

SRV – Building for Life

Interim Report
1-6/2014

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President and CEO

6 Aug. 2014



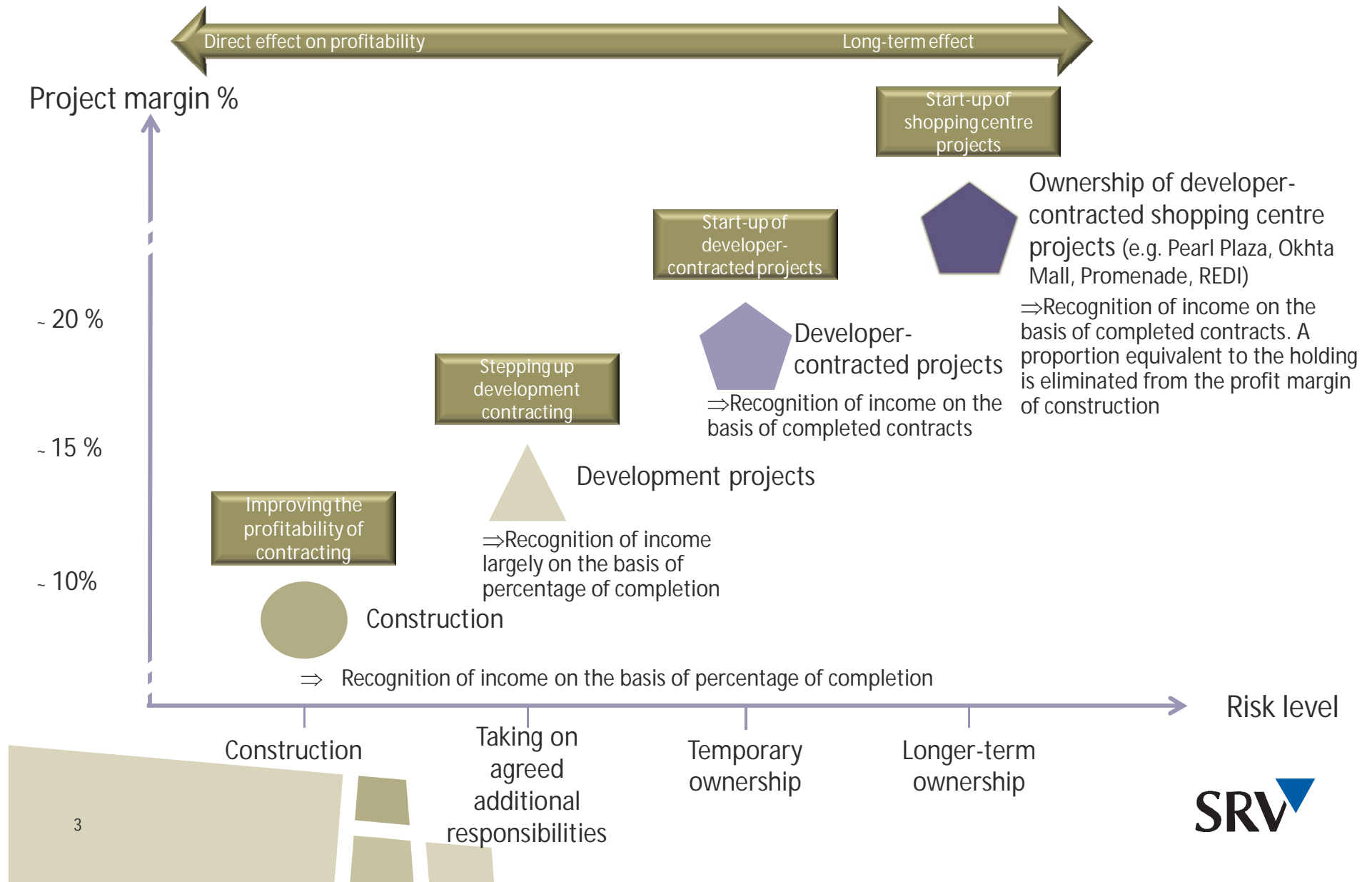
The three cornerstones of our business

1-6/2014



*share of revenue from operations in Finland

Focus on measures to increase profitability



H1/2014 – Focusing operations has yielded results



Developer-contracted shopping centre projects	Pearl Plaza, St Petersburg opened 8/2013	+	Number of visitors growing. 96% of the space leased out.
	Okhta Mall, St Petersburg opening H1/2016	+	Construction is progressing on schedule. Estimated cost-savings amount to MEUR 25. Bank financing is progressing.
	Promenade, Moscow opening H1/2016	+	Investor solution is in place and construction has started. Negotiations on bank financing are ongoing.
	REDI, Helsinki opening H1/2017	+/-	Partner investor and financing negotiations are ongoing.
Developer-contracted projects	Housing production for consumers	-	Sales to consumers declined significantly. Few new start-ups. 171 units under construction.
		+	Based on the demand generated by advance marketing, a decision has been made to start the construction of 275 units.
	Business premises projects	-	No new start-ups or project sales.
Development projects	Rental housing in Finland	+	347 self-developed housing units were sold to investors (202 H1/2013). 818 units are under construction as development projects.
Construction	Domestic Operations	+	Outlays on customer relationship management yielded good results and the number of new contracts grew. The steps taken to improve the profitability of contracting have achieved results.



H1/2014 in brief

- The Group's order backlog exceeded one billion euros (MEUR 1,045)
 - New agreements amounted to MEUR 502; growth was generated by contracting in Finland
 - Order backlog largely comprises contracting; sold share of the order backlog amounts to MEUR 873 (83%)
- Profitability of Domestic Operations more than doubled
 - Operating profit in Finland was MEUR 13.7 (MEUR 6.1); operating profit margin was 5.4% (2.3%)
 - Total housing sales were up 12% due to sales to investors, while sales to consumers decreased substantially
 - Volume of own housing development under construction is at an all-time high
- Consolidated revenue, operating profit, earnings and EPS decreased
 - The profitability of International Operations in the 1-6/2013 comparison period was improved by the sale of a 55% stake in the Okhta Mall project, the fair value change of the holding as well as financial income from an associated company
- Full-year outlook unchanged

1-6/2014 in brief

	1-6/ 2014	1-6/ 2013	change, MEUR	change, %	1-12/ 2013
● Revenue, MEUR	281.6	337.8	-56.2	-16.6%	679.4
● Operating profit, MEUR	9.3	14.9	-5.6	-37.4%	26.4
● Operating profit, %	3.3%	4.4%			3.9%
● Profit before taxes, MEUR	5.6	14.0	-8.4	-60.3%	22.8
● Order backlog ¹⁾ , MEUR	1047.0	959.2	+87.8	+9.2%	825.8
● Equity ratio ¹⁾ , %	38.4	35.2			36.4
● Earnings per share, EUR	0.05	0.32	-0.27		0.39
● Share price ¹⁾ , EUR	4.13	3.28	+0.85	+25.9%	4.05
● Equity per share ¹⁾ , EUR	4.99	4.86	+0.13	+2.7%	4.99
● Share price/NAV ¹⁾ , %	82.9%	67.4%			81.2%

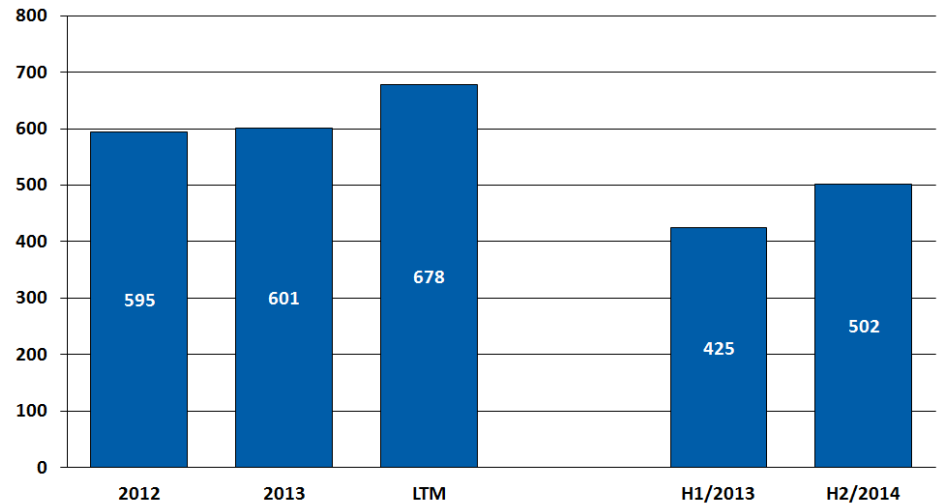
1) At the end of the period



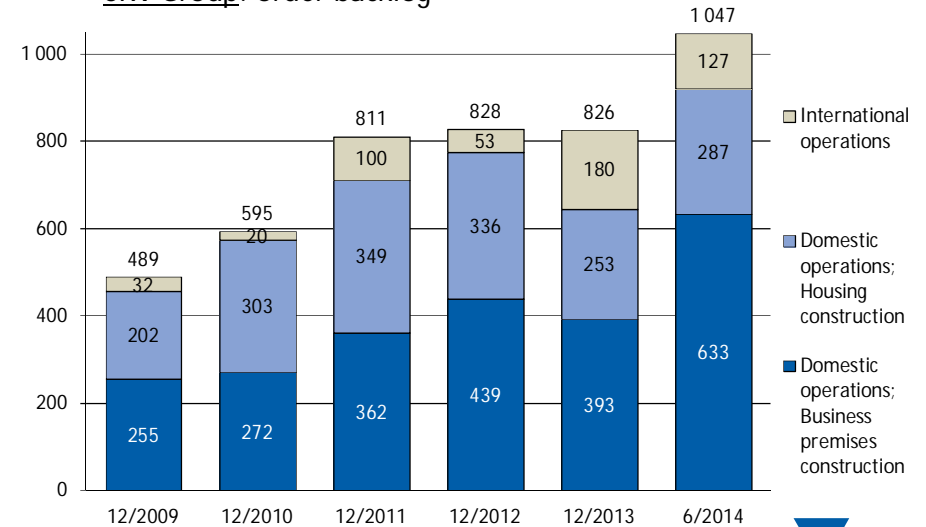
SRV's order backlog hits an all-time high, exceeding a billion

- Growth in number of new agreements
 - Efforts to obtain new contracts in Finland were successful
 - Housing start-ups for consumers will be stepped up
 - Start-up decisions made for 275 units
 - These units are not included in either the order backlog or new agreements
- Order backlog exceeds one billion
 - Sales risk of the order backlog is low; the sold order backlog amounts to MEUR 873 (83%)
 - In Finland, business premises contracting and rental housing development contracting both saw volume growth

Meur **SRV Group: new agreements**

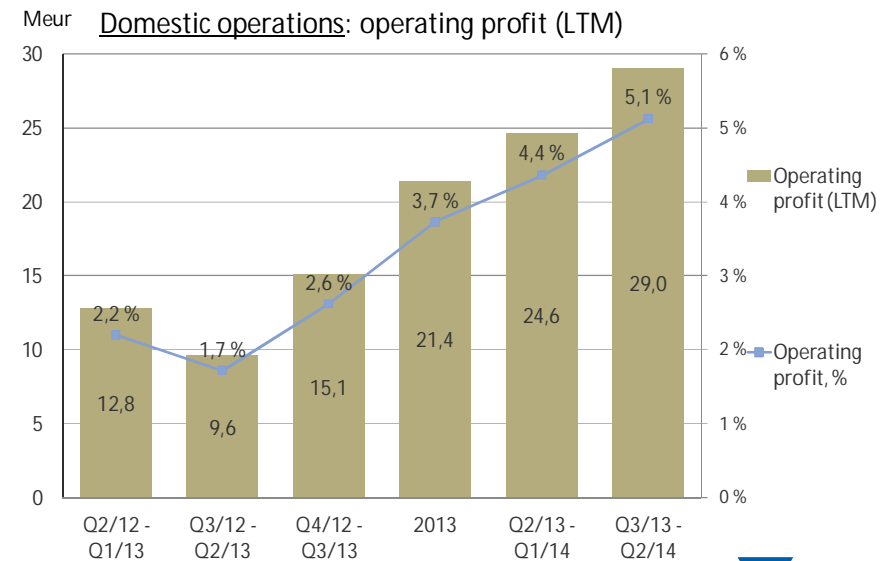
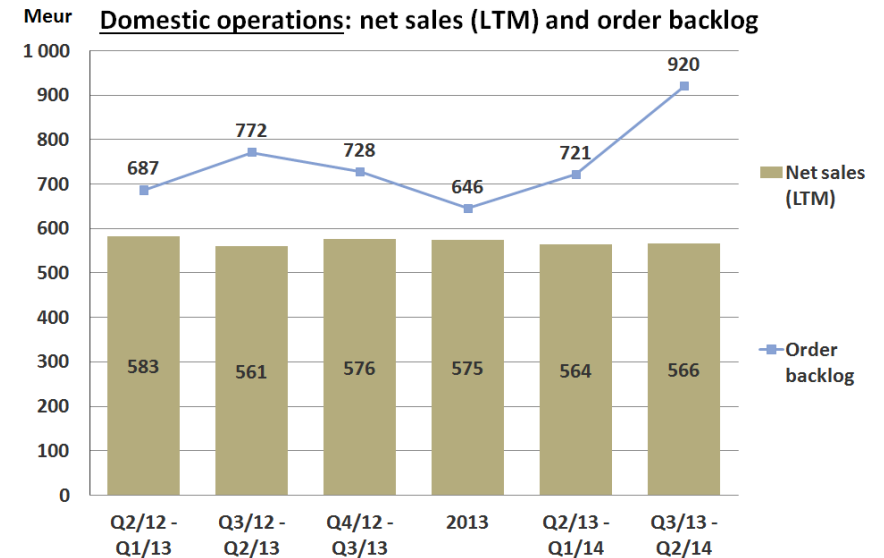


Meur **SRV Group: order backlog**

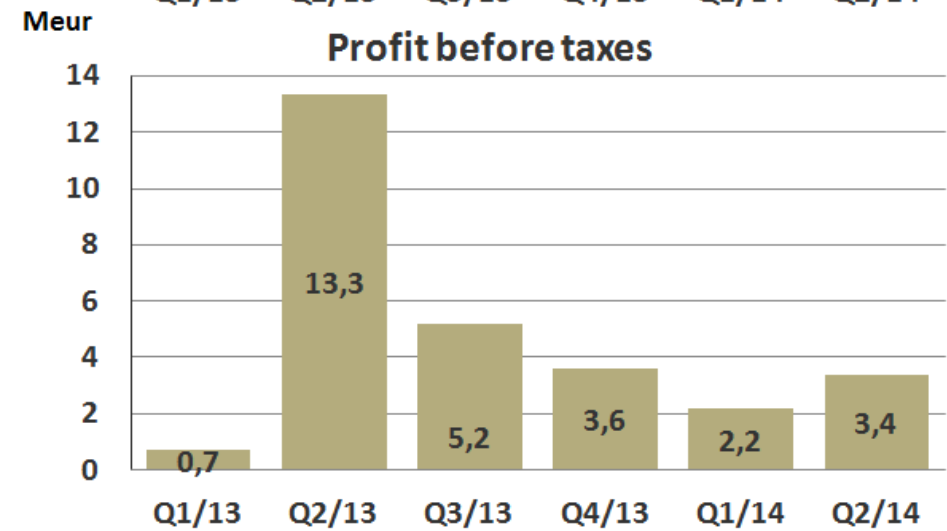
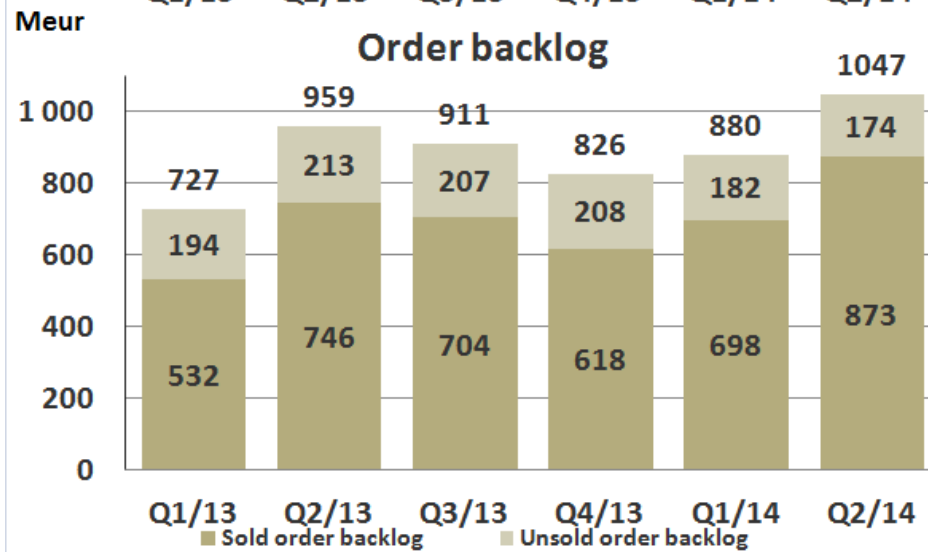
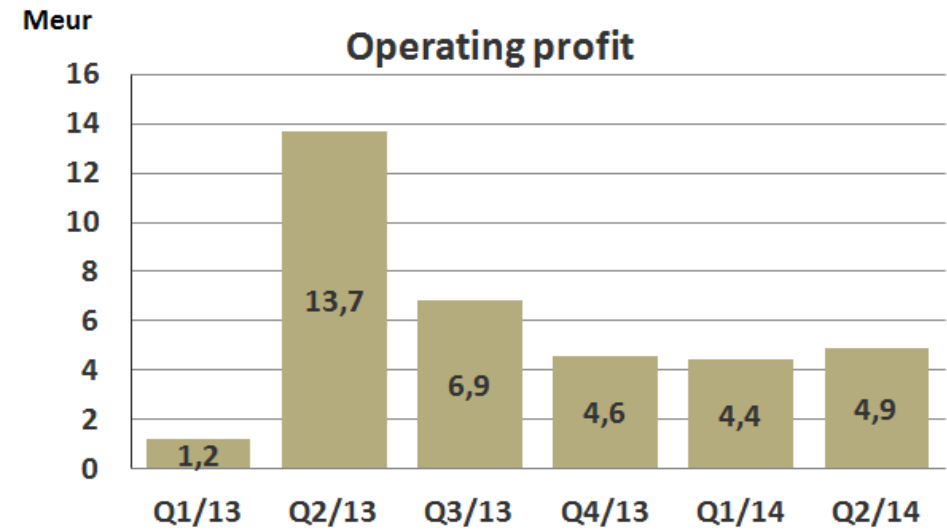
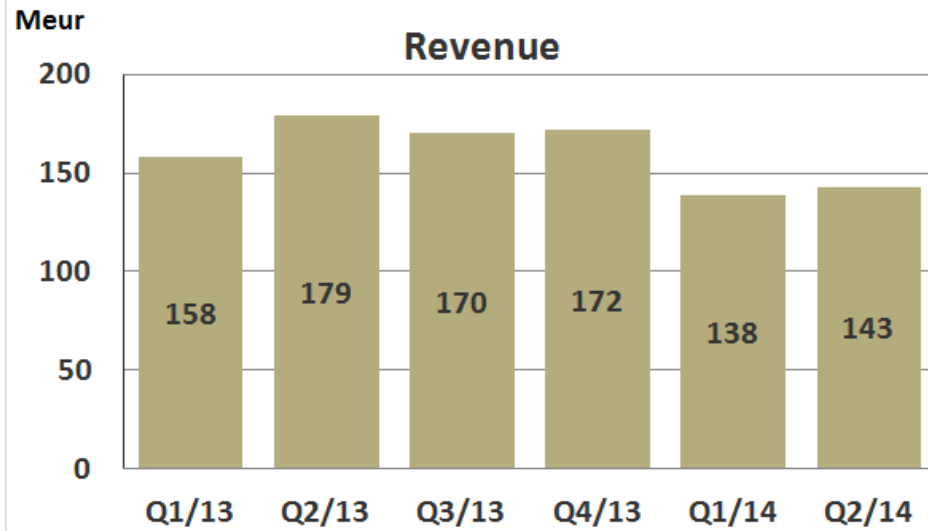


Profitability of Domestic Operations has improved

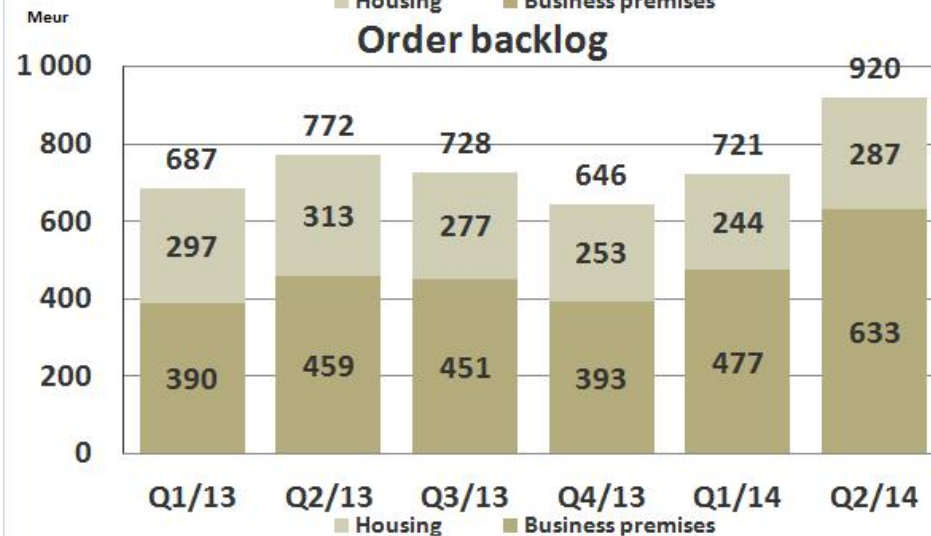
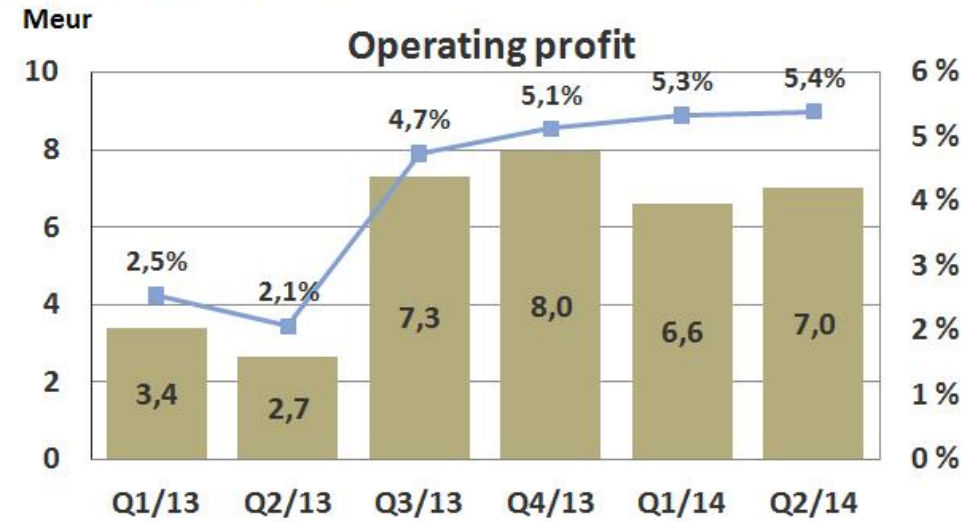
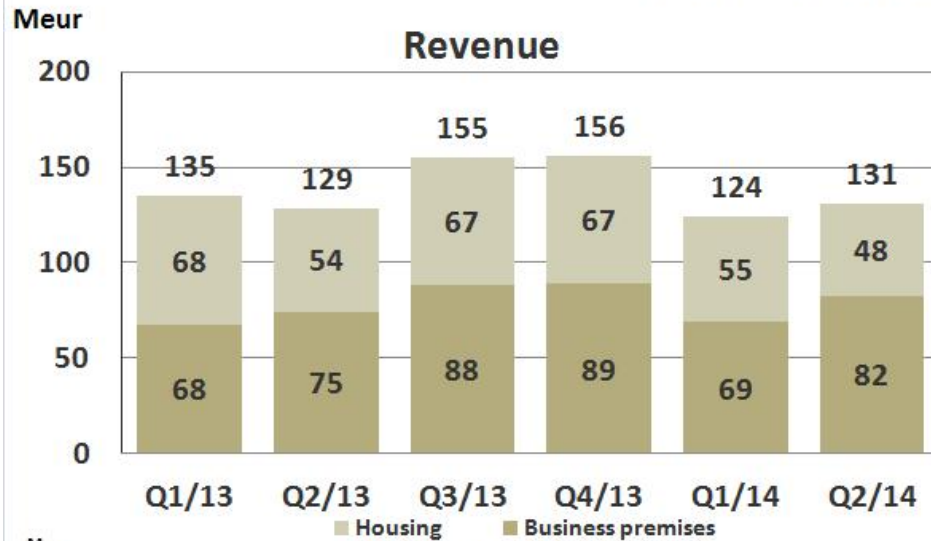
- Domestic revenue has remained at a good level as the order backlog continues to grow
 - Domestic order backlog is MEUR 920
 - +MEUR 148 vs. Q2/13
 - +MEUR 274 vs. Q4/13
- Favourable trend in domestic operating profit
 - Critical stance towards fixed-price contracting
 - Margin target levels have been set for contract offers
 - Concerted efforts to develop on-site implementation and procurements
 - Volume of development projects has been increased



SRV Group



Domestic operations



Domestic Operations
91% of the Group's revenue

Business construction
63%*

- Offices and retail premises
- Hotels and special-purpose premises
- Logistics facilities
- Rock construction and infrastructure projects

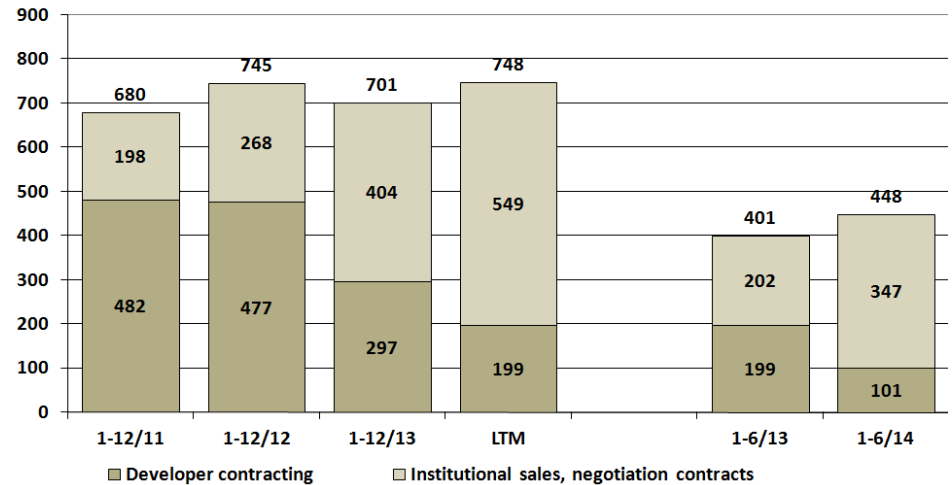
Housing construction
37%*

- Owner-occupied housing
- Rental housing
- Regional development projects

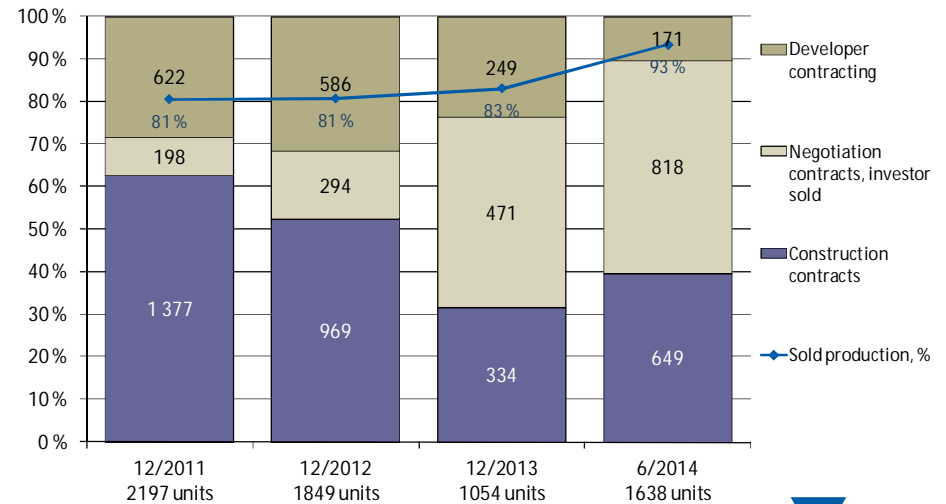
Total housing sales up 12%

- Total sales of housing developed by SRV grew by 12 %
 - 347 rental housing units developed by SRV were sold to investors (202 H1/13)
 - Demand for housing produced for consumers decreased significantly, and 101 units were sold (199 units H1/13)
- 93% of housing units under construction have been sold
 - 60% were developed by SRV
 - Only 10% of ongoing production is developer-contracted

SRV's housing sales in Finland (units)

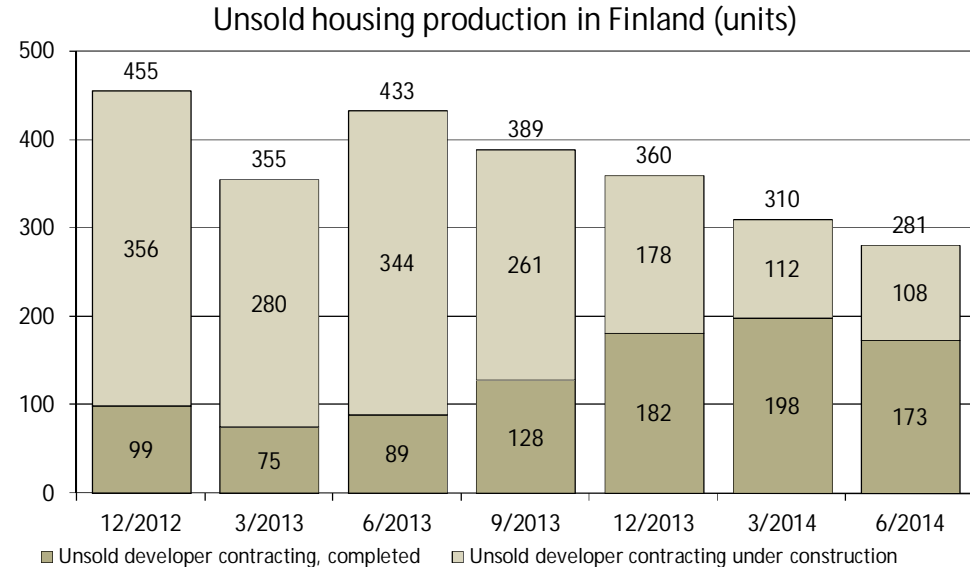
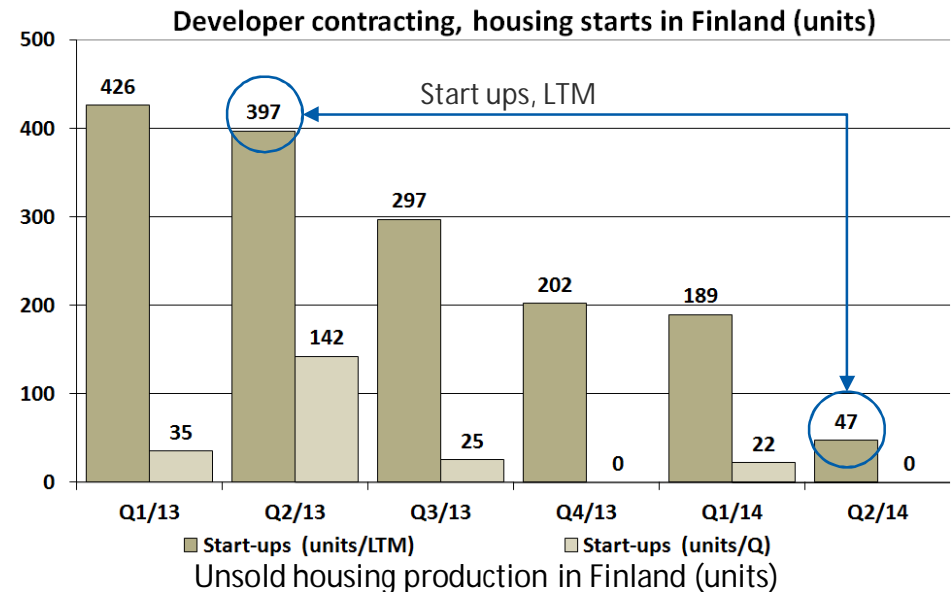


Housing production under construction in Finland (units)

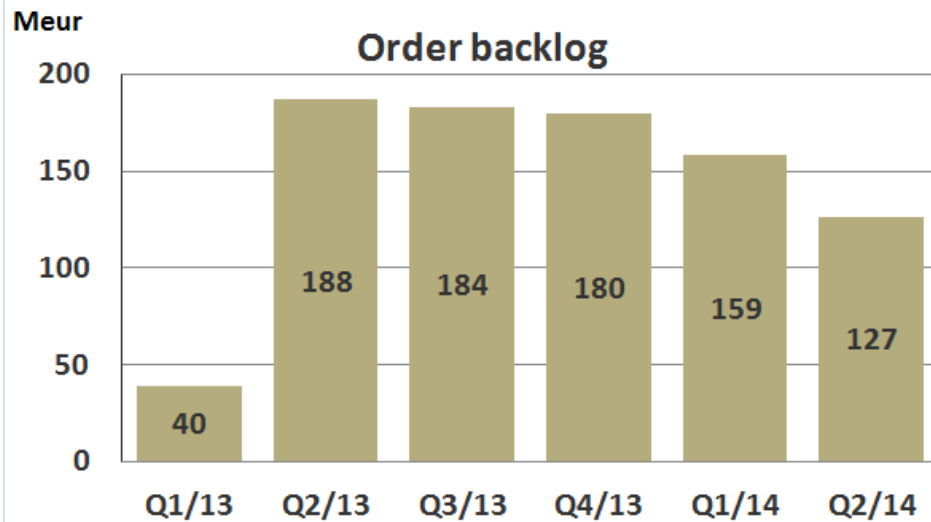
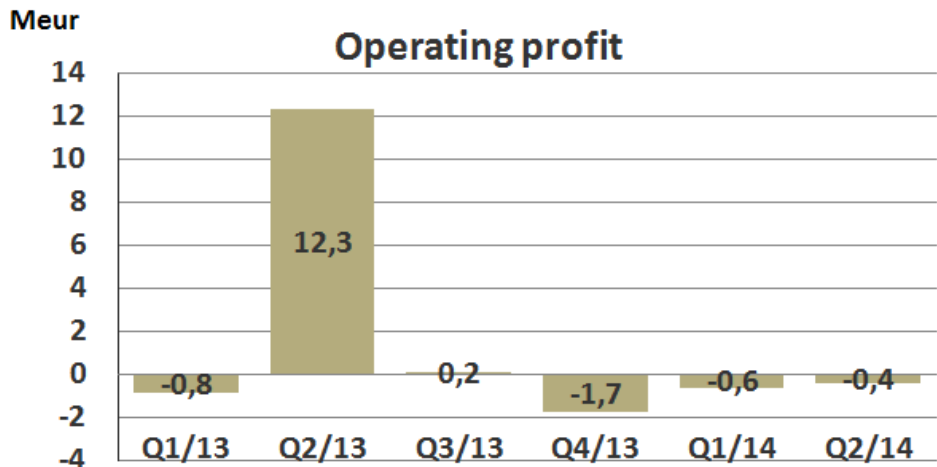
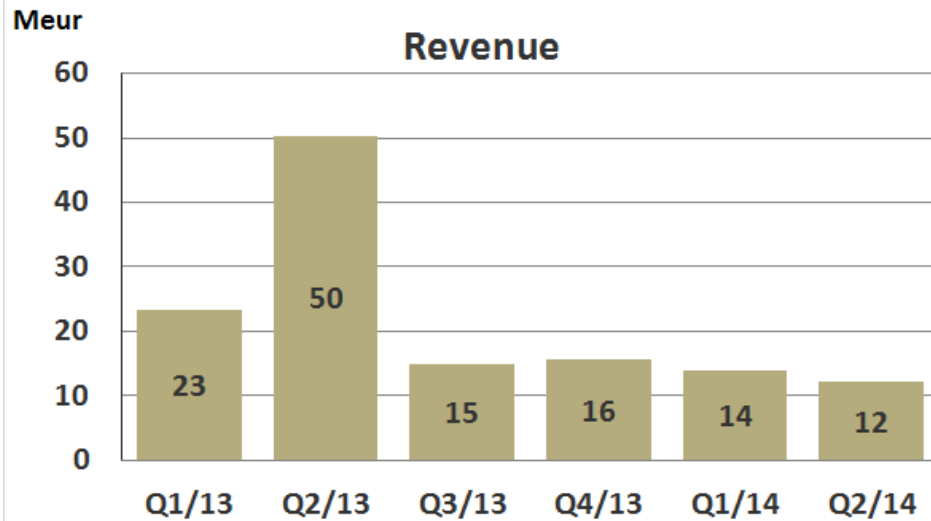


SRV has decided to increase own housing start-ups

- SRV reacted to the decline in sales to consumers by strongly decreasing start-ups
 - Housing demand is partly recovering, but the regional and project-specific differences are great
 - On the basis of advance marketing, SRV has decided to start up the production of 275 new housing units
 - Only 10% of ongoing production is targeted at consumers
 - 183 housing units will be started in Helsinki and Espoo, and 92 in Tampere. The units will be included in the order backlog when construction begins
- Decline in unsold housing
 - 281 units remain unsold (433 in 6/2013)
 - Number of completed units declined slightly in Q2/2014
 - Unsold share of ongoing production is small



International operations



International Operations
9% of the Group's revenue

- Shopping centres
- Shopping centre management
- Other business premises projects

SRV's shopping centre projects in Russia 1.

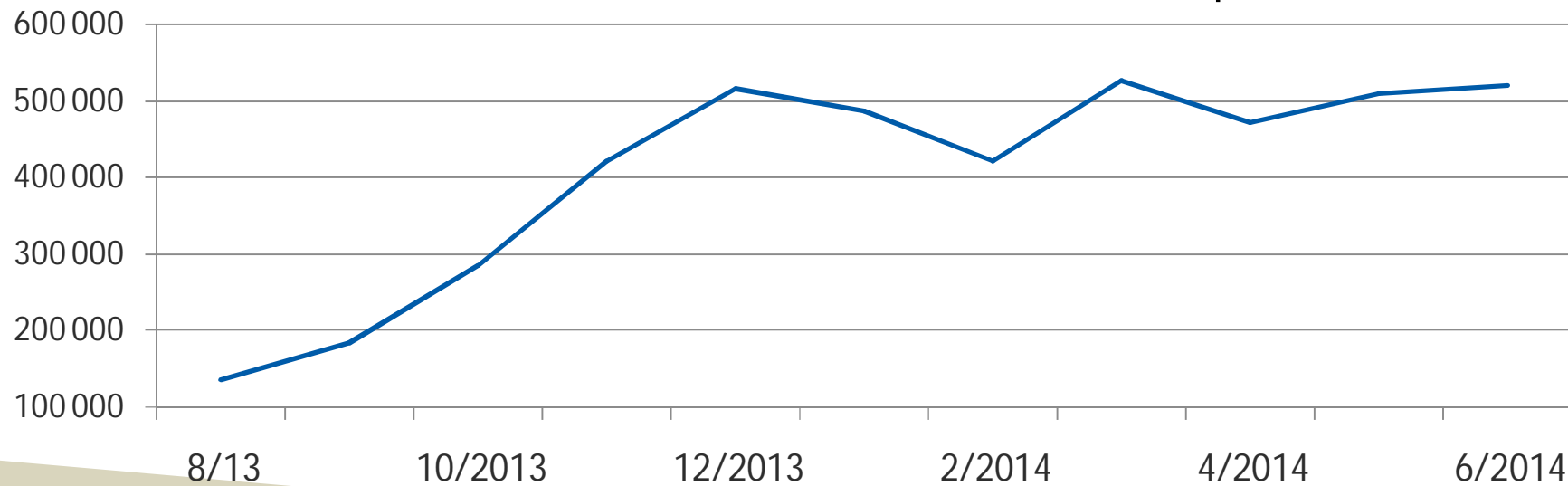
Pearl Plaza shopping centre: opened on 24 Aug. 2013

- Phase I: MEUR 140, scope 92,000 m2. SRV's holding 50% and investment MEUR 23
- SRV is responsible for shopping centre management and leasing; about 96% of the space has been leased out
- Annual rental income target about MEUR 18. Footfall has developed favourably
- Phase II design started: about 30% of premises reserved



<http://pearlplaza.ru/>

Pearl Plaza; Footfall Data (total number of visitors per month)



SRV's shopping centre projects in Russia 2.

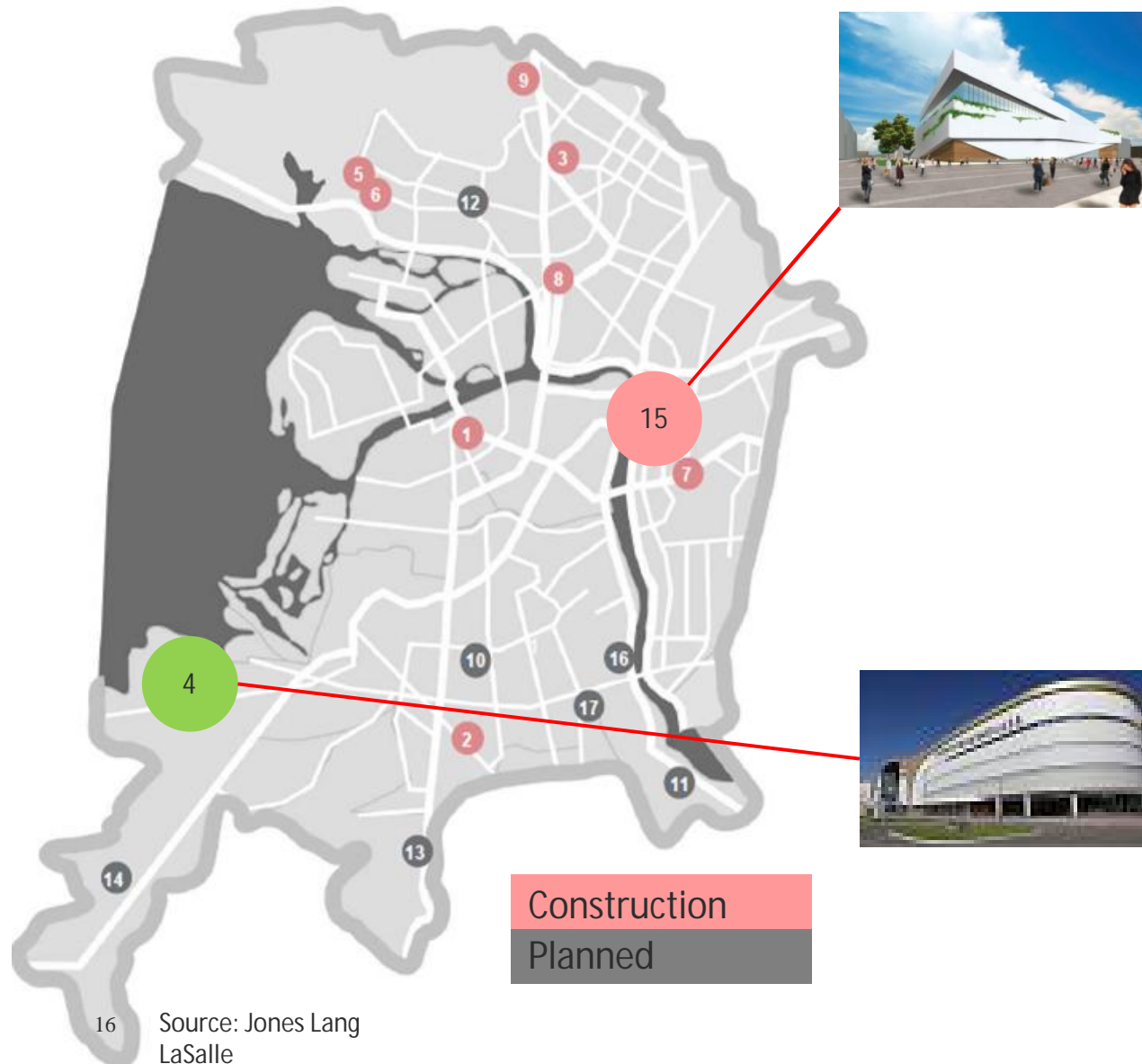
Okhta Mall shopping centre: opening in spring 2016

- Part of SRV's large-scale construction project in the Okhta area
- Ownership: Russia Invest¹ 55%, SRV 45% (+ indirect holding 15%)
- SRV is responsible for commercialisation and construction; the agreements are valued at about MEUR 140
- Current investment budget is about MEUR 225 and the scope of the shopping centre is 144,000 m²
- The financing plan is based on capital investments of about MEUR 115 from the owners as well as a bank loan of about MEUR 110
 - Bank financing is progressing; loan agreement negotiations are expected to be concluded in summer 2014
- Signed lease agreements and preliminary lease agreements have been already made for 40% of the leasable space
- Annual rental income target is about MEUR 33

1. An investment company owned by SRV, Ilmarinen, Sponda, Etera and Onvest



Upcoming modern 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
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

SRV's shopping centre projects in Russia 3.

Promenade shopping centre: opening in early 2016

- SRV's development project that will be built in the city of Mytishi in the Greater Moscow Area
- Investors: SRV (19%), Blagosostoyanie¹ (55%) and Vicus² (26%). SRV's total holding in the project is 20%, accounting for SRV's 6.4% stake in Vicus
- SRV is responsible for commercialisation and construction; the agreements are valued at about MEUR 50 and are not included in the order backlog as at 30 June 2014
- Value of the investment is MEUR 75 and the scope is 26,000 m². Negotiations for a long-term project loan of about MEUR 40 are ongoing
- Preliminary lease agreements have already been made for 60% of the leasable space
- Annual rental income target is about MEUR 10
 1. Russia's second-largest non-state-owned pension fund
 2. A Finnish property investment company



REDI shopping centre and car park

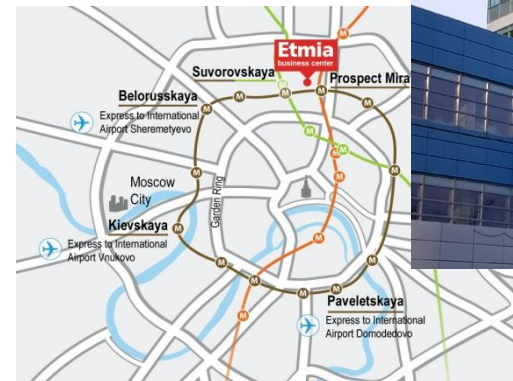
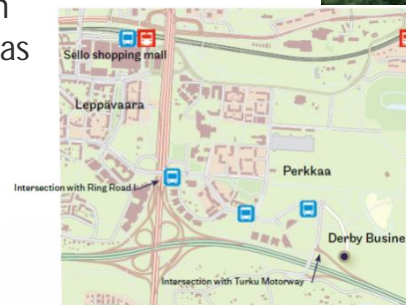
- Leasing of REDI is progressing
 - REDI will be a unique shopping centre in Finland - customer flows will be directed to the centre from many levels. Leasing negotiations are under way with anchor tenants and a wide range of potential tenants. If the ongoing lease negotiations lead to agreements, 70% of the retail space would be leased out
 - SRV estimates that the lease agreements signed by the end of the year account for about 20-30% of the retail space
- Investor negotiations are ongoing
 - SRV will own 40-50% of REDI and its investment will amount to about MEUR 90-120
- Financing negotiations are ongoing
 - On the basis of ongoing financing negotiations, SRV estimates that project financing will cover 50% of the investment
- Total investment amounts to about MEUR 450
 - A contractor agreement for construction will be signed with the financing and investor agreements
 - Value of the contractor agreement is about MEUR 400



- REDI will be Finland's first shopping centre that can be easily reached by public bus, metro, tram, car, bicycle, walking – and even by boat
- 500,000 people live within a 15 minutes' drive from REDI and 1.1 million within 30 minutes
- Each day, more than 100,000 cars use the three main roads that pass through Kalasatama, and the Helsinki city centre is only six minutes away by metro

Ready-for-sale business properties

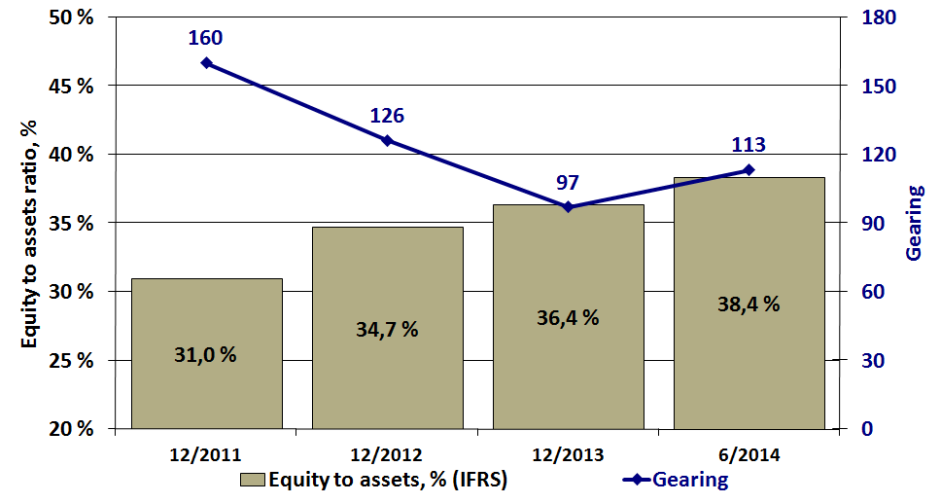
- **Derby Business Park, Espoo**
 - SRV-developed business property project concerning three office buildings in Perkkää, Espoo, which borders the new intersection on the Turku motorway
 - Occupancy rate 95%, almost 600 parking spaces.
 - Phase I (incl. SRV's head office) was completed in 8/2012. Phase II (incl. Siemens' head office) was completed in 6/2013
 - SRV estimates that, if fully leased, the office premises will generate about MEUR 4.2-4.3 in annual rental income in 2014
 - Measures to sell the property are underway
- **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. SRV's investment amounts to MEUR 2
 - The property is fully leased out, and the rental income for 2014 is estimated at MEUR 4
 - Sales measures are ongoing. However, considering the current market situation, it is unlikely that it will be sold to investors in 2014



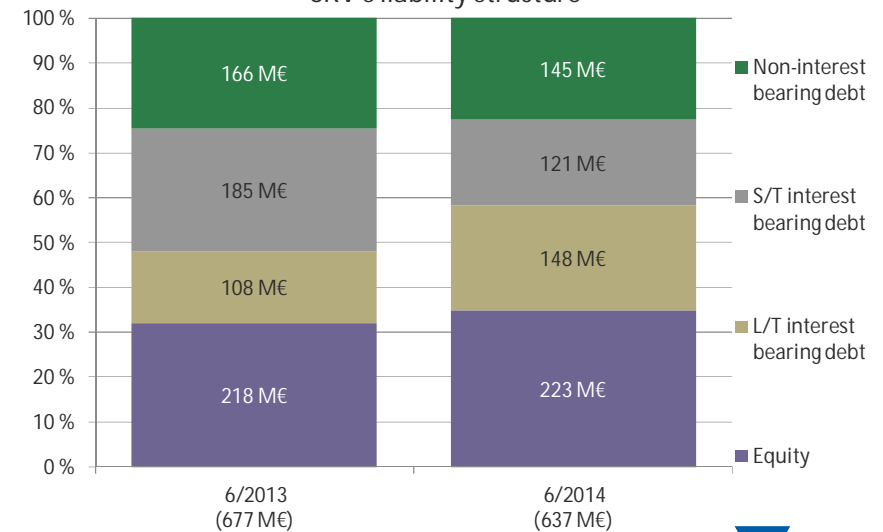
SRV's financial position remains strong

- Good financing reserves to start up own projects
 - Equity ratio 38.4%
 - Group's financing reserves: MEUR 153
 - Ready-for-sale commercial projects are an additional financing reserve
- Financing for the completion of own construction in Finland has been secured
 - About MEUR 11 more will be committed to construction
 - Undrawn project loans and receivables amount to about MEUR 28
 - Does not include the amount to be invested in REDI when the project is started up
- Concerted effort to develop the balance sheet structure
 - Structure of interest-bearing debt is balanced
 - Short-term debt MEUR 121 (45%)
 - Long-term debt MEUR 148 (55%)

Equity to assets ratio and Gearing



SRV's liability structure



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 (MEUR 679.4 1-12/2013) and profit before taxes to amount to MEUR 10–20 (MEUR 22.8 1-12/2013).

Appendices

Domestic Operations

	1-6/ 2014	1-6/ 2013	change MEUR	change %	4-6/ 2014	4-6/ 2013	1-12/ 2013
Revenue, MEUR	255.3	264.0	-8.6	-3.3%	131.0	128.9	574.8
• business construction	151.5	142.1	+9.3	+6.6%	82.5	74.6	319.2
• housing construction	103.9	121.8	-17.9	-14.7%	48.5	54.3	255.5
Operating profit, MEUR	13.7	6.1	+7.6	+124.1%	7.0	2.7	21.4
Operating profit, %	5.4%	2.3%			5.4%	2.1%	3.7%
Order backlog, MEUR	920.0	771.6	+148.4	+19.2%			645.8
• business construction	633.1	458.7	+174.4	+38.0%			392.8
• housing construction	286.9	312.9	-25.9	-8.3%			253.0

- Revenue down and operating profit up
 - Revenue was supported by the growth in both business construction and SRV's housing development contracting. However, revenue from developer-contracting projects decreased due to the significant contraction in sales of housing projects to consumers.
 - Growth in operating profit was driven by improved construction margin management, more efficient purchasing and higher development project volumes
- Order backlog grew to MEUR 920
- Focus has been shifted to developer-contracted and development projects
 - The aim is to reduce the amount of low-margin contracting in the order backlog and increase the share of negotiated contracts and own projects

International Operations

	1-6/ 2014	1-6/ 2013	change MEUR	change %	4-6/ 2014	4-6/ 2013	1-12/ 2013
Revenue, MEUR	26.6	73.9	-47.3	-64.1%	12.4	50.4	104.7
Operating profit, MEUR	-0.9	11.5	-12.4	-108.1%	-0.4	12.3	10.0
Operating profit, %	-3.5%	15.6%			-2.9%	24.5%	9.5%
Order backlog, MEUR	126.9	187.6	-60.7	-32.3%			180.1

- Revenue decreased
 - Construction of the Okhta Mall shopping centre generated most of the revenue
 - Revenue in the comparison period (2013) was improved by the construction volume of the final phase of the Pearl Plaza shopping centre as well as the sale of the Okhta Mall shopping centre project and its fair value change
- Operating profit down
 - The level of operating profit is affected by the elimination of a share equivalent to the holding of SRV's associated company from the profit margin for construction. 60% is eliminated from the profit margin of the construction of the Okhta Mall
 - Operating profit for the comparison period (2013) included capital gains from the sale of the Okhta Mall shopping centre project and the fair value change of SRV's holding

SRV Group

	1-6/ 2014	1-6/ 2013	change MEUR	change %	4-6/ 2014	4-6/ 2013	1-12/ 2013
Revenue, MEUR	281.6	337.8	-56.2	-16.6%	143.1	179.4	679.4
Operating profit, MEUR	9.3	14.9	-5.6	-37.4%	4.9	13.7	26.4
Operating profit, %	3.3%	4.4%			3.4%	7.6%	3.9%
Financial income and expenses, MEUR	-3.8	-0.9	-2.9	+315.3%	-1.5	-0.4	-3.6
Profit before taxes, MEUR	5.6	14.0	-8.4	-60.3%	3.4	13.3	22.8
Order backlog, MEUR	1 047.0	959.2	+87.8	+9.2%			825.8
New agreements, MEUR	502.0	424.5	+77.4	+18.2%	317.3	384.5	600.7
EPS, EUR	0.05	0.32	-0.27		0.04	0.35	0.39
Equity ratio, %	38.4	35.2					36.4

- Revenue, operating profit and earnings decreased
 - Profitability in the comparison period (2013) was increased by capital gains from the sale of the Okhta Mall shopping centre project, the fair value change of the holding and interest income from the associated company Etmia II
- Equity ratio is strong
- Order backlog and new agreements are robust
 - SRV successfully increased its new order backlog; the sales risk of the order backlog is small
 - MEUR 873 of the order backlog has been sold, representing 83% of the backlog