

SRV – Building for life

Interim report
January – September 2013

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CEO

31 October 2013



1-9/2013 – Positive profitability trend continued

- **Group's revenue and operating profit increased**
 - Revenue EUR 507.8 million, +8.9%
 - Operating profit EUR 21.8 million, +368%
- **Domestic Operations' revenue and operating profit increased**
 - Profitability improved in 7-9/2013 due to increase in revenue of developer-contracted housing construction
 - Profitability of commercial contracting has developed positively
- **Domestic housing sales at a good level**
 - Total sales grew, with total of 584 units sold (538). Sales to consumers have slowed down after March. Housing production's focus has shifted to rental housing development projects sold to investors
- **Concentrating on constructing shopping centres in Russia has borne fruit**
 - International Operations' revenue and operating profit increased
 - › Due to sale of a 55 % stake in Okhta Mall, construction of Pearl Plaza, growth in the level of activity, and cost-savings measures

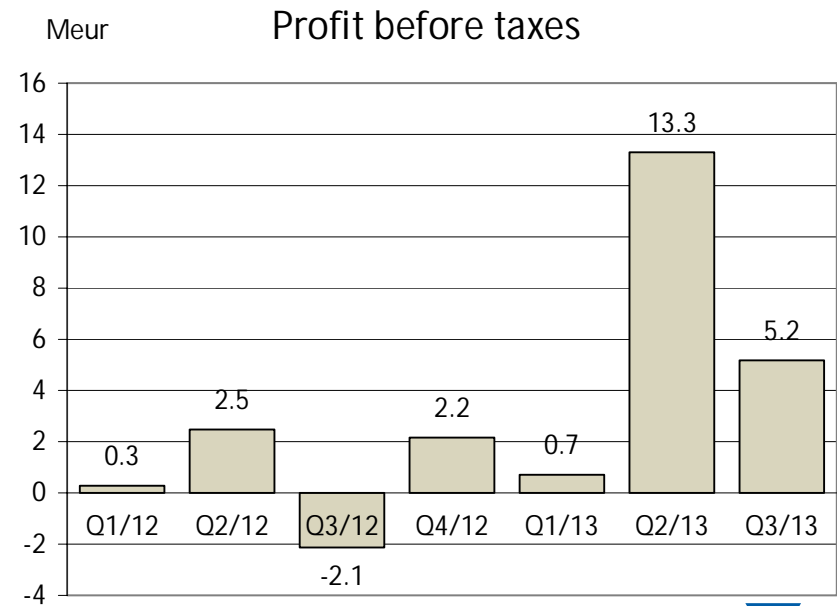
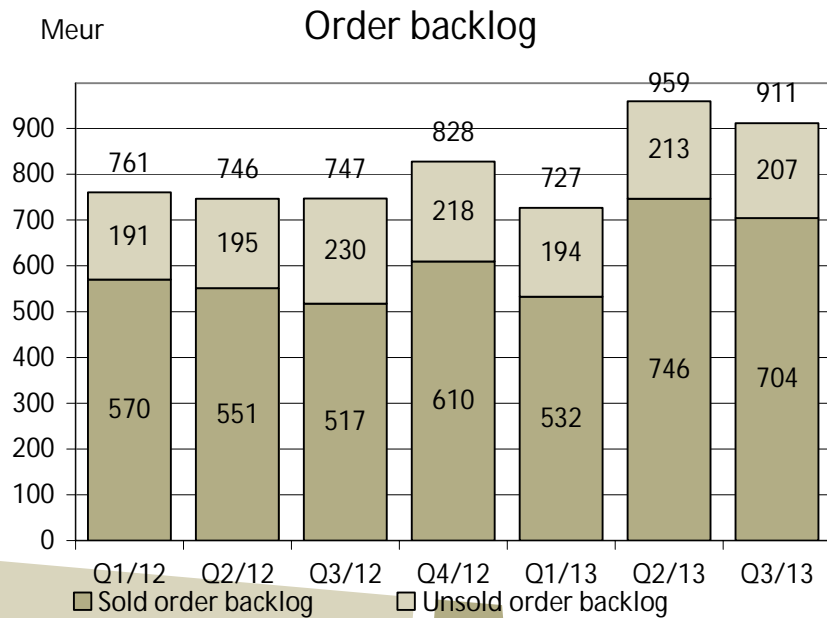
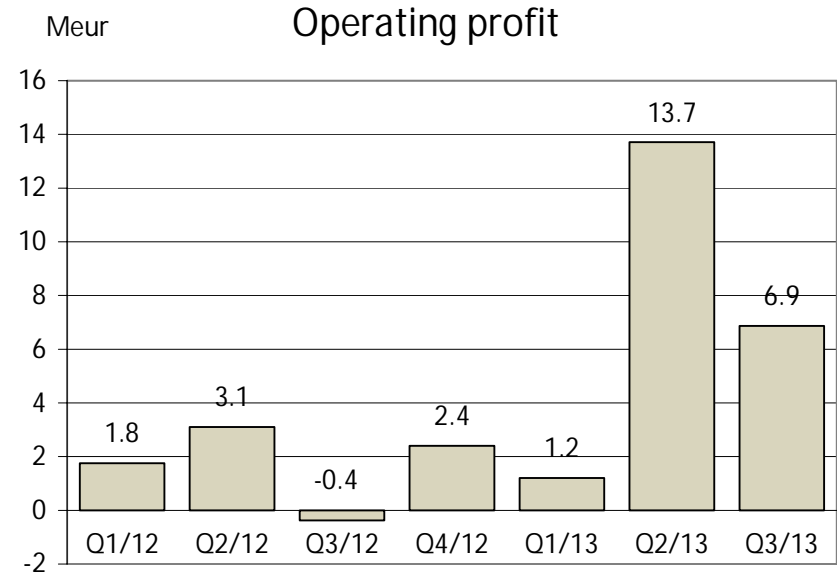
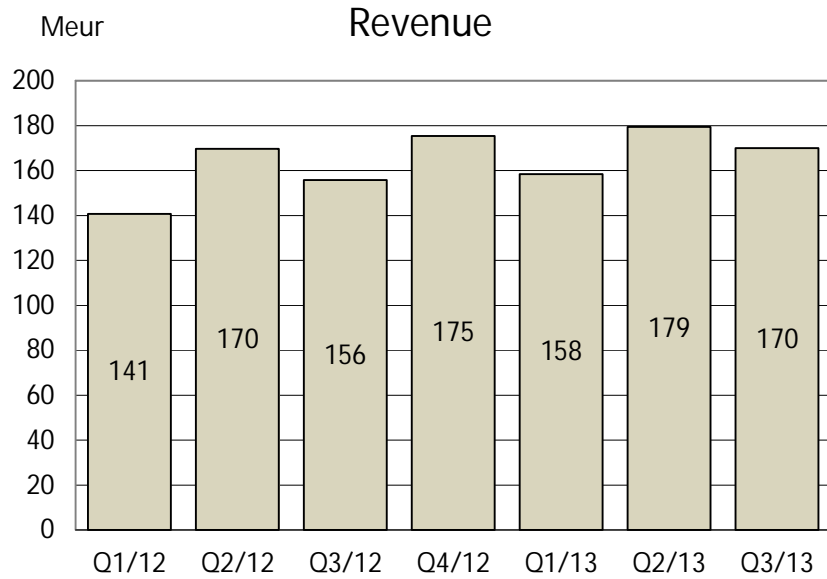
January – September 2013 in brief

	1-9/ 2013	1-9/ 2012	change, meur	change, %	1-12/ 2012
● Revenues, meur	507.8	466.2	+41.6	+9%	641.6
● Operating profit, meur	21.8	4.5	+17.3	+386%	6.9
● Operating profit, %	4.3%	1.0%			1.1 %
● Profit before taxes, meur	19.2	0.6	+18.6	+2961%	2.8
● Order backlog ¹⁾ , meur	911.5	747.1	+164.4	+22%	827.8
● Equity ratio ¹⁾ , %	39.3%	28.5%			34.7%
● EPS, eur	0.38	-0.01	+0.39		0.02
● Share price ¹⁾ , eur	4.41	3.44		+28%	3.26
● Equity per share ¹⁾ , eur	4.95	4.58		+8%	4.62

1) At the end of the period



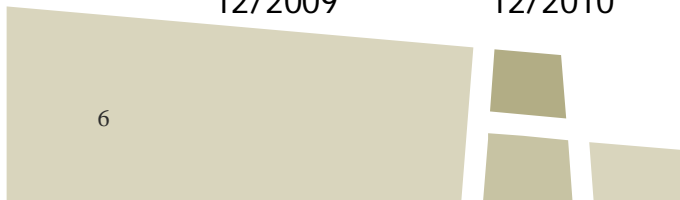
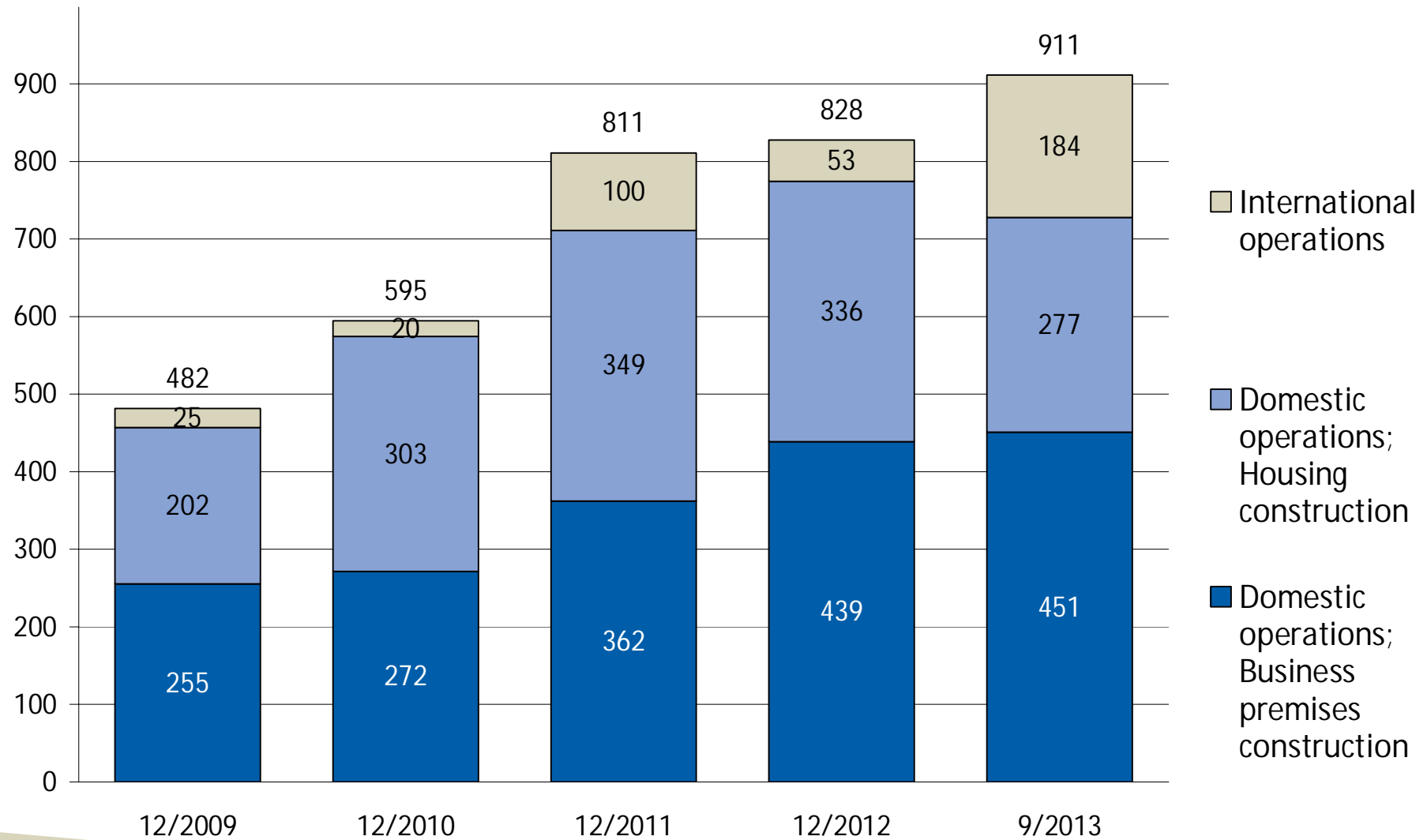
SRV Group Plc



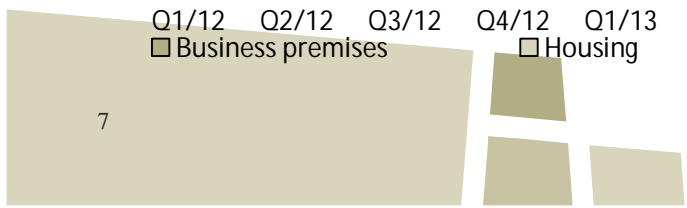
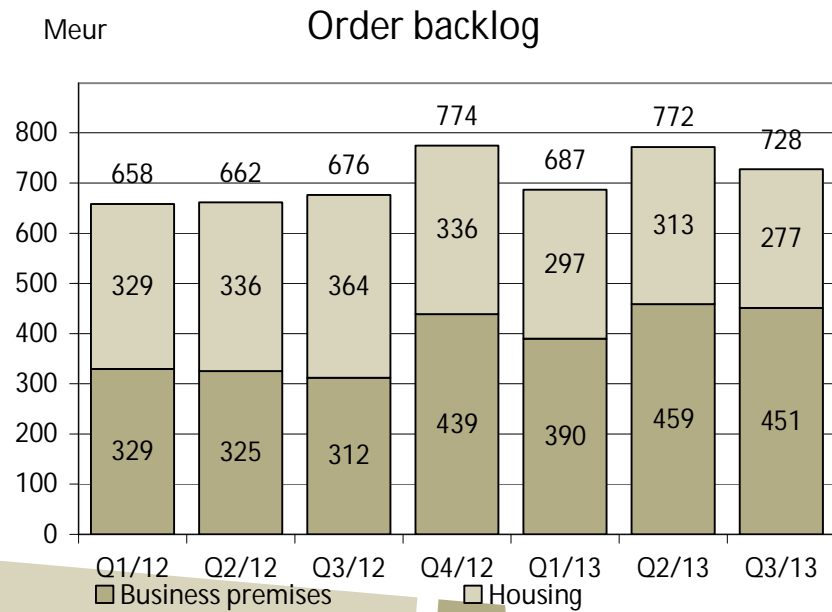
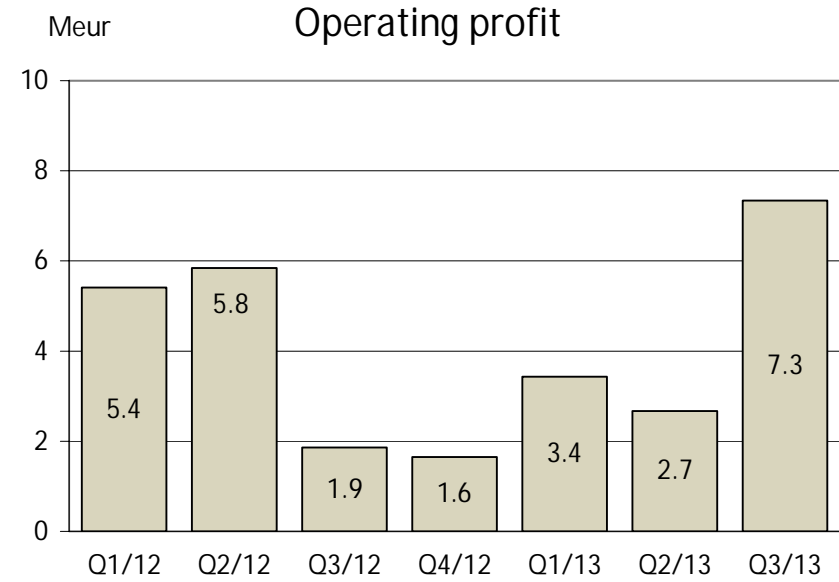
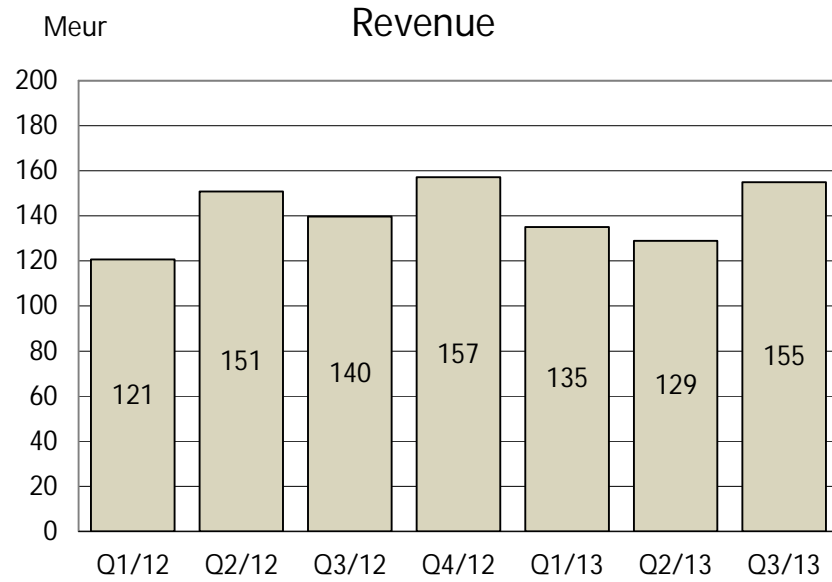
Strong order backlog

- **Order backlog EUR 911.5 million (+22.0%, 30 September 2012)**
 - Domestic order backlog rose to EUR 727.8 million (EUR 676.2 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 183.7 million (EUR 70.9 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 has boosted the order backlog**
 - The value of signed agreements EUR 532.4 million (EUR 346.5 million 1-9/2012)
 - Amount of housing units sold to investors under negotiated contracts continued to grow in the third quarter

Order backlog

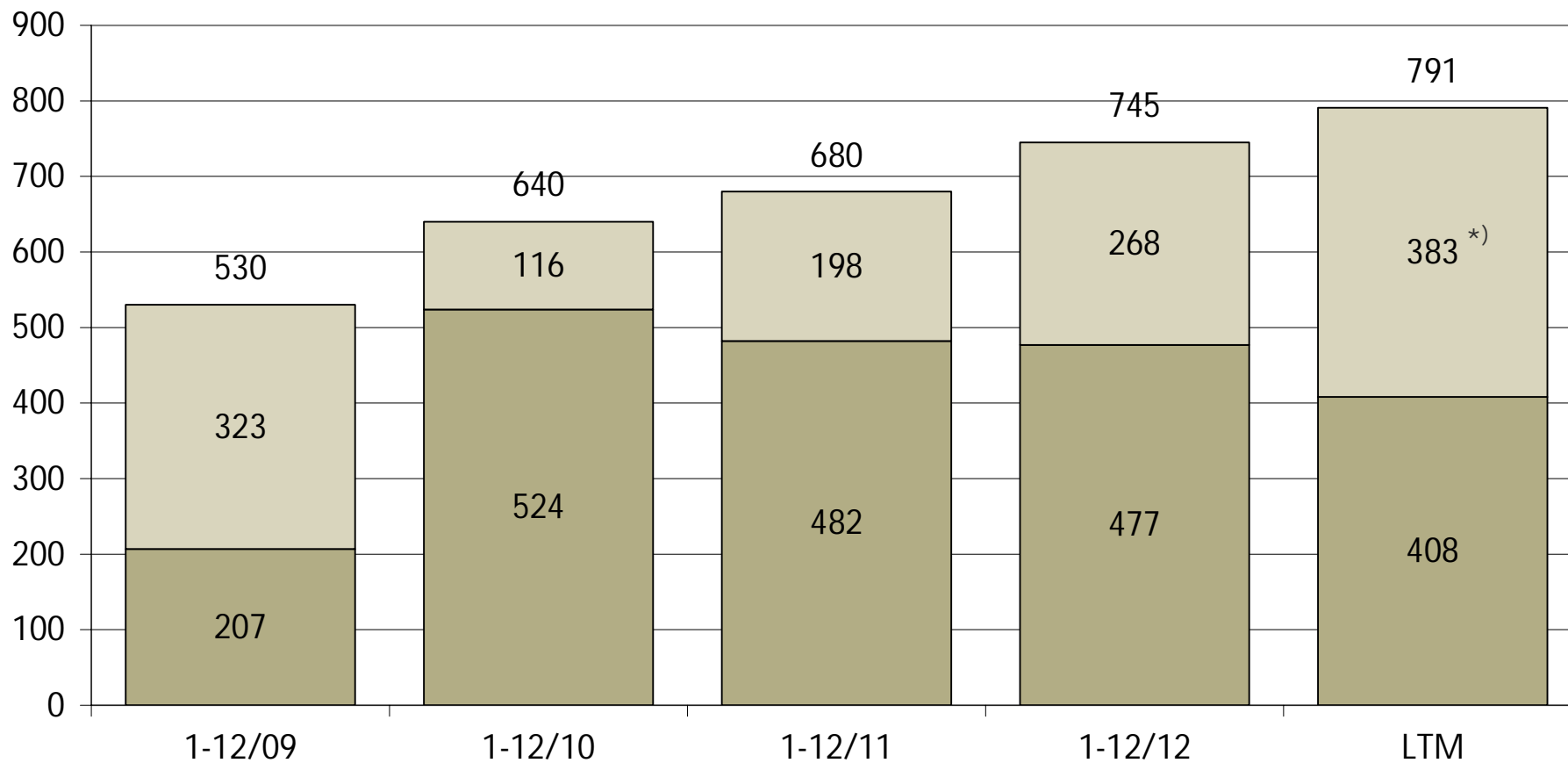


Domestic operations



Development of housing sales

SRV's housing sales in Finland (units)



■ Developer contracting

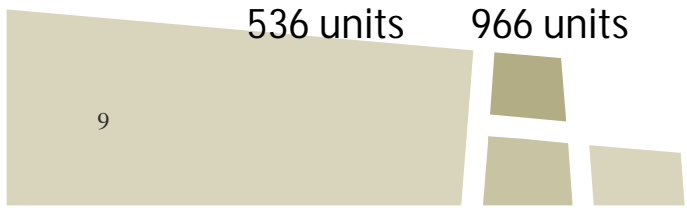
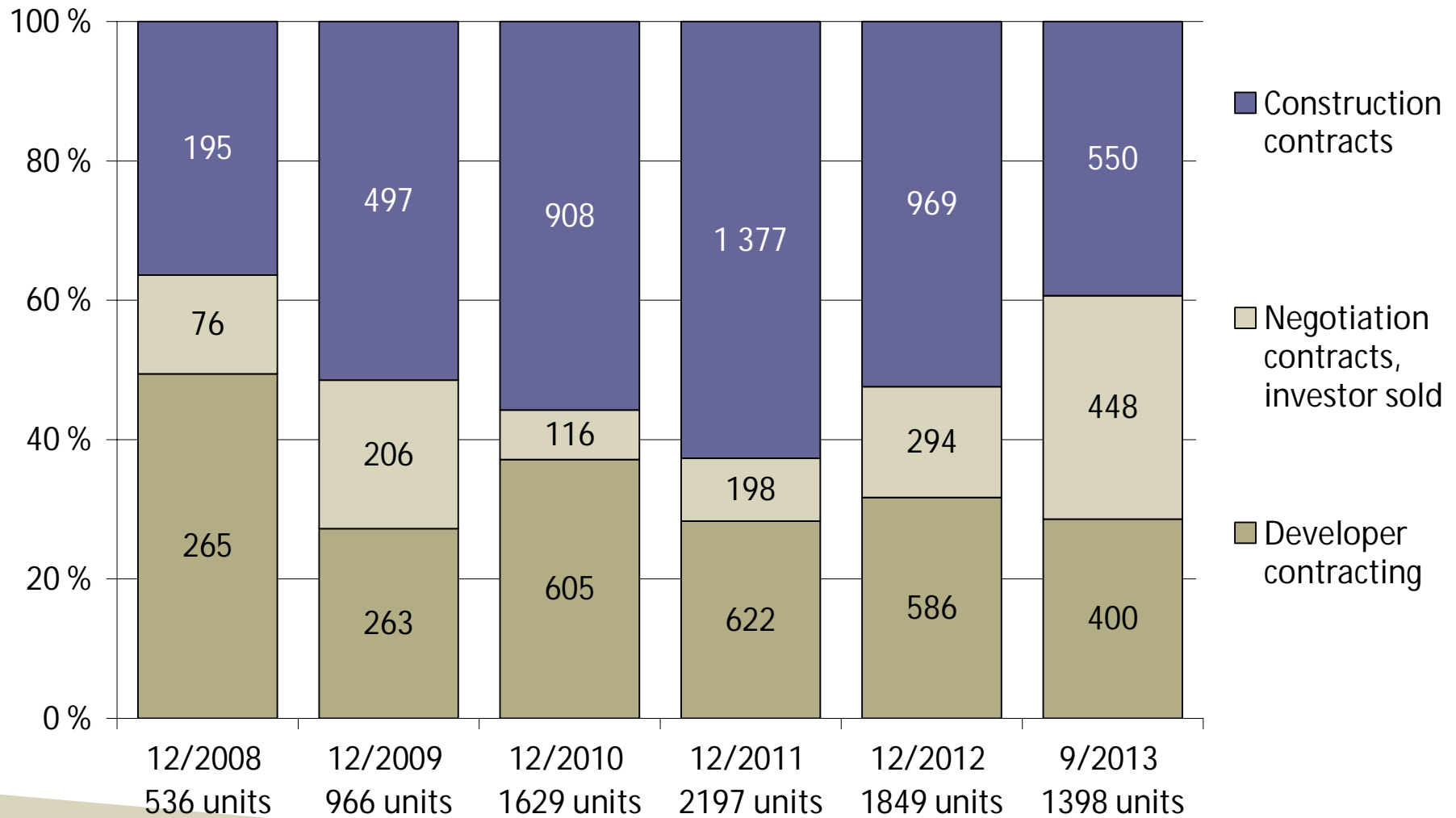
■ Institutional sales, negotiation contracts

^{*)} In addition, preliminary agreements to build 252 housing units



Structure of SRV's housing production

Housing production under construction in Finland (units)



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

- 61% of housing production is production developed by SRV (43%, 30 September 2012)
 - Total of 848 units under construction from developer-contracted projects or development projects (914)
 - Preliminary agreements made with two housing funds to build 252 housing units; not included in the order backlog
 - The volume of housing contracting has been decreased, 550 units under construction (1,212)
- Risk level of developer-contracted production under control
 - Sales to consumers notably slackened due to the transfer tax hike and growing uncertainty about the economy outlook
 - Preparations made in case demand continues to be weak. In early 2013, there were 202 developer-contracted housing start-ups (320 1-9/12). Start criteria for new projects tightened up
 - Amount of unsold housing units decreased, 389 units on sale (500)

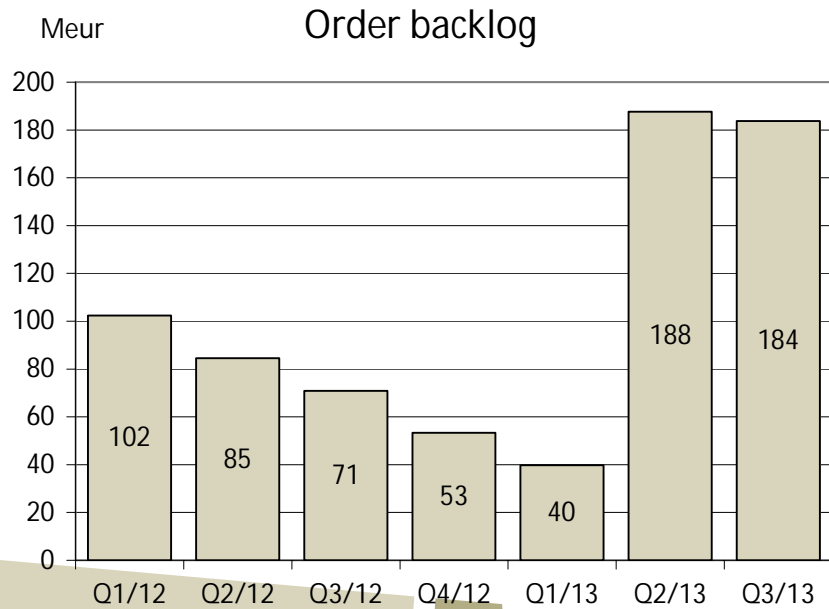
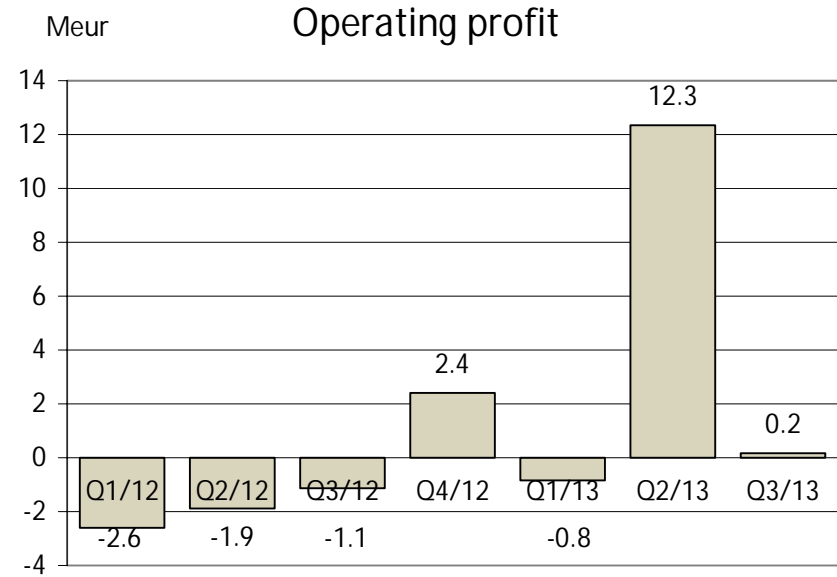
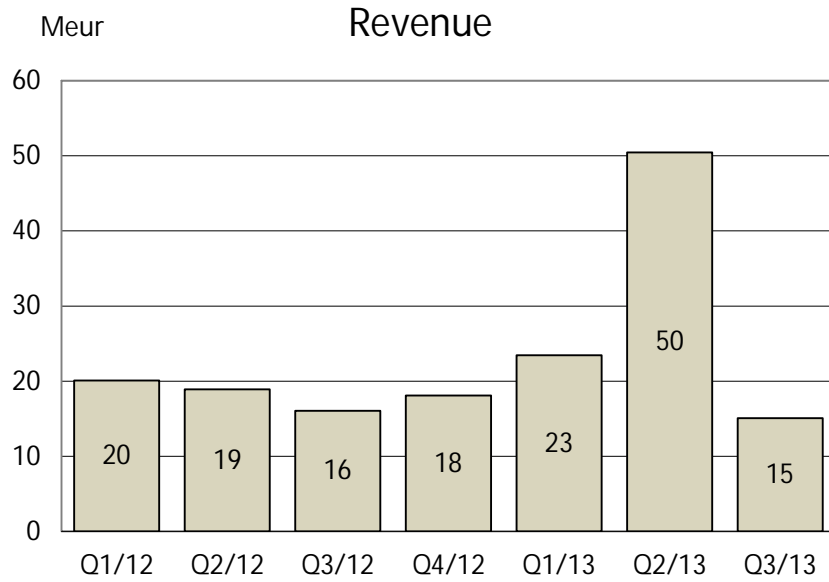
Development of SRV's housing projects in Helsinki area relies on exploitation of railways

- Kalasatama towers
 - Six 20-33 storey residential towers connected to a metro station. Permitted building volume 90,000 m²
 - City plan entered into legal effect in June 2013
- Keilaniemi towers
 - Four 32-40 storey residential towers connected to a metro station. Permitted building volume 72,000 m²
 - Appeals on city plan were dismissed in Administrative Court, a right to file an appeal has been applied from Supreme Administrative Court
- Residential projects in Matinkylä
 - Four residential projects in vicinity of a metro station, the last site Espoon Artesaani will be completed in 12/2013
- Niittykumpu area development
 - Joint venture with Varma and Sato. Permitted building volume 135,000 m², SRV's share 1/4
 - Zoning estimated to be valid in H2/2013
- Perkkää area development
 - Joint venture with Ilmarinen and Sato. Permitted building volume 110,000 m², SRV's share 1/3
 - Zoning estimated to be valid in 1-3/2014



- Development of Tapiola district centre
 - Large development project with LähiTapiola
- Urheilupuisto/Orion development project
 - Co-operation agreement with Orion for the development of industrial area into a residential area in Niittykumpu. Permitted building volume 36,000 m², SRV has a right to purchase at least 40%

International operations



SRV's main shopping centre projects in Russia

- Pearl Plaza shopping centre opened on 24 August 2013
 - 1. phase of the project approx. EUR 140 million, area approx. 92,000 m2. SRV's share 50% and investment EUR 22 million
 - SRV acted 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
 - SRV in charge of shopping centre management
 - 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
- Okhta Mall shopping centre's construction work started
 - A part of SRV's development project that will be built in Okhta area of St. Petersburg. 55% sold to Russia Invest of which SRV owns 27%. In addition, SRV has a 45% minority share
 - The investment value approx. EUR 250 million, area 144,000 m2
 - 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
 - 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
 - A letter of intent has been signed for EUR 160 million in loan financing
 - The final building permit was received in August and construction work has begun



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

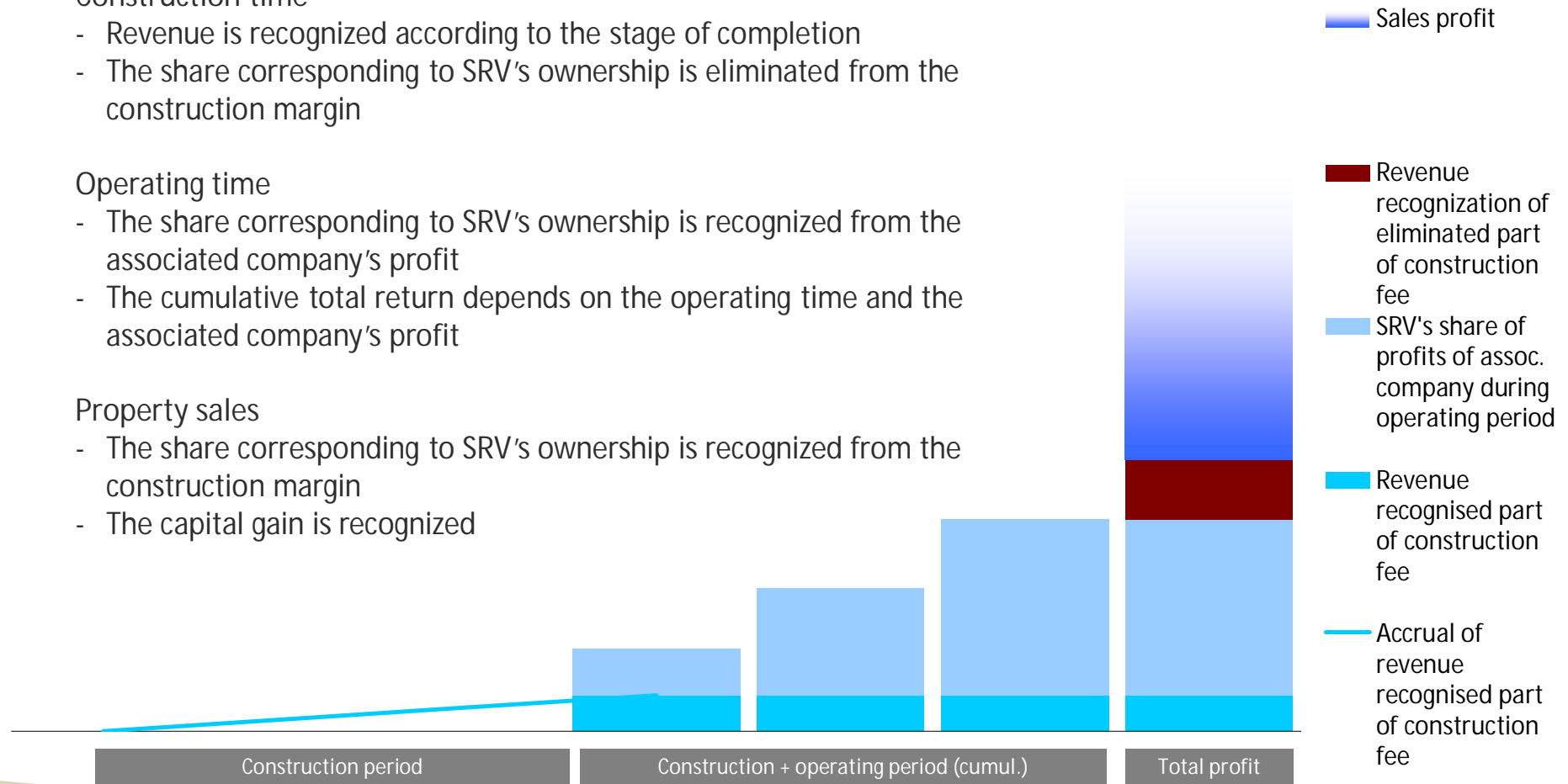
- Revenue is recognized according to the stage of completion
- The share corresponding to SRV's ownership is eliminated from the construction margin

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.



An example of the calculation formula of Okhta Mall's cumulative profit development estimate

OKHTA MALL -PROJECT; SRV'S FINANCIAL RESULTS					
SRV ownership	60 %	Investment cost	250 MEUR		
Construction volume	160 MEUR	Project loan	160 MEUR		
Construction profit, %*	10 %	Target rent level	33 MEUR		
Rental level average*	90 %	Operating period	3 YRS		
Exit yield*	10,0 %				
Period	SRV sales	SRV profit	Net rental development		
Construction period	150 MEUR	6 MEUR	Yr 1	26 MEUR	80 %
Operating period	31 MEUR	31 MEUR	Yr 2	30 MEUR	90 %
Constr. profit at exit	10 MEUR	10 MEUR	Yr 3	33 MEUR	100 %
Exit profit	48 MEUR	48 MEUR	Tot	89 MEUR	
SRV cumulative totals	239 MEUR	95 MEUR	(39,8 %)		

The variables in the calculation are sample assumptions. The realisation may be significantly different.

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Operating period	34 MEUR	34 MEUR	Yr 2	31 MEUR	95 %
Constr. profit at exit	10 MEUR	10 MEUR	Yr 3	33 MEUR	100 %
Exit profit	48 MEUR	48 MEUR	Tot	94 MEUR	
SRV cumulative totals	242 MEUR	98 MEUR	(40,5 %)		

The variables in the calculation are sample assumptions. The realisation may be significantly different.

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Operating period	31 MEUR	31 MEUR	Yr 2	30 MEUR	90 %
Constr. profit at exit	10 MEUR	10 MEUR	Yr 3	33 MEUR	100 %
Exit profit	70 MEUR	70 MEUR	Tot	89 MEUR	
SRV cumulative totals	261 MEUR	117 MEUR	(44,8 %)		

The variables in the calculation are sample assumptions. The realisation 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	Dolgoozernaya 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

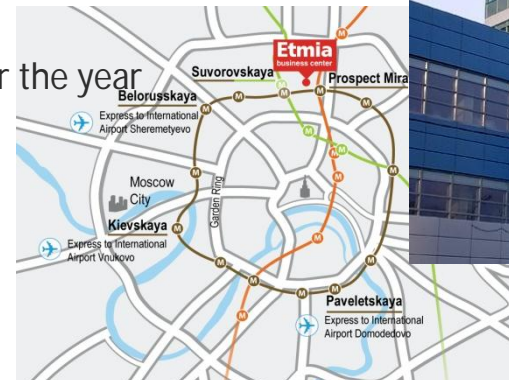
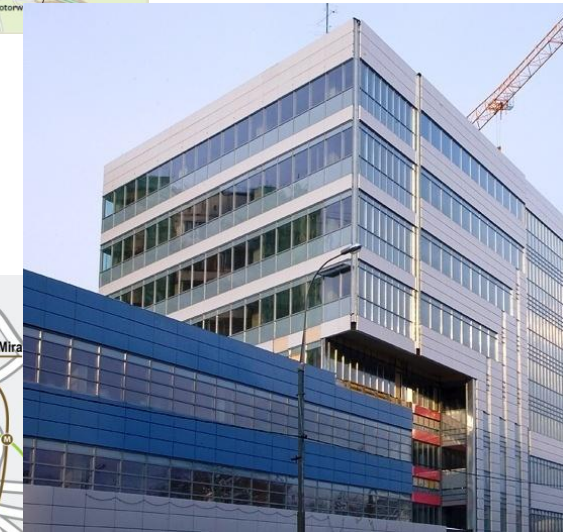
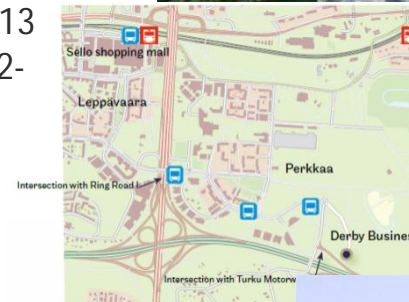
Co-investor arrangements support project development in Russia

- 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 rise 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



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. Phase I completed in 8/2012 including among others SRV' headquarters. Phase II (including head office of Siemens) completed in 6/2013
 - SRV estimates, that 100% leased project will generate EUR 4.2-4.3 million of annual rent income in 2014
 - 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 in 10-12/2009, extension Etmia III was completed 2012
 - Etmia II, "Class A" rated office building and Etmia III "Class B" rated
 - 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
 - Sales process under way



SRV revises its outlook for 2013

- The quarterly change and development of revenue and result in 2013 are affected by the recognition upon delivery of SRV's own projects, the continuously recognised order backlog comprising mostly low-margin contracting, the development of the order backlog's profit margins, the sales volume of self-developed housing production and the completion times of the properties, the number of new contracts, the project development nature of the operations, and the realisation of planned property sales, among other things. Based on current completion schedules, SRV estimates that a total of 539 developer-contracted housing units will be completed during 2013
- The Group's full-year revenue is expected to amount to around EUR 700 million, and profit before taxes is estimated to be at least around EUR 20 million

Appendices

Q3/2013 in brief

	Q3/ 2013	Q3/ 2012	Change, meur
● Revenues, MEUR	170.0	155.8	+14.2
● Operating profit, MEUR	6.9	-0.4	+7.2
● Operating profit, %	4.0%	-0.2%	
● Profit before taxes, MEUR	5.2	-2.1	+7.3
● New agreements, MEUR	532.4	346.5	+185.9
● EPS, EUR	0.06	-0.04	+0.10

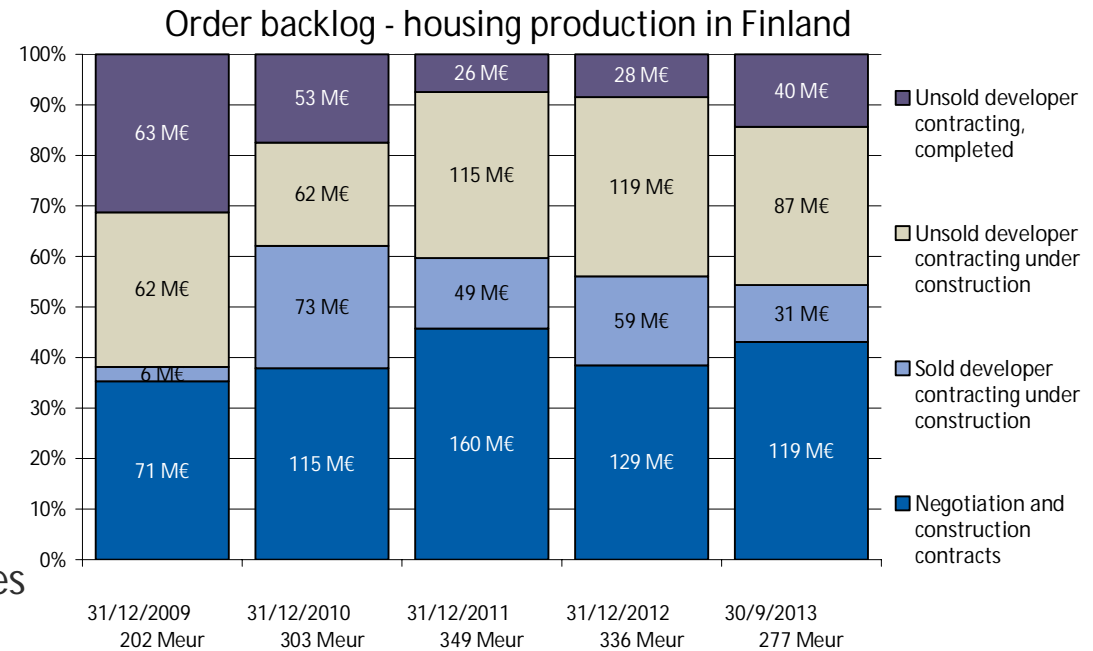
Domestic operations

	1-9/ 2013	1-9/ 2012	change 1-9/13 vs 1-9/12		7-9 2013	7-9 2012	1-12/ 2012
			meur	%			
Revenue	418.9	411.1	+7.8	+1.9%	155.0	139.7	568.3
- Business premises	230.2	221.8	+8.4	+3.8%	88.1	78.9	305.3
- Housing construction	188.7	189.3	-0.6	-0.3%	66.9	60.7	263.0
Operating profit	13.4	13.1	+0.3	+2.5%	7.3	1.9	14.8
Operating profit, %	3.2%	3.2%			4.7%	1.3%	2.6%
Order backlog	727.8	676.2	+51.5	+7.6%			774.4
- Business premises	451	312	+139	+44.6%			439
- Housing construction	277	364	-88	-24.0%			336

- Revenue and operating profit increased
 - Operating profit growth could be attributed to the increase in revenue from housing developer contracting during the third quarter. In addition, profitability of commercial contracting has developed positively during the review period
- Order backlog grew
- 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

Structure of housing production's order backlog

- Order backlog EUR 277 million
 - Negotiated and construction contracts amount for 43% of order backlog
 - Order backlog of developer contracted production under construction EUR 87 million
 - Share of completed projects 14%
 - Structure of developer contracted production well-balanced
 - sales risk modest, median sales price EUR 265,000 /unit, 50% projects located at Greater Helsinki area



- 54% 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)
 - 539 units are estimated to be completed in 2013 (451, 1-12/2012), 151 units during 10-12/2013 (114, 10-12/2012)

International operations

	1-9/ 2013	1-9/ 2012	change 1-9 13 vs 1-9 12		7-9/ 2013	7-9/ 2012	1-12 2012
			MEUR	%			
Revenue, MEUR	89.0	55.1	+33.9	+61.6%	15.1	16.1	73.1
Operating profit,	11.7	-5.6	+17.3	-308.0%	0.2	-1.1	-3.2
Operating profit, %	13.1%	-10.2%			1.1%	-7.0%	-4.4%
Order backlog	183.7	70.9	+112.8	+159.2%			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
 - Okhta Mall shopping centre's construction work has begun
- 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 remaining holding in the Okhta Mall shopping centre when SRV sold a share of the project

SRV Group

	1-9/ 2013	1-9/ 2012	change 1-9/13 vs 1-9/12		7-9/ 2013	7-9/ 2012	1-12 2012
			MEUR	%			
Revenues, MEUR	507.8	466.2	+41.6	+8.9%	170.0	155.8	641.6
Operating profit, MEUR	21.8	4.5	+17.3	+385.8%	6.9	-0.4	6.9
Operating profit, %	4.3%	1.0%			4.0%	-0.2%	1.1%
Financial income and expenses, MEUR	-2.6	-3.9	+1.3	-32.7%	-1.7	-1.8	-4.1
Profit before taxes, MEUR	19.2	0.6	+18.6	+2960.7%	5.2	-2.1	2.8
Order backlog, MEUR	911.5	747.1	+164.4	+22.0%			827.8
New agreements, MEUR	532.4	346.5	+185.9	+53.6%	107.9	138.5	594.5
EPS, eur	0.38	-0.01	+0.39		0.06	-0.04	0.02
Equity ratio, %	39.3	28.5					34.7

- Revenue increased by 8.9% and operating profit improved notably
 - The growth in international operations in the second quarter improved revenue and profitability
 - Revenue and operating profit growth could be attributed to the increase in revenue from housing developer contracting during the third quarter
- Order backlog and new agreements increased
 - Domestic and international operations were succesful at increasing order backlog
 - Sold order backlog EUR 704 million (77% 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