SRV – Building for life

Interim Report
1-3/2014

Jukka Hienonen
CEO

7 May 2014

SRV
Building for life

Three cornerstones of business operations

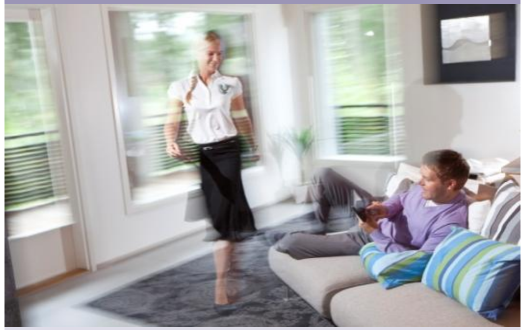
1-3/2014

Domestic Operations
Share of Group revenue 90 %

Business construction
55 %*

- Offices and retail facilities
- Hotels and specialised facilities
- Logistics facilities
- Underground facilities and infrastructure construction

Housing construction
45 %*



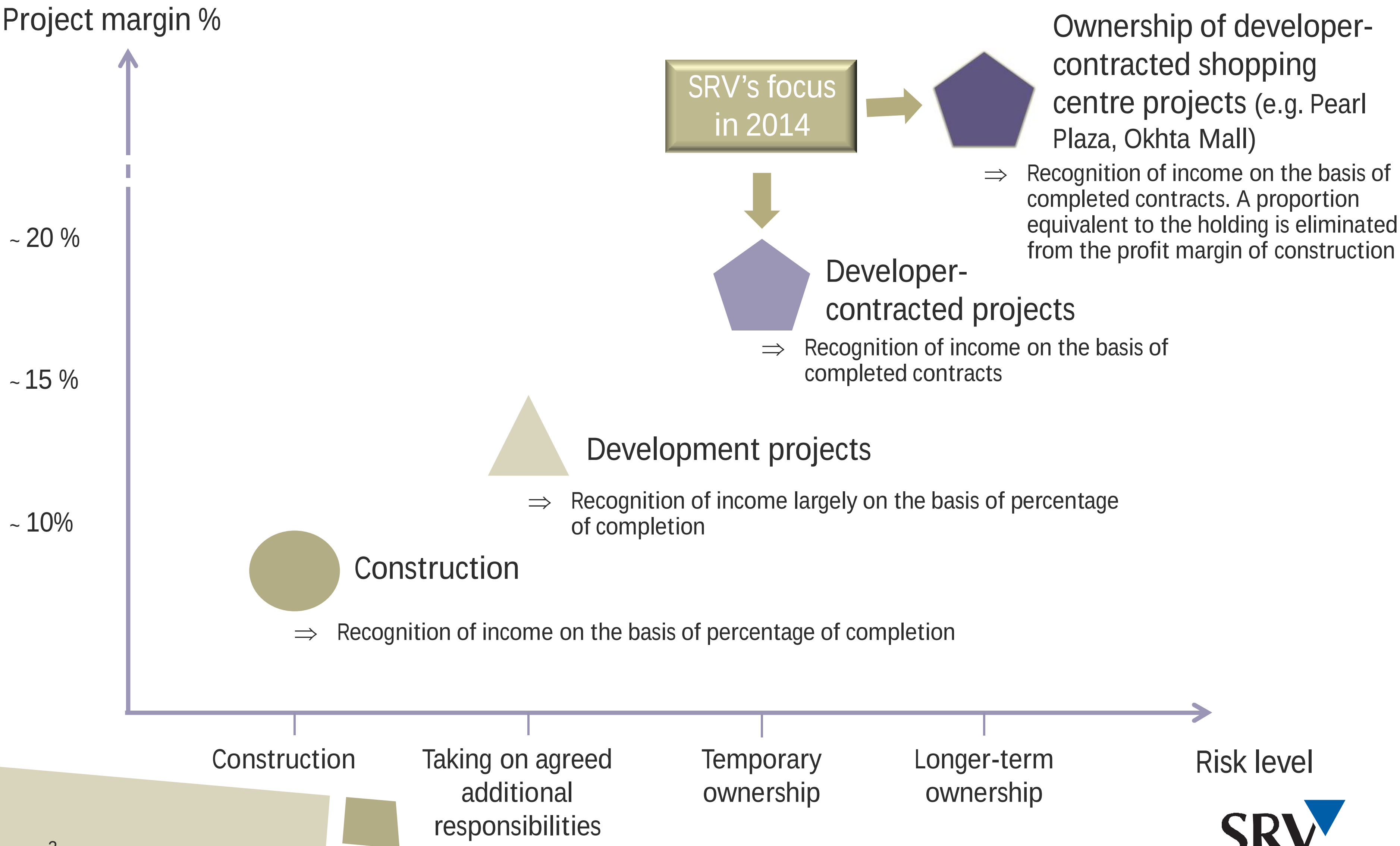
- Owner-occupied flats
- Rental housing
- Area development projects

International Operations
Share of Group revenue 10 %

- Shopping centres
- Real estate management of shopping centres
- Development of business premises projects

*share of revenue from Domestic Operations

Effect of project type on returns, risks and recognition of income

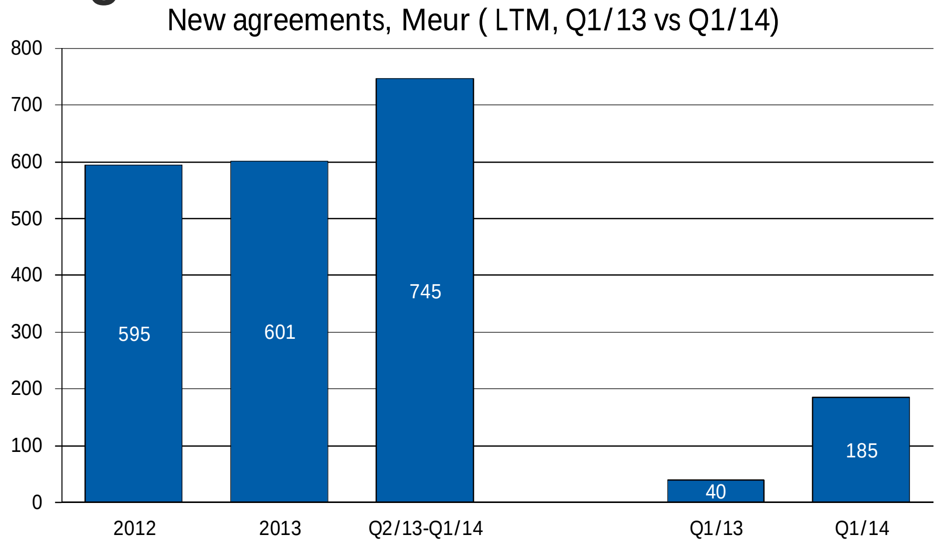


Q1/2014 – Positive development on many fronts

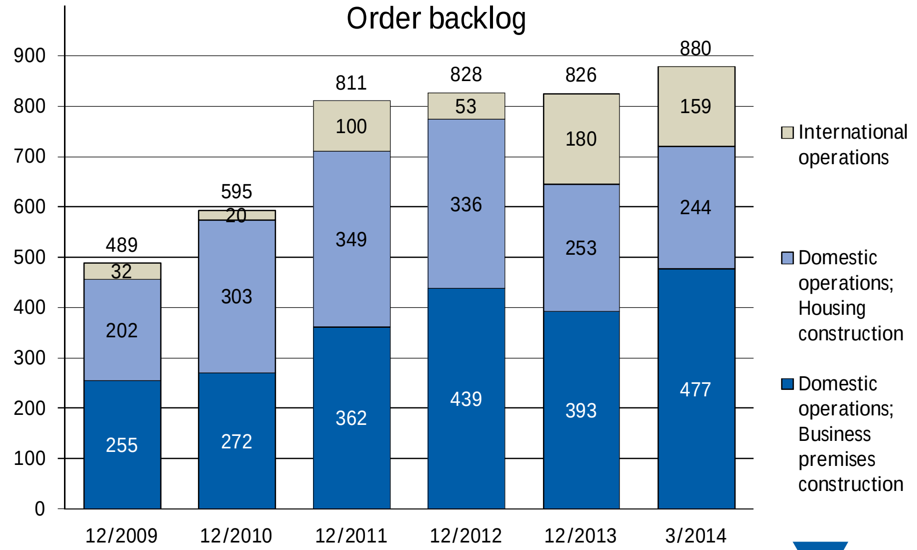
- Group's order backlog grew by 21% and remains robust
  - New agreements EUR 185 million (EUR 40 million Q1/13)
  - Order backlog EUR 880 million (EUR 727 million)
- Group's profitability improved, operating profit EUR 4.4 million (EUR 1.2 million Q1/13)
  - Profitability of Domestic Operations improved notably, operating profit-% 5.3% (2.5%)
    - › Housing sales for consumers declined. Sales of the comparison period were increased by a change in capital transfer tax
  - Operating loss of International Operations decreased
  - Earnings per share EUR 0.01 (EUR -0.03)
- SRV's large projects progressed
  - Pearl Plaza shopping centre, St. Petersburg (opened on 24 Aug 2013)
  - Number of visitors has outperformed the target level, almost all of the premises have been leased out, SRV owns 50%
  - Okhta Mall shopping centre, St. Petersburg (under construction)
    - › Preliminary lease agreements signed or negotiations under way for over 50% of the leasable area. Weakening of the rouble decreases construction costs and the total investment. SRV owns 45% (+15%)
  - REDI shopping centre, Kalasatama area of Helsinki (under development)
    - › Tenant negotiations under way for 70 per cent of the premises, investor and financing negotiations progressing. SRV's ownership target 40-50%

Number of new agreements increased – robust order backlog

- Clear growth in the number of new agreements (Q1/2014 and 12 month-rolling)
  - In Finland, investments in new contracts succeeded
  - A critical approach to fixed-price contracting
  - The number of start-ups in developer-contracted housing decreased as consumer sales have slowed down

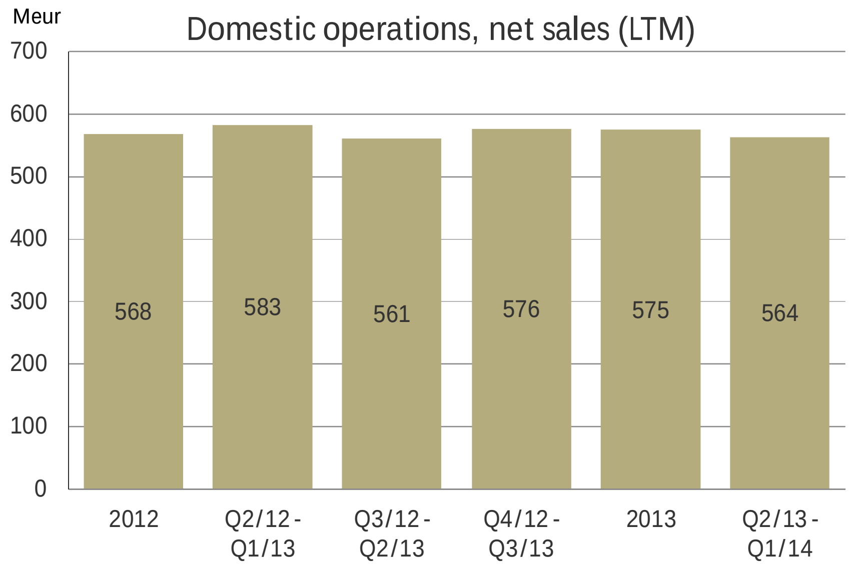


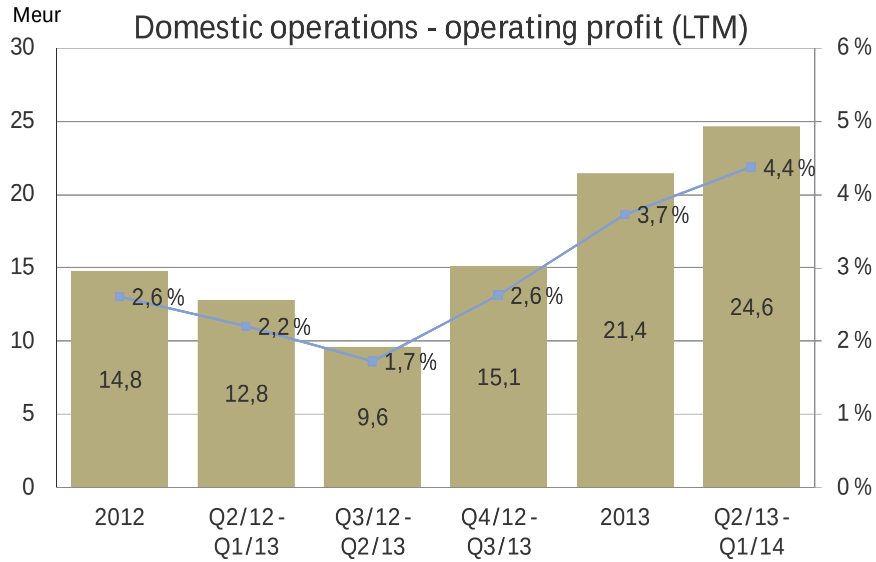
- Order backlog remains very healthy
  - The order backlog's sales risk diminished, 79% of production has been sold
  - Over 60% of housing constructions' production SRV's own development projects



Measures to improve domestic profitability yielded good results

- Revenue (12-month rolling) remains solid, maintained by a strong order backlog
  - Order backlog (Q1/14) grew to EUR 721 million, EUR +35 million vs Q1/13, EUR +76 million vs Q4/13
- Operating profit (12-month rolling) shows positive development
  - The profitability of contracting has been improved
    - › A critical approach to fixed-price contracting
    - › Attention has been paid to on-site implementation management and the determined development of purchasing
    - › Developer contracting volumes have been increased





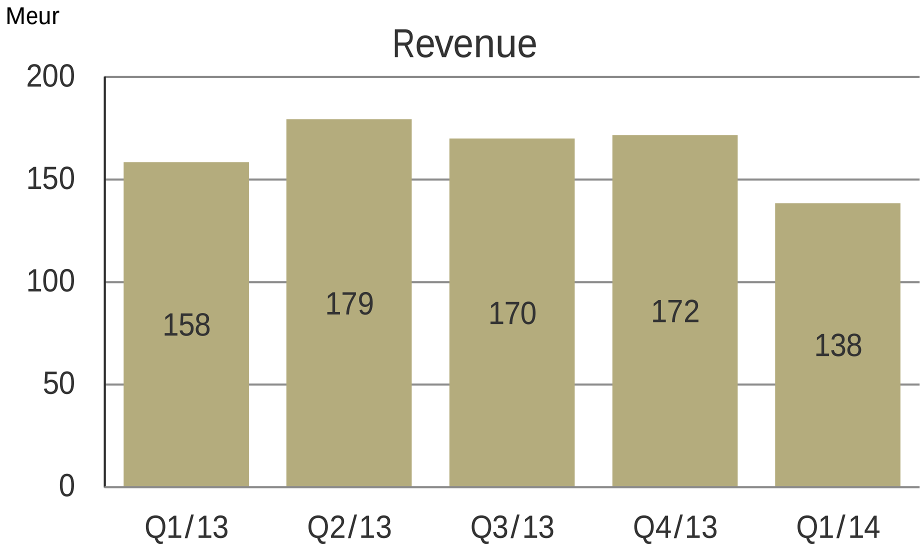
SRV

1-3/2014 in brief

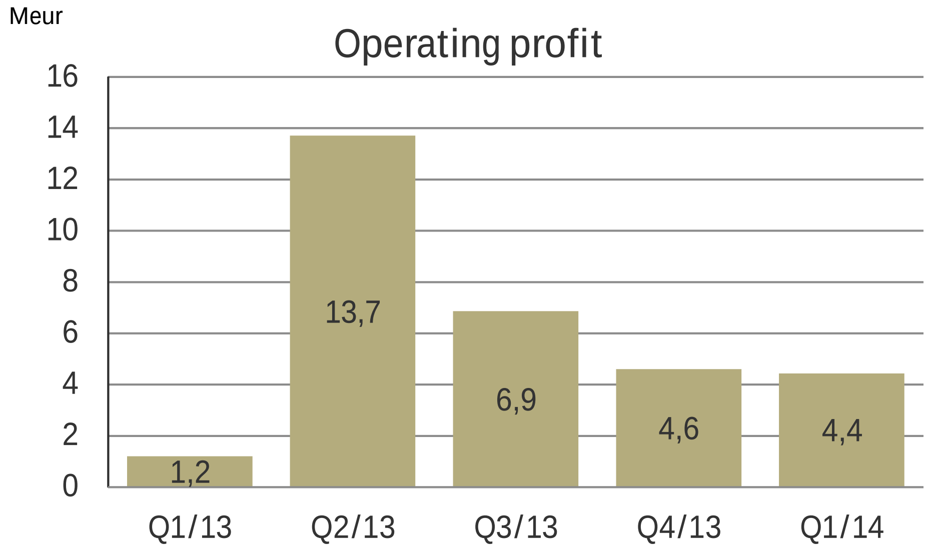
	1-3/ 2014	1-3/ 2013	change, meur	change, %	1-12/ 2013
● Revenues, meur	138.5	158.4	-19.9	-12.6%	679.4
● Operating profit, meur	4.4	1.2	+3.2	+269.2%	26.4
● Operating profit, %	3.2%	0.8%			3.9%
● Profit before taxes, meur	2.2	0.7	+1.5	+208.2%	22.8
● Order backlog [1], meur	880.2	726.7	+153.6	+21.1%	825.8
● Equity ratio [1], %	39.0	34.3			36.4
● EPS, eur	0.01	-0.03	+0.04		0.39
● Share price [1], eur	3.76	3.36	+0.40	+11.9%	4.05
● Equity per share [1], eur	4.88	4.50	+0.39	+8.6%	4.99
● Share price/NAV [1], %	77.0 %	74.7 %			81.2 %

1) at the end of the period

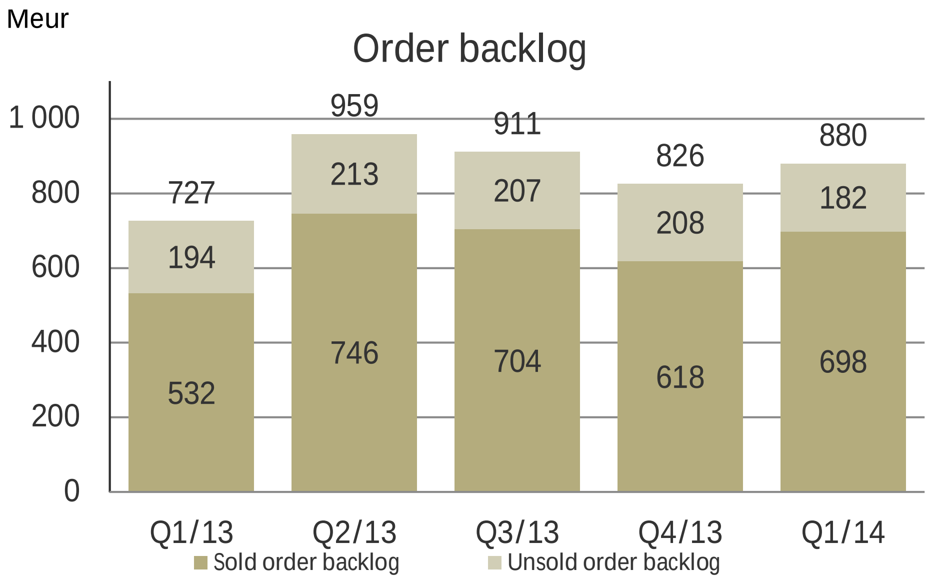
SRV Group



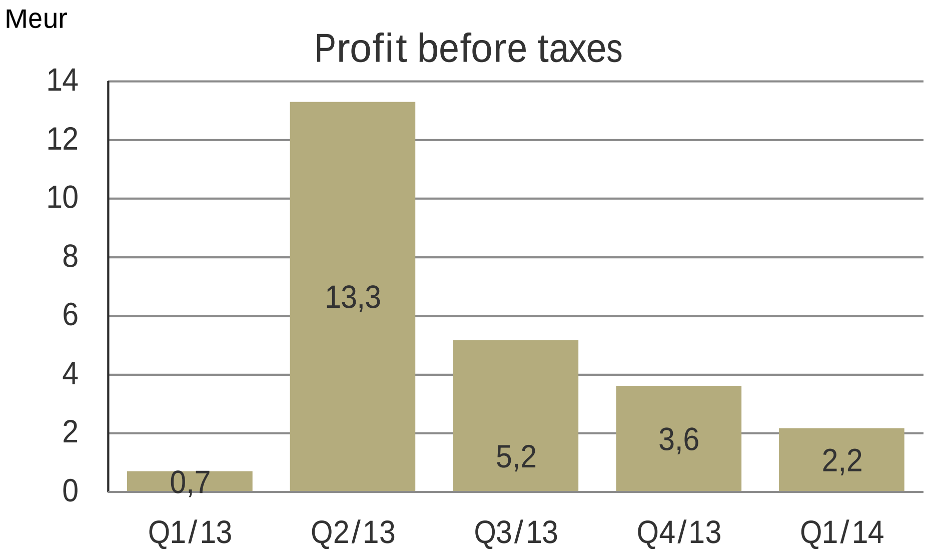
Meur
Revenue
200
150
100
50
0
158
179
170
172
138
Q1/13
Q2/13
Q3/13
Q4/13
Q1/14



Meur
Operating profit
16
14
12
10
8
6
4
2
0
1,2
13,7
6,9
4,6
4,4
Q1/13
Q2/13
Q3/13
Q4/13
Q1/14

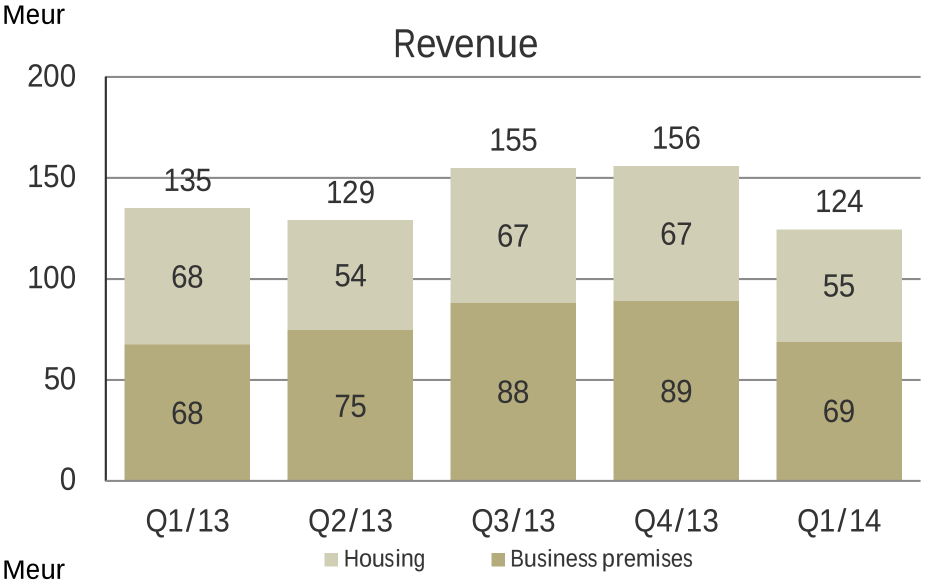


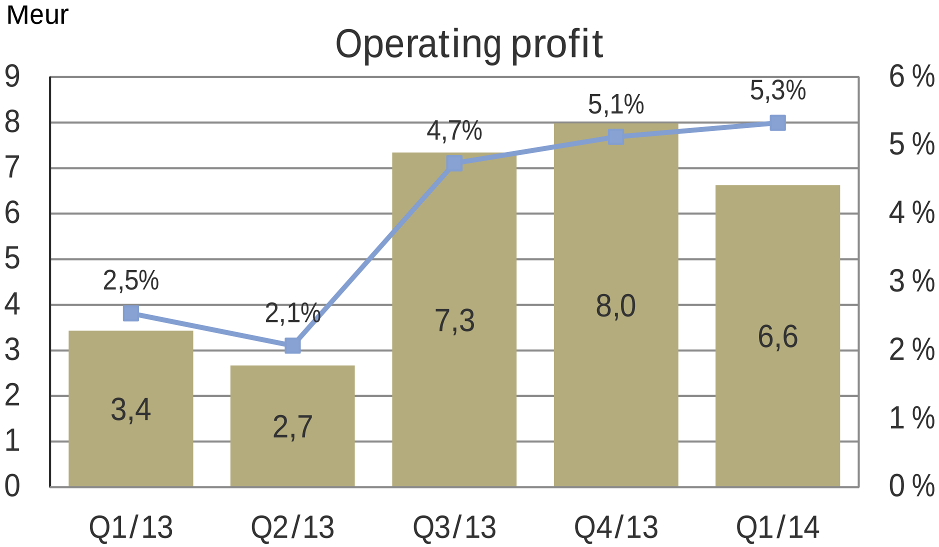
Meur
Order backlog
1 000
800
600
400
200
0
727
959
911
826
880
194
213
207
208
182
532
746
704
618
698
Q1/13
Q2/13
Q3/13
Q4/13
Q1/14
Sold order backlog
Unsold order backlog

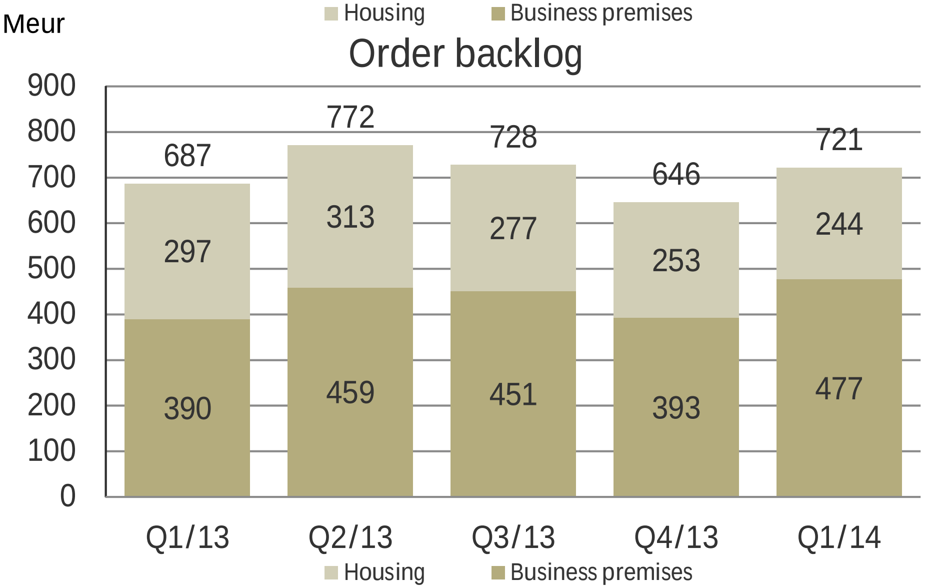


Meur
Profit before taxes
14
12
10
8
6
4
2
0
0,7
13,3
5,2
3,6
2,2
Q1/13
Q2/13
Q3/13
Q4/13
Q1/14

Domestic operations







Domestic Operations
Share of Group revenue 90 %

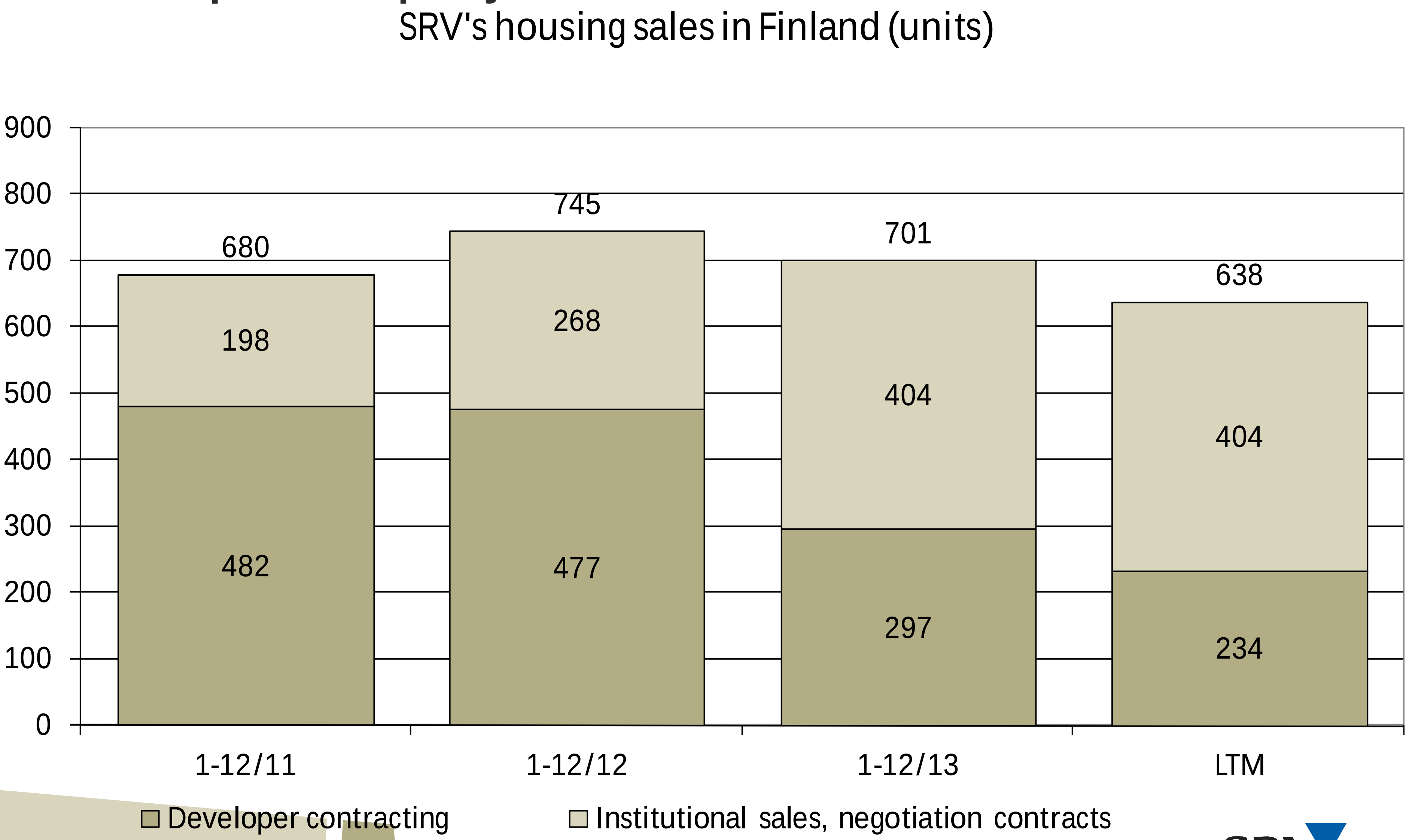
Business construction
55 %*

- Offices and retail facilities
- Hotels and specialised facilities
- Logistics facilities
- Underground facilities and infrastructure construction

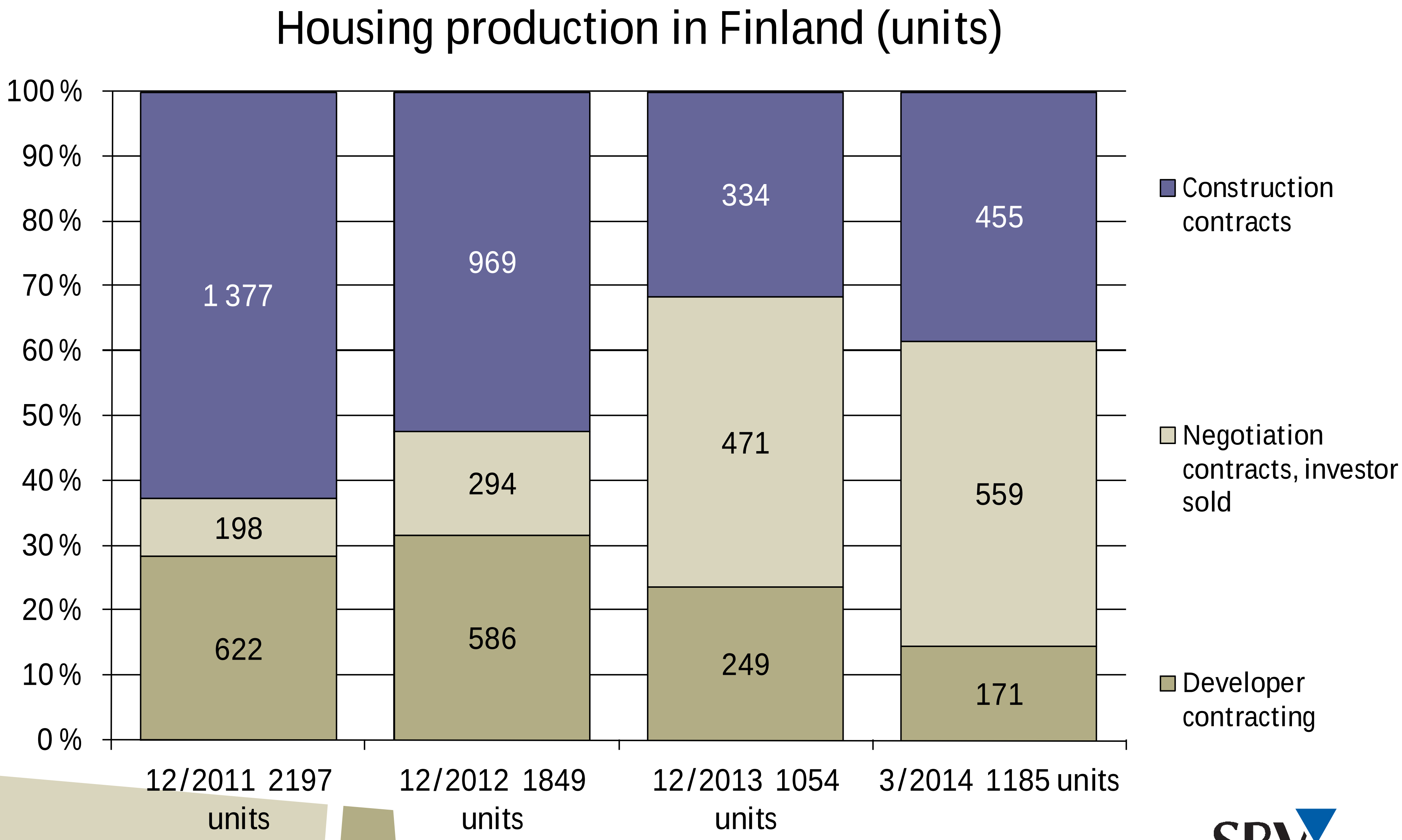
Housing construction
45 %*

- Owner-occupied flats
- Rental housing
- Area development projects

Increase in production of own rental housing development projects

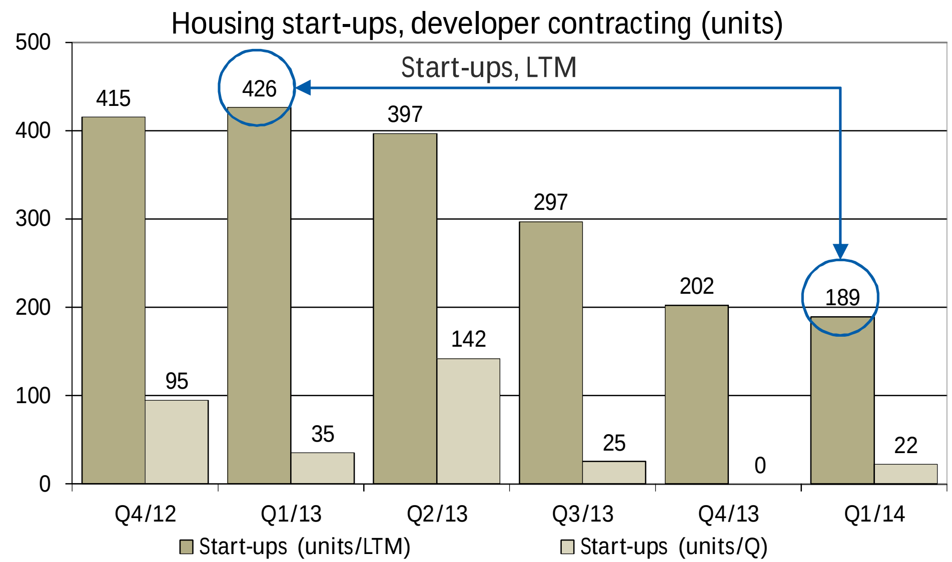


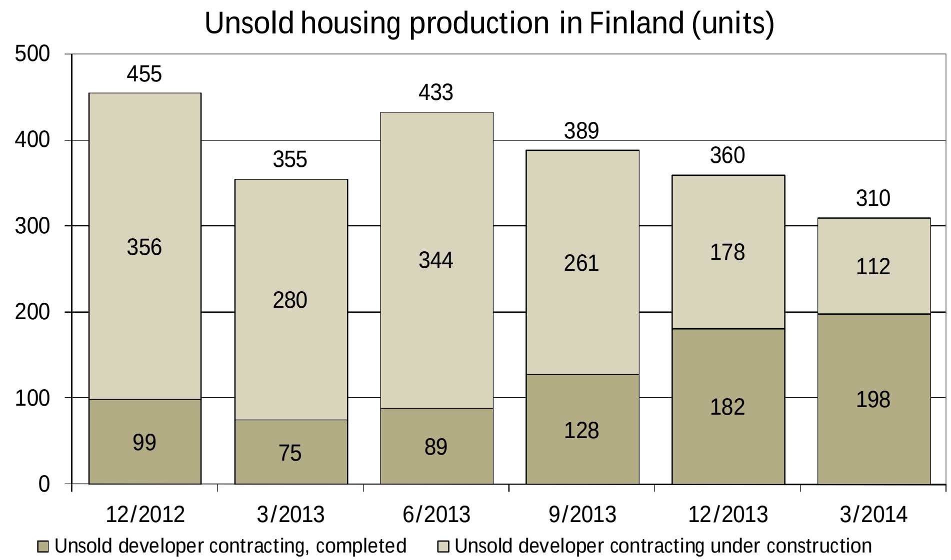
91% of production under construction sold



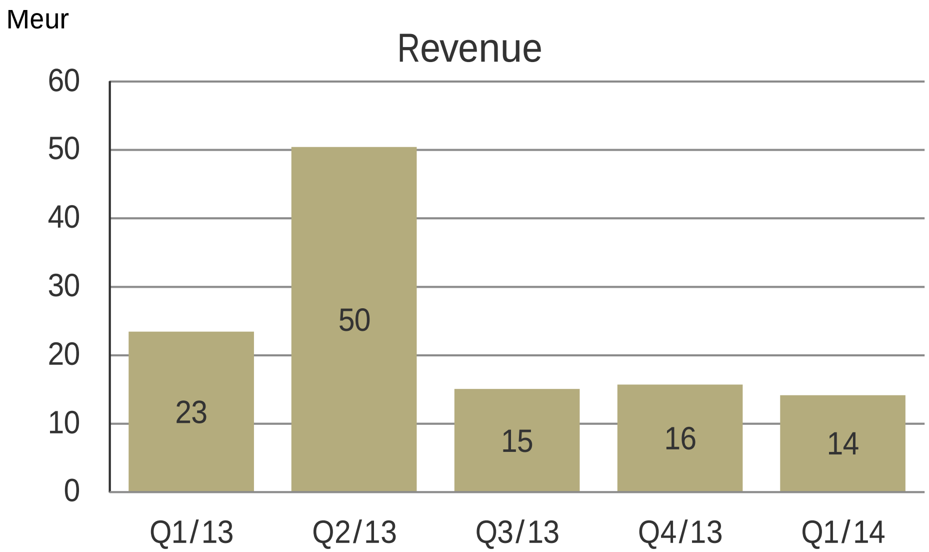
Number of housing startups aimed for consumers has been reduced

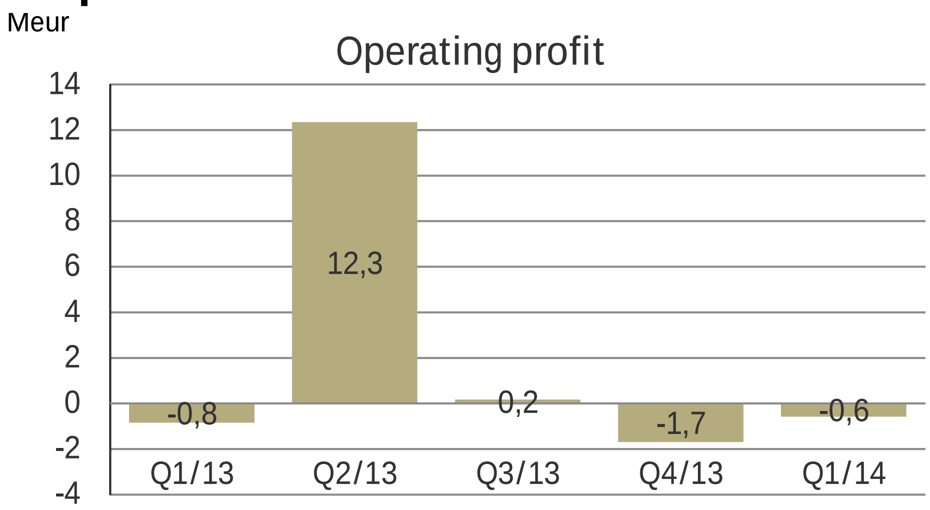
- SRV has reacted to decline in consumer sales by reducing startups
  - Number of startups in consumer production in Q1/2014 (12-month rolling) was 44% compared to the situation in Q1/2013
- Number of unsold housing units has declined, but number of completed housing units has increased
  - Growth in the number of completed housing units slowed down in Q1/2014
  - There is not much production under construction that is unsold

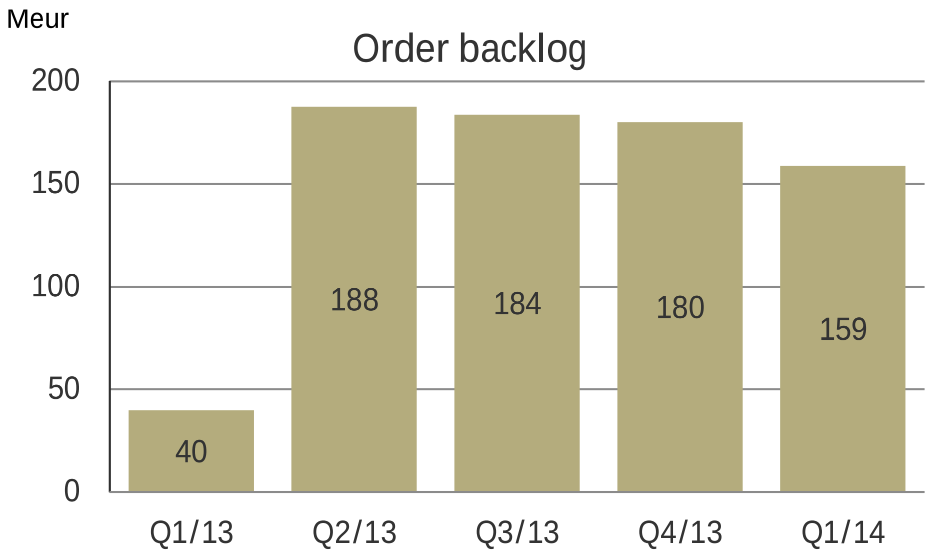




International operations







International Operations
Share of Group revenue
10 %

- Shopping centres
- Real estate management of shopping centres
- Development of business premises projects

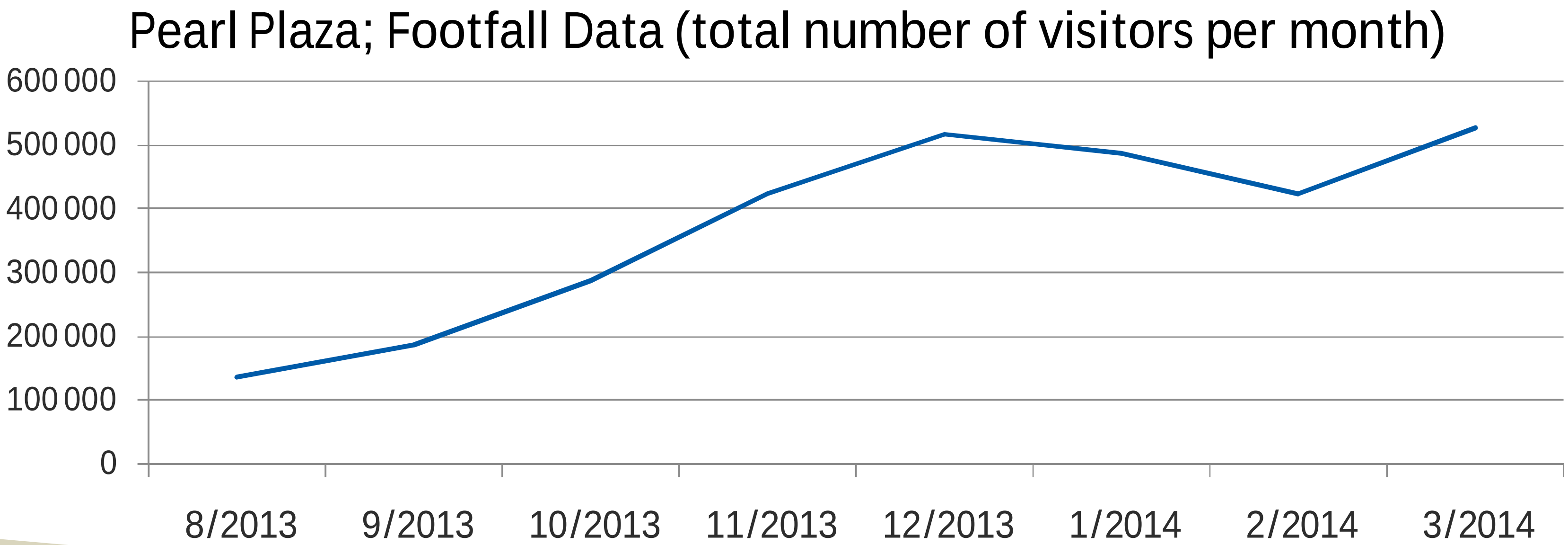
Russia’s real estate marked from SRV’s point of view

- Situation before the crisis in Ukraine
  - Lack of high class premises. Especially in the shopping centre market demand remained strong, retail market grew by about 4% (Q4/13)
  - International chains planned to expand to Russia. Russia’s consumer good market was growing to become Europe’s largest
  - Construction costs 20-30% below Finland’s cost level, rents 2x (St. Petersburg) and 3x (Moscow). Construction costs in roubles and rents in euros
  - Financing available from Russian banks with competitive terms
  - Investor’s yield for prime projects stabilized below the level of 10%, active international investors
- Situation after the crisis broke out in Ukraine
  - Turns of events of a political crisis are hard to anticipate, but the currency and stock exchange have reacted to the uncertain situation. As the rouble got 20% weaker, consumers’s purchasing power weakened as well
  - Businesses adjust by raising the rouble prices – there are inquiries about temporarily lowering rents
  - Chains are unlikely to quit their stategic projects, unless sanctions force them to
  - Construction costs in euros are likely to decline and costs of financing to increase
  - Rents will drop only as a result of a longer-term crisis
  - International investment interest weakens until the situation calms down

SRV’s main shopping centre projects in Russia 1.

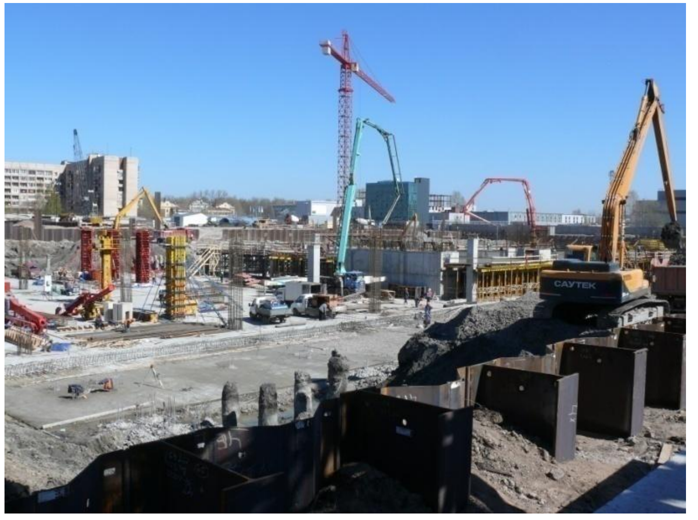
- Pearl Plaza shopping centre was opened on 24 Aug. 2013
  - Phase I: EUR 140 million, scope 92,000 m2. SRV's holding is 50% and investment EUR 22 million
  - SRV is responsible for shopping centre management and leasing, 93% of the premises have been leased out
  - NOI target about EUR 18 million/year. Number of visitors developed positively
  - Phase II design started: about 30% of premises reserved

http://pearlplaza.ru/



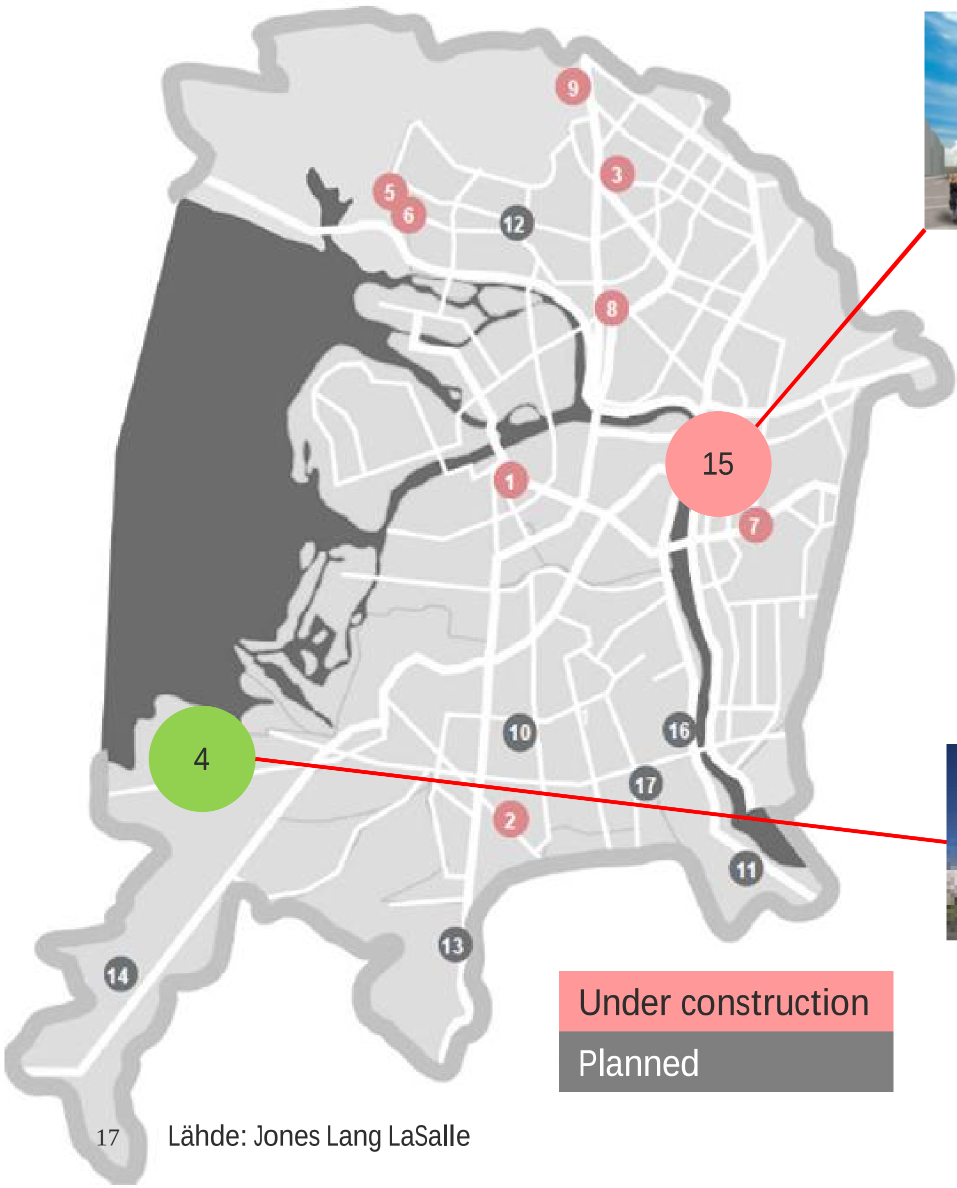
SRV's main shopping centre projects in Russia 2.

- Okhta Mall shopping to be opened in spring 2016
  - Part of SRV's large-scale construction project in the Okhta area. 55% holding sold to Russia Invest, of which SRV owns 27%. SRV also has a 45% minority interest
  - SRV is responsible for commercialisation and construction – contracts valued at over EUR 160 million
  - Investment value is EUR 250 million and scope 144,000 m2. Significant savings expected in building costs due to the weakening of the rouble
  - Bank financing intended to be acquired during summer 2014, when the impact of lower construction costs on the investment budget has been ascertained.
  - Preliminary lease agreements for a third of the leasable space. Furthermore, negotiations under way for around a quarter of leasable premises.
  - NOI target about EUR 33 million/year



SRV

Modern new shopping centres in St. Petersburg, 2013-2015



No	Name
1	Admiralteiskaya
2	Galaktika
3	London Park
4	PEARL PLAZA, COMPLETED
5	Monpansye
6	Pyat ozer
7	Zanevskiy Kaskad, Phase III
8	Evropolis
9	Skandinavia
10	Piter-Raduga Phase II
11	Port Nakhodka, Phase II
12	Hollywood
13	Hines Outlet Centre
14	Fashion House
15	OKHTA MALL
16	Sputnik
17	Sofiyskaya St, 60

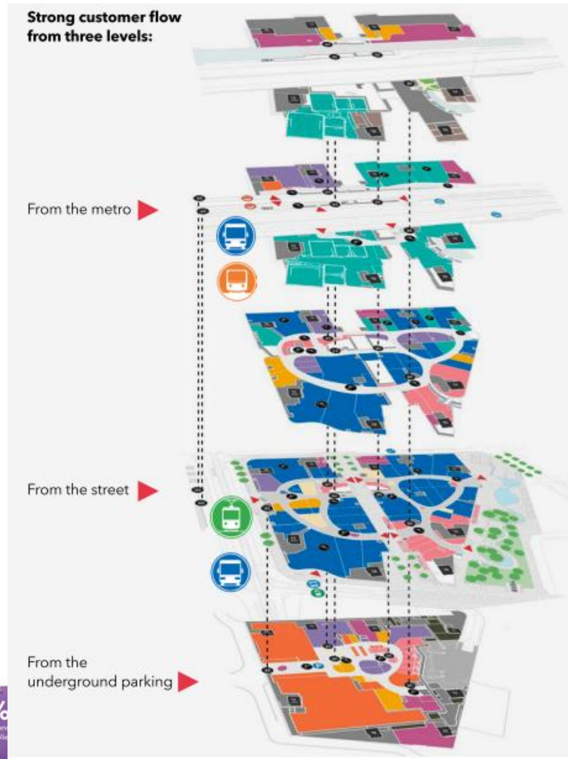
Under construction

Planned

Lähde: Jones Lang LaSalle

REDI shopping centre and car park

- Leasing of REDI is progressing
  - REDI will be a unique shopping centre in Finland – customer flows will be directed to the centre from many levels
  - Leasing negotiations are under way with anchor tenants and a wide range of potential tenants. If the ongoing lease negotiations lead to agreements, already 70% of the retail space would be leased out
  - SRV estimates that the lease agreements signed by the end of the year account for about 25-30% of the retail space
- Investor negotiations under way
  - SRV will own 40-50% of REDI
  - SRV's investment amounts to about EUR 90–120 million
- Financing negotiations under way
  - On the basis of ongoing financing negotiations, SRV estimates that project financing will cover 50% of the investment
- Total investment approximately EUR 450 million
  - A contractor agreement for the construction work will be signed in connection with investor and financing agreements
  - The value of the contractor agreement is approximately EUR 350 million

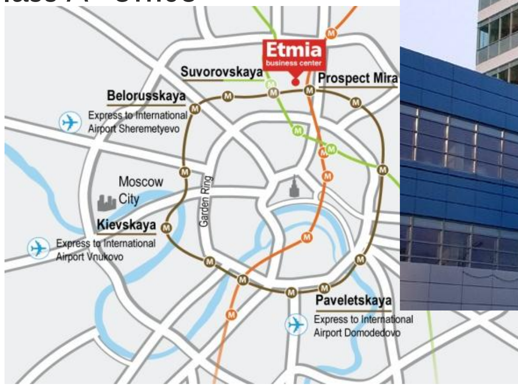


•REDI is the first shopping centre in Finland to be easily accessible by bus, metro, tram, private car, bicycle, foot as well as by boat
• 500 000 people live within a 15 –minute and 1.1 million within a 30-minute drive away from REDI
• Kalasatama is at the intersection of three major arterial roads with traffic volumes in excess of 100 000 cars per day. Helsinki city centre is 6-minute metro ride away

Business properties ready for sale

- Derby Business Park, Espoo
  - SRV-developed business property project concerning three office buildings in Perkkaa, Espoo, which borders the new intersection on the Turku motorway
  - Occupancy rate over 90%, almost 600 parking spaces. Phase I was completed in 8/2012, incl. SRV's headquarters. Phase II (incl. Siemens' headquarters) was completed in 6/2013
  - SRV estimates that, if fully leased, the office premises will generate about EUR 4.2–4.3 million in annual rental income in 2014
  - Measures to sell the property are under way

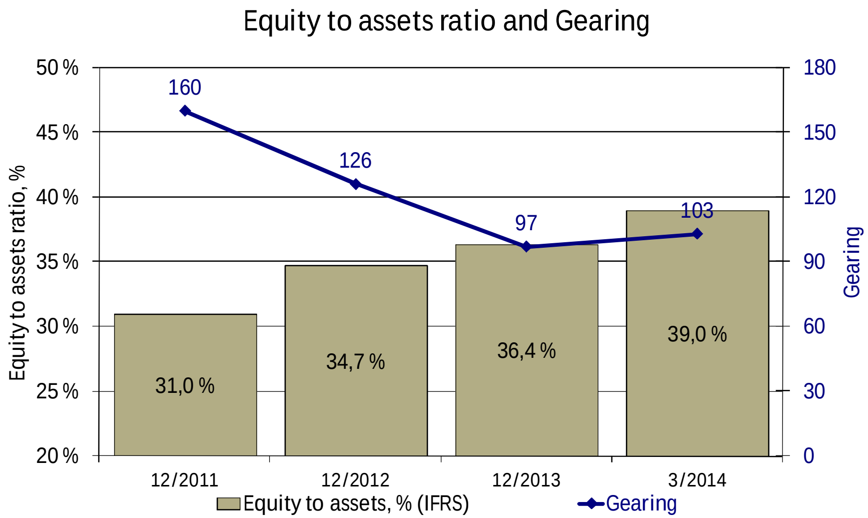
- Etmia II & III office building, Moscow
  - SRV-developed office project in Moscow
  - Location next to the Prospekt Mira metro station, Etmia II was completed in Q4/2009, expansion Etmia III was completed in 2012
  - Etmia II forms the majority of the property; it is a "Class A" office building. Etmia III is a Class B office building
  - SRV owns 50% of the joint venture
  - The property is fully leased out, and the rental income for 2014 is estimated at EUR 4 million
  - Measures to sell the property are underway

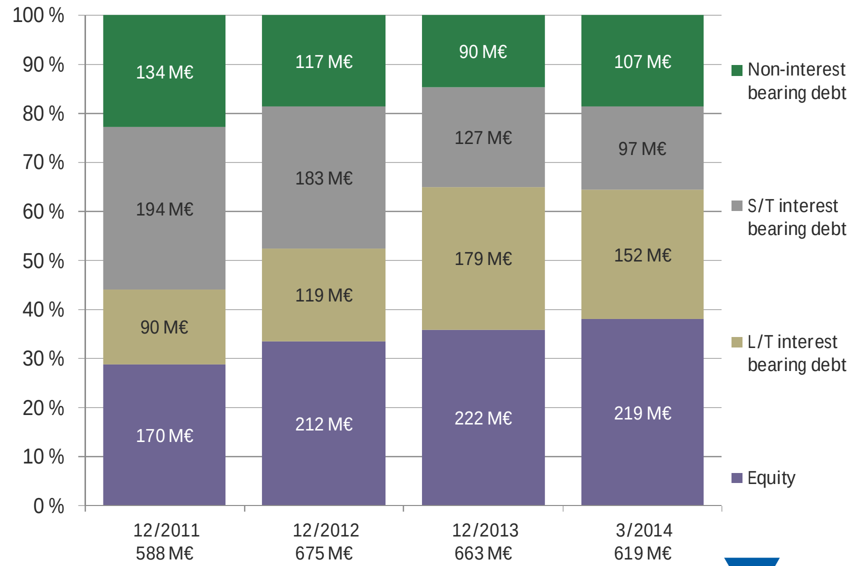


SRV

SRV's financial position remains strong

- Solid financing reserves to start own projects
  - Equity ratio 39.0%
  - Group's financing reserves EUR 162 million. Ready-to-be-sold business premises as additional financing reserve
- Financing secured also for completing the construction of own production in Finland
  - Still about EUR 20 million will be tied up in construction
    - Undrawn project loans and receivables amount to about EUR 33 million
    - Does not include the amount to be invested in ownership of REDI when the project will start
- Structure of balance sheet has been developed with determination
  - Structure of interest-bearing liabilities is in balance
    - Short-term debt EUR 97 million (39%)
    - Long-term debt EUR 152 million (61%)
  - As purchasing has been made more efficient, terms of payment for account payables have been extended





Outlook for 2014 remains unchanged

- The quarterly variation and development of revenue and result in 2014 will be affected by several factors, such as: SRV's own projects are recognised as income upon delivery, the part of the order backlog that is continuously recognised as income mainly consists of low-margin contracting, the development of the order backlog's profit margins, the sales volume of developer-contracted housing and the completion schedules of the properties, the number of new contracts, the start-up of own projects, the project development nature of operations, and the realisation of planned project sales. Investor demand for commercial properties in Finland is estimated to remain muted and the outlook for 2014 does not include the sale of the Derby Business Park property. The construction of the REDI shopping centre that SRV is developing in Kalasatama is expected to start in 2014. Based on current completion schedules, SRV estimates that a total of 186 developer-contracted housing units will be completed during 2014.

- SRV estimates that its developer-contracting volume will increase in 2014. The recognition of revenue and earnings in 2014 will be affected by the recognition of income upon delivery and the elimination of a share equivalent to SRV's holding from profit margins. The Group's full-year revenue is expected to be on a par with the previous year (EUR 679.4 million 1-12/2013) and profit before taxes to amount to EUR 10–20 million (EUR 22.8 million 1-12/2013).

SRV

Appendices

Domestic Operations

	1-3/ 2014	1-3/ 2013	change Meur	change %	1-12/ 2013
Revenue, Meur	124.4	135.0	-10.6	-7.9%	574.8
- Business premises, Meur	69.0	67.5	+1.5	+2.2%	319.2
- Housing construction, Meur	55.4	67.5	-12.1	-17.9%	255.5
Operating profit, Meur	6.6	3.4	+3.2	+93.1%	21.4
Operating profit, %	5.3%	2.5%			3.7%
Order backlog, Meur	721.5	686.9	+34.6	+5.0%	645.8
- Business premises, Meur	477.2	389.9	+87.3	+22.4%	392.8
- Housing construction, Meur	244.2	296.9	-52.7	-17.8%	253.0

- Decline in revenue and growth in operating profit
  - Revenue declined due to a fall in developer-contracted housing volumes
  - Operating profit increased due to improved construction margin management, more efficient purchasing and higher development project volumes
- Order backlog grew to EUR 721 million
- Focus has been shifted to developer-contracted and development projects
  - The aim is to reduce the share of the order backlog accounted for by low-margin contracting and to increase the share of negotiated contracts and own projects

International Operations

	1-3/ 2014	1-3/ 2013	change meur	change %	1-12/ 2013
Revenue, Meur	14.2	23.5	-9.3	-39.6%	104.7
Operating profit, Meur	-0.6	-0.8	+0.3	-31.7%	10.0
Operating profit, %	-4.0%	-3.6%			9.5%
Order backlog, Meur	158.8	39.8	+119.0	+299.0	180.1

- Revenue declined
  - Construction of the Okhta Mall shopping centre generated most of the revenue
- Operating profit improved but remained unprofitable
  - The level of operating profit is affected by eliminating a share equivalent to the ownership of SRV's associated company from the profit margin of construction. 60% of Okhta Mall shopping centre's profit margin of construction is eliminated.
  - Earlier cost saving measures contributed to the improvement in operating profit

SRV Group

	1-3/ 2014	1-3/ 2013	change Meur	change %	1-12/ 2013
Revenues, Meur	138.5	158.4	-19.9	-12.6%	679.4
Operating profit, Meur	4.4	1.2	+3.2	+269.2%	26.4
Operating profit, %	3.2%	0.8%			3.9%
Financial income and expenses, Meur	-2.3	-0.5	-1.8	+356.0%	-3.6
Profit before taxes, Meur	2.2	0.7	+1.5	+208.2%	22.8
Order backlog, Meur	880.2	726.7	+153.6	+21.1%	825.8
New agreements, Meur	184.7	40.0	+144.7	+361.6%	600.7
EPS, eur	0.01	-0.03	+0.04		0.39
Equity ratio, %	39.0	34.3			36.4

- Revenue declined and operating profit imroved
  - Operating profit of Domestic Operations increased clearly, also operating profit of International Operations improved
- Order backlog and new agreements at robust level
  - Success in increasing new order baclog, sales risk of order backlog is small
  - Sold order backlog is EUR 698 million, 79% of the order backlog (EUR 532 million, 73%)
- Growth in earnings per share, equity ratio is strong
- To improve profitability, SRV is making outlays on developing own projects
  - Focus on starting up major key projects