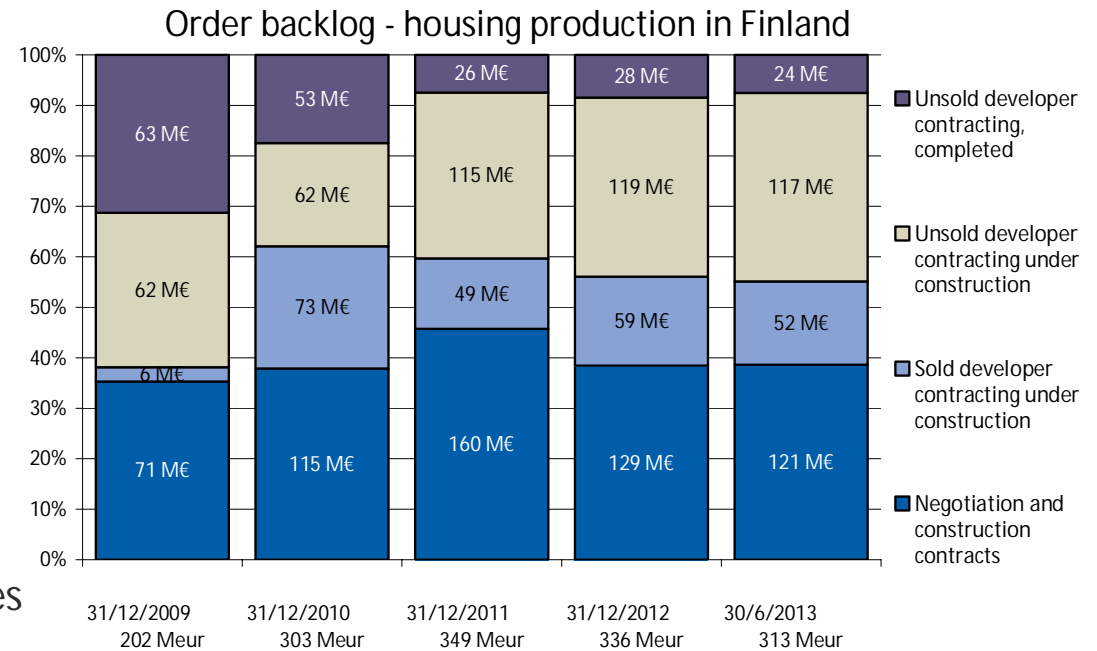
Domestic operations

	1-6/ 2013	1-6/ 2012	change 1-6/13 vs 1-6/12		4-6 2013	4-6 2012	1-12/ 2012
			meur	%			
Revenue	264.0	271.4	-7.5	-2.8%	128.9	150.8	568.3
- Business premises	142.1	142.9	-0.7	-0.5%	74.6	80.9	305.3
- Housing construction	121.8	128.6	-6.8	-5.3%	54.3	69.9	263.0
Operating profit	6.1	11.3	-5.2	-45.8%	2.7	5.8	14.8
Operating profit, %	2.3%	4.1%			2.1%	3.9%	2.6%
Order backlog	771.6	661.7	+109.9	+16.6%			774.4
- Business premises	459	325	+133	+41.0%			439
- Housing construction	313	336	-24	-7.0%			336

- Revenue and operating profit decreased
 - The order backlog recognised as income mainly consisted of low-margin contracting
 - Operating profit decreased due to the decrease in revenue from developer contracting during the second quarter
 - Operating profit was weakened also by a EUR 3.9 million profit margin decrease that was recognised for one ongoing and three completed projects, primarily in the first quarter
- Order backlog grew due to positive development in new orders
- The focus has been moved to developer contracting and own development production
 - Target at reducing the number of low-margin competitive contracts on order backlog and to increase the share of negotiated contracting and own projects
 - Derby Business Park office project in Espoo was completed in 6/2013, sales process underway

Structure of housing production's order backlog

- Order backlog EUR 313 million
 - Negotiated and construction contracts amount for 39% of order backlog
 - Order backlog of developer contracted production under construction EUR 168 million
 - Share of completed projects 8%
 - Structure of developer contracted production well-balanced
 - sales risk modest, median sales price EUR 273,000 /unit, 53% projects located at Greater Helsinki area



- 55% of the value of unrecognized housing construction's order backlog sold
- Recognition upon delivery affects the recording of revenue and profit
 - Projects are recognised by the stage of construction (contracting projects) or upon delivery (developer contracting production)
 - 504 developer contracted units are estimated to be completed in 2013 (451, 1-12/2012), 213 units during 7-9/2013 (116, 7-9/2012)



International operations

	1-6/ 2013	1-6/ 2012	change 1-6 13 vs 1-6 12		4-6/ 2013	4-6/ 2012	1-12 2012
			MEUR	%			
Revenue, MEUR	73.9	39.0	+34.9	+89.6%	50.4	18.9	73.1
Operating profit,	11.5	-4.5	+16.0		12.3	-1.9	-3.2
Operating profit, %	15.6%	-			24.5%	-9.9%	-4.4%
Order backlog	187.6	84.5	+103.1	+121.9			53.4

- Revenue increased as the shopping centre projects in Russia progressed
 - The majority consisted of the construction of Pearl Plaza that is 50% owned by SRV and of selling a 55% share of the Okhta Mall shopping centre project in June
- Operating profit grew especially due to selling the shopping centre project share
 - Growth in the level of activity, the sale of the company's holding in the shopping centre project, and the implementation of cost-savings measures contributed to the improvement in operating profit
 - Operating profit was also increased by an EUR 8.3 million change in the fair value of the holding in the Okhta Mall shopping centre when SRV lost its controlling interest in a transaction carried out in June and its remaining holding was measured at fair value
- Etmia office project leased in full
 - Sales process initiated, aim at a sale during 2013
 - Rent level for year 2013 estimated at approx. EUR 4.2 million



SRV Group

	1-6/ 2013	1-6/ 2012	change 1-6/13 vs 1-6/12		4-6/ 2013	4-6/ 2012	1-12 2012
			MEUR	%			
Revenues, MEUR	337.8	310.4	+27.4	+8.8%	179.4	169.7	641.6
Operating profit, MEUR	14.9	4.9	+10.0	+206.7%	13.7	3.1	6.9
Operating profit, %	4.4%	1.6%			7.6%	1.8%	1.1%
Financial income and expenses, MEUR	-0.9	-2.1	+1.2	-56.8%	-0.4	-0.6	-4.1
Profit before taxes, MEUR	14.0	2.8	+11.2	+407.8%	13.3	2.5	2.8
Order backlog, MEUR	959.2	746.3	+212.9	+28.5%			827.8
New agreements, MEUR	424.5	208.1	+216.5	+104.0%	384.5	142.5	594.5
EPS, eur	0.32	0.03	+0.29		0.35	0.04	0.02
Equity ratio, %	35.2	29.7					34.7

- Revenue increased by 8.8% and operating profit improved notably
 - The growth in international operations in the second quarter improved revenue and profitability
- Order backlog and new agreements increased
 - Domestic and international operations were succesful at increasing order backlog
 - Sold order backlog EUR 746 million (78% of the order backlog)
- Earnings per share increased, equity ratio at a good level
- In order to improve profitability, developing own projects will be invested in
 - The focus is on initiating key projects

