SRV – Building for Life

Interim Report
1-9/2014

Jukka Hienonen
President and CEO

5 Nov. 2014

SRV
Elämäsi rakentaja

The three cornerstones of our business

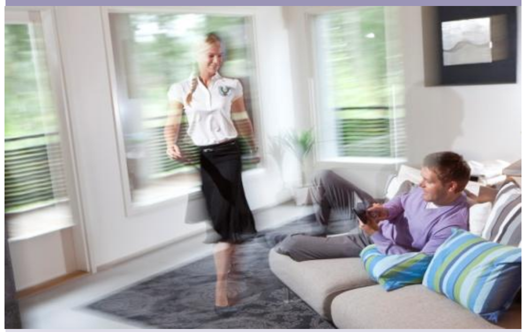
1-9/2014

Domestic Operations
92% of the Group's revenue

Business construction
66%*

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

Housing construction
34%*



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

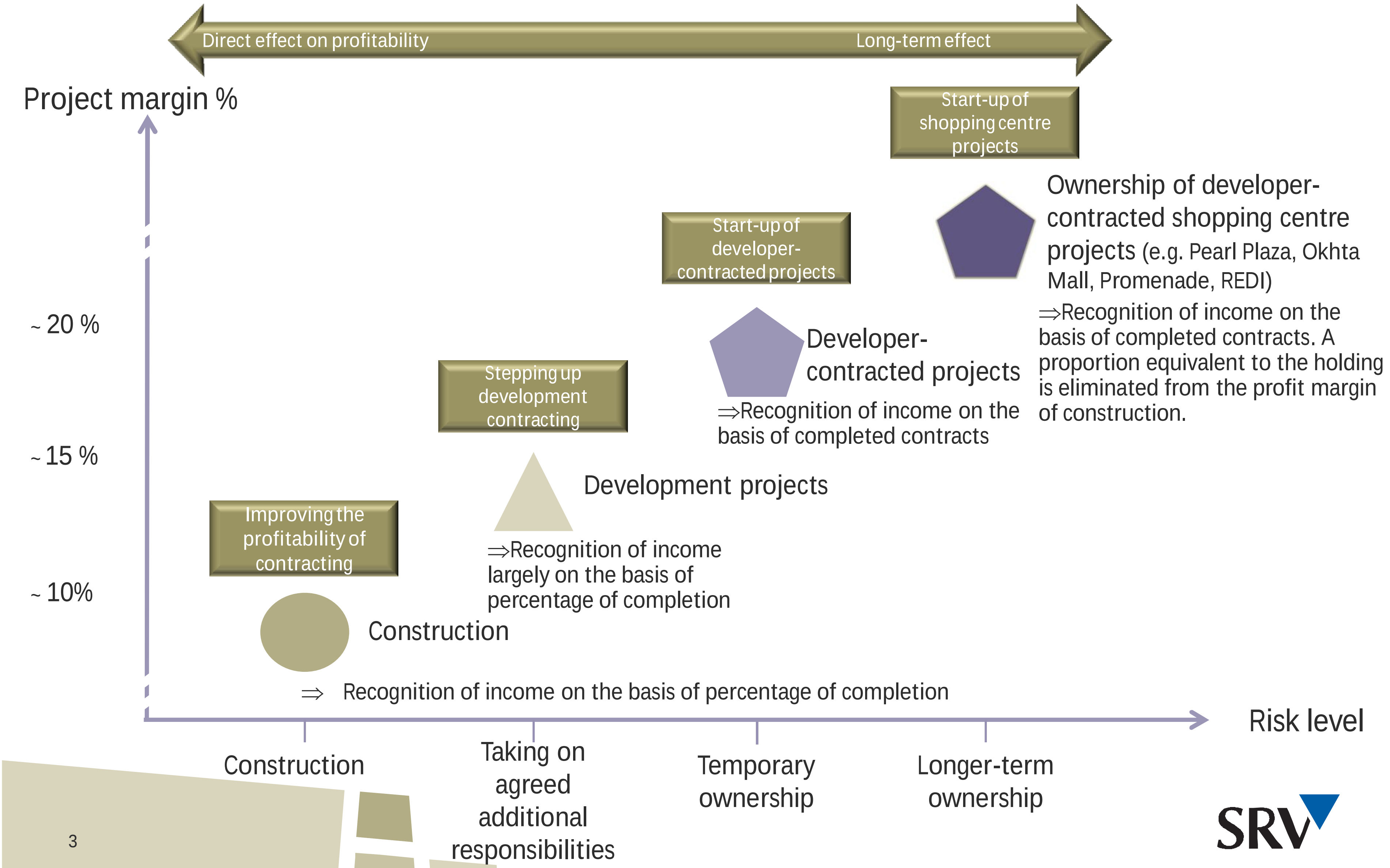
International Operations
8% of the Group's revenue

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

*share of revenue from operations in Finland

SRV

Focus on measures to increase profitability



1-9/2014 – Focusing of operations has yielded results

Developer-contracted shopping centre projects	Pearl Plaza, St. Petersburg opened 8/2013	+	Footfall developing positively; footfall nearly 600,000 in August. 97% of space leased.
	Okhta Mall, St. Petersburg opening H1/2016	+	Construction proceeding. Estimated cost savings €25m. Financing secured.
	Promenade, Moscow opening H1/2016	+	Investor solution realised, construction proceeding. Bank loan negotiations under way.
	REDI, Helsinki opening H1/2018	+	€240m letter of intent signed with investor group. Objective: concluding JV agreement and agreeing bank financing during latter part of year.
Developer-contracted projects	Housing production for consumers	+ -	Q3/14: consumer sales picked up, 111 new start-ups. 1-9/14: consumer sales declined. Number of completed housing units less than half vs. 1-9/13.
		+	Based on demand generated by advance marketing, decision made to start construction of 304 housing units.
	Business premises projects	+/-	Derby sale increased revenue but weakened relative profitability of Domestic Operations.
Development projects	Rental housing in Finland	+	384 self-developed housing units (316) sold to investors. 767 self-developed units under construction.
Construction	Domestic Operations	+	Improved construction profitability has yielded results.

1-9/2014 in brief

- Group's order backlog €944m (€911.5m)
  - New agreements €592m
  - Order backlog mostly comprises contracting; sold share of order backlog €817m (87%)
- Domestic Operations' profitability continued to grow
  - Operating profit in Finland was €19.8m (€13.4m); operating profit margin was 4.4% (3.2%)
  - Total housing sales 550 (584). Sales to investors grew, sales to consumers declined, but picked up in Q3/14
  - 92% of housing production sold. 60% of production developed by SRV
- Consilidated revenue, operating profit, earnings and EPS declined
  - Profitability of International Operations in the comparison period 1-9/2013 was improved by capital gain on sale of 55% of Okhta Mall project, a €8.3m change in the fair value of the holding, and financial income from an associated company.
  - Domestic housing construction revenue and profitability volume was affected by fall in number of completed housing units
- Full-year profitability outlook revised

SRV

1-9/2014 in brief

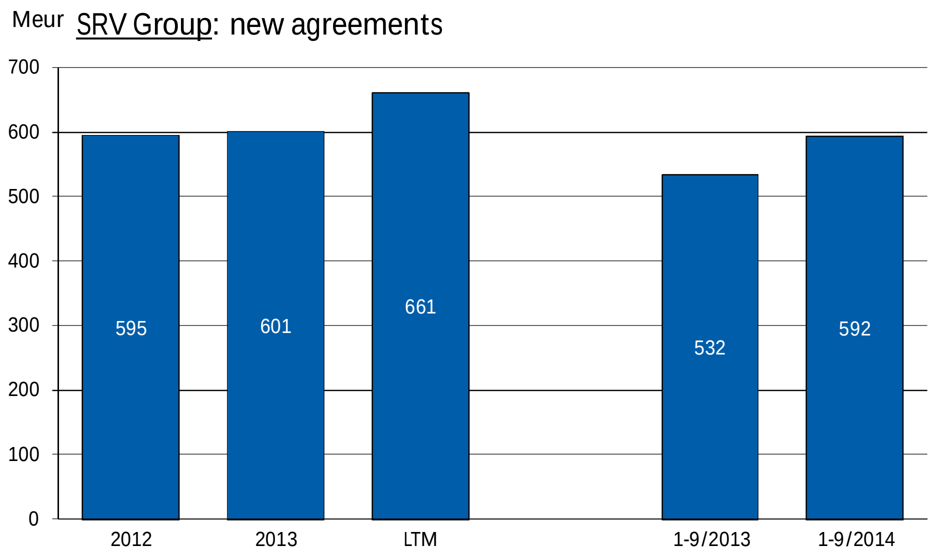
	1-9/ 2014	1-9/ 2013	change, MEUR	change, %	1-12/ 2013
● Revenue, MEUR	490.6	507.8	-17.2	-3.4%	679.4
● Operating profit, MEUR	15.3	21.8	-6.5	-29.7%	26.4
● Operating profit, %	3.1%	4.3%			3.9%
● Profit before taxes, MEUR	11.3	19.2	-7.9	-41.1%	22.8
● Order backlog [1], MEUR	944.1	911.5	+32.6	+3.6%	825.8
● Equity ratio [1], %	38.9	39.3			36.4
● Earnings per share, EUR	0.19	0.38	-0.19		0.39
● Share price [1], EUR	3.67	4.41	-0.74	-16.8%	4.05
● Equity per share [1], EUR	5.14	4.95	+0.20	+4.0%	4.99
● Share price/NAV [1], %	71.3 %	89.1 %			81.2 %

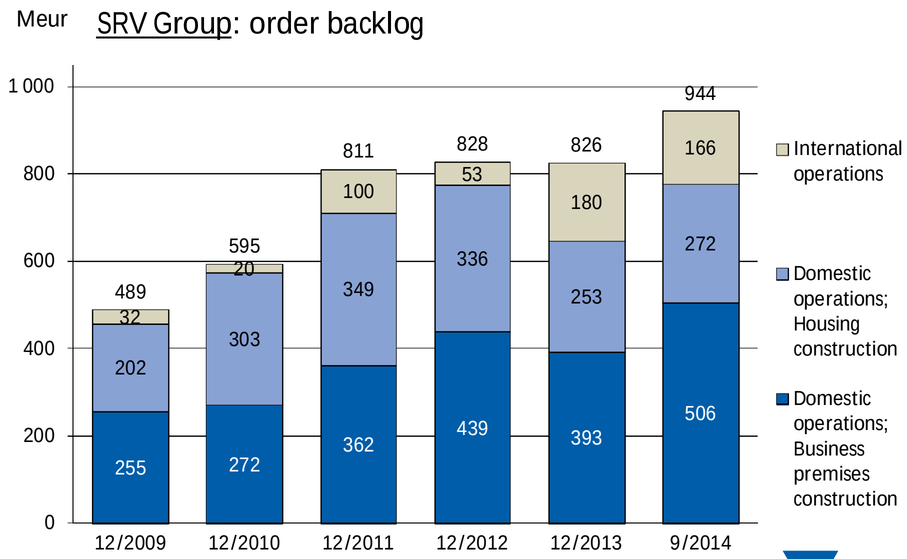
1) At the end of the period

Order backlog remained at high level

- Number of new agreements grew
  - Efforts to obtain new contracts were successful
  - Consumer-directed housing start-ups will be stepped up
    - Start-up decisions made for 304 units
    - These units are not included in either the order backlog or new agreements

- Order backlog €944m
  - The sales risk of the order backlog is low
  - The sold unbuilt order backlog amounts to €817m (87%)
    - In Finland, the share of business premises contracting and rental housing development contracting grew





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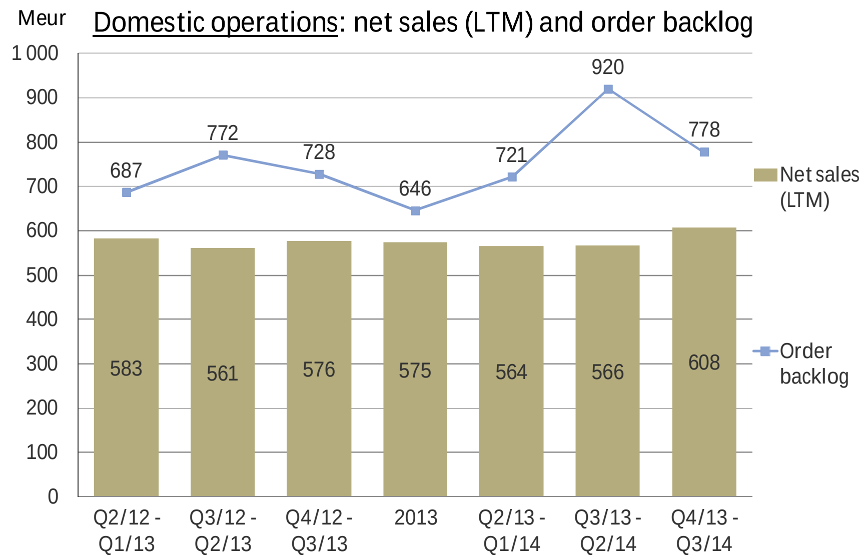
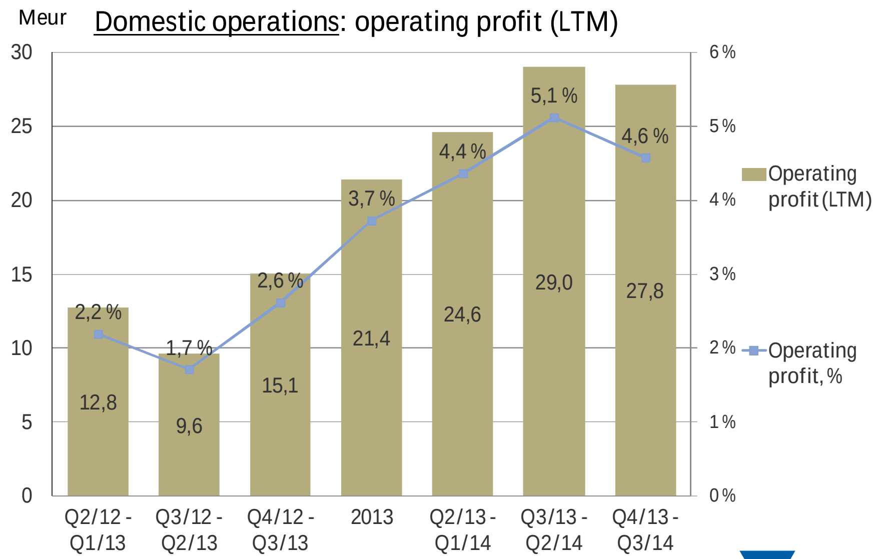
Domestic Operations' profitability improved

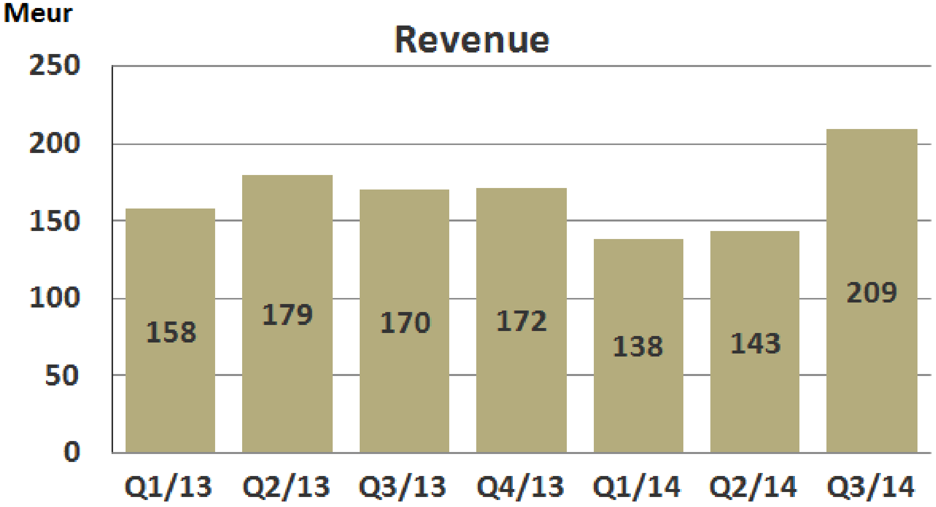
- Domestic revenue has remained at a good level as order backlog continues to grow
  - Domestic order backlog €778m
    + €50m vs. Q3/13
    + €132m vs. Q4/13
  - Derby sale reduced order backlog vs. Q2/14
- Domestic profitability has developed positively
  - Critical stance towards fixed-price contracting
    - Margin target levels set for contract offers, concerted efforts to develop on-site implementation and procurement, and volume of development projects increased
  - Operating profitability positive in Q3/14
    - Operating profit level affected by Derby sale and low volume of completed own housing production





SRV

SRV Group


Meur
Revenue
250
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150
100
50
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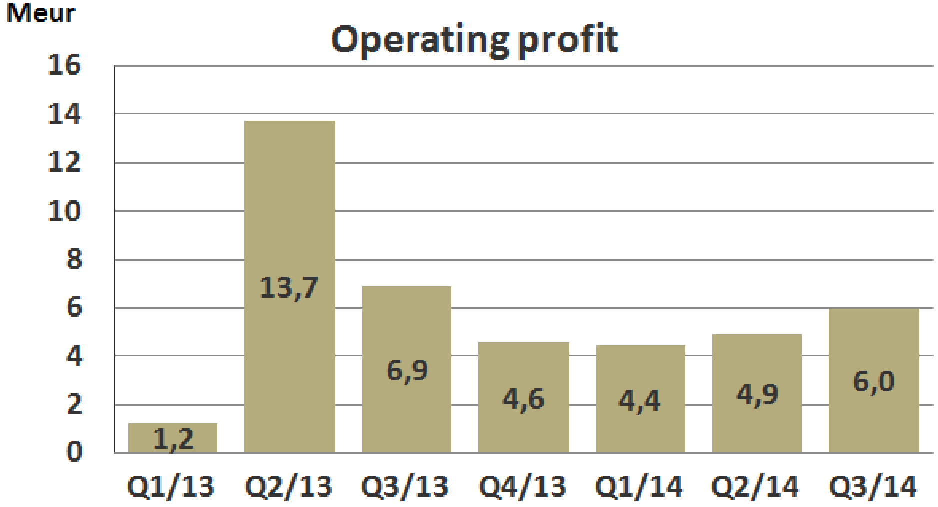
158
179
170
172
138
143
209
Q1/13
Q2/13
Q3/13
Q4/13
Q1/14
Q2/14
Q3/14


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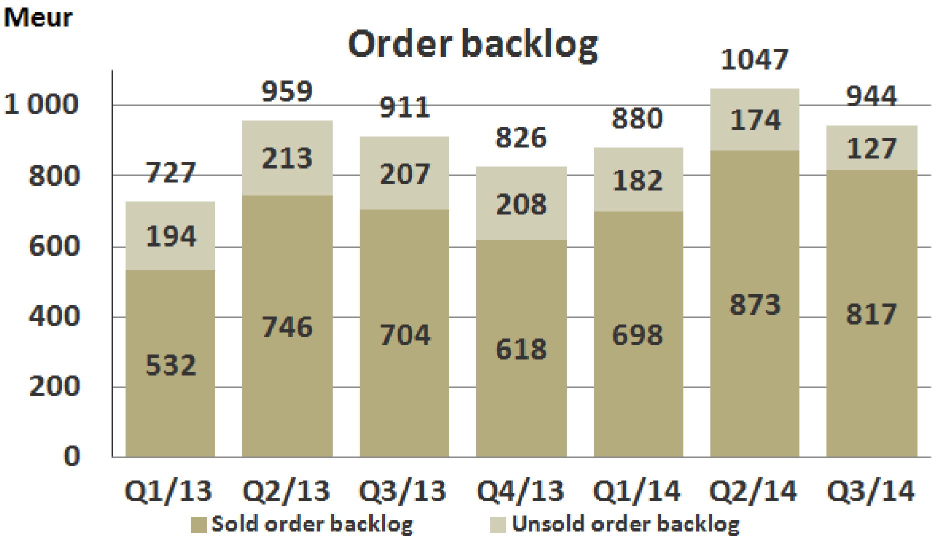
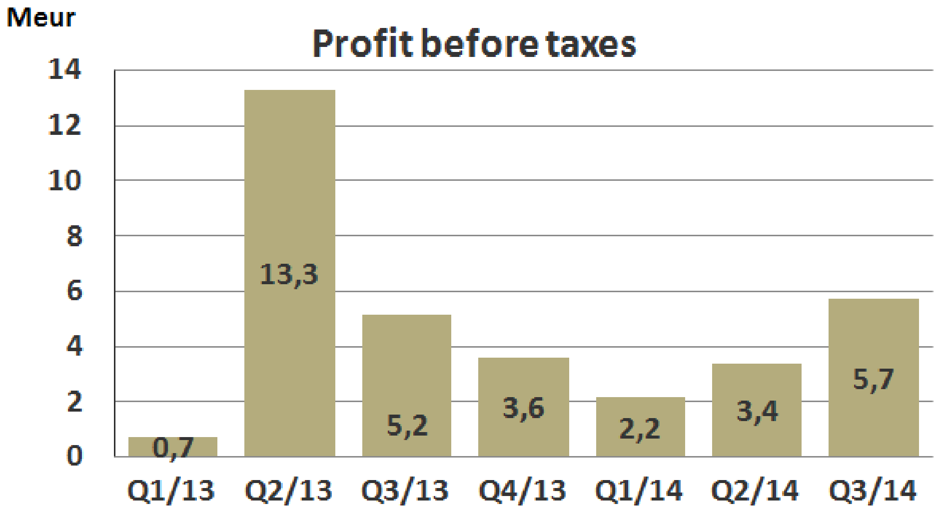
Q1/13
Q2/13
Q3/13
Q4/13
Q1/14
Q2/14
Q3/14


Meur
Order backlog
1 000
800
600
400
200
0
727
194
532
959
213
746
911
207
704
826
208
618
880
182
698
1047
174
873
944
127
817
Q1/13
Q2/13
Q3/13
Q4/13
Q1/14
Q2/14
Q3/14
Sold order backlog
Unsold order backlog


Meur
Profit before taxes
14
12
10
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6
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3,6
2,2
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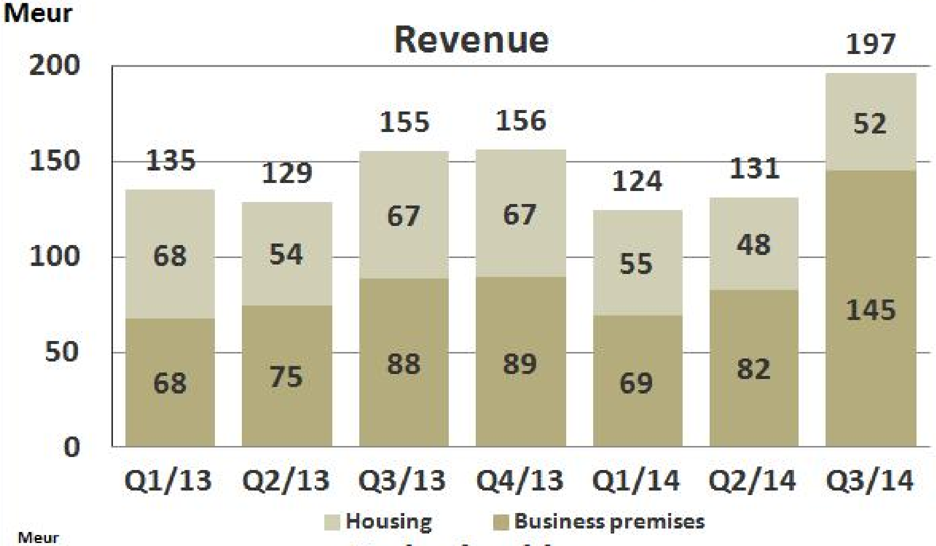
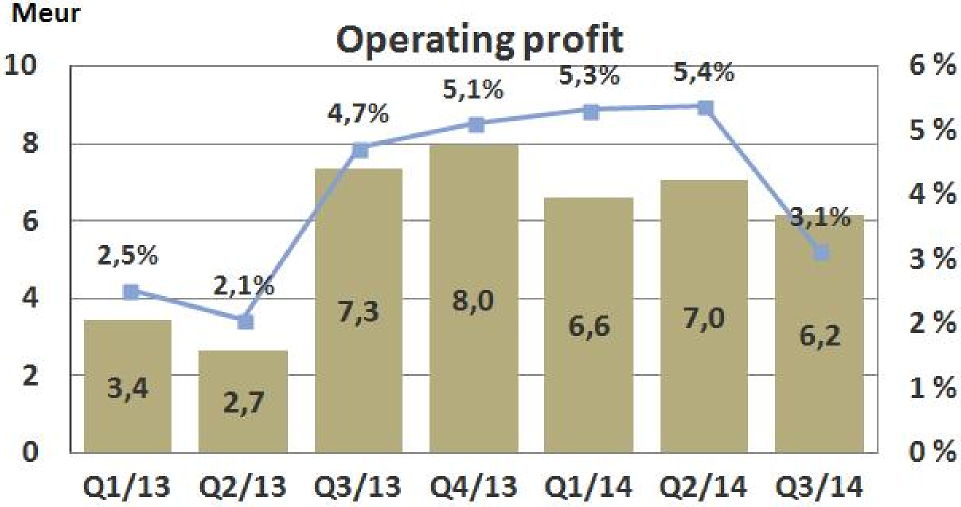
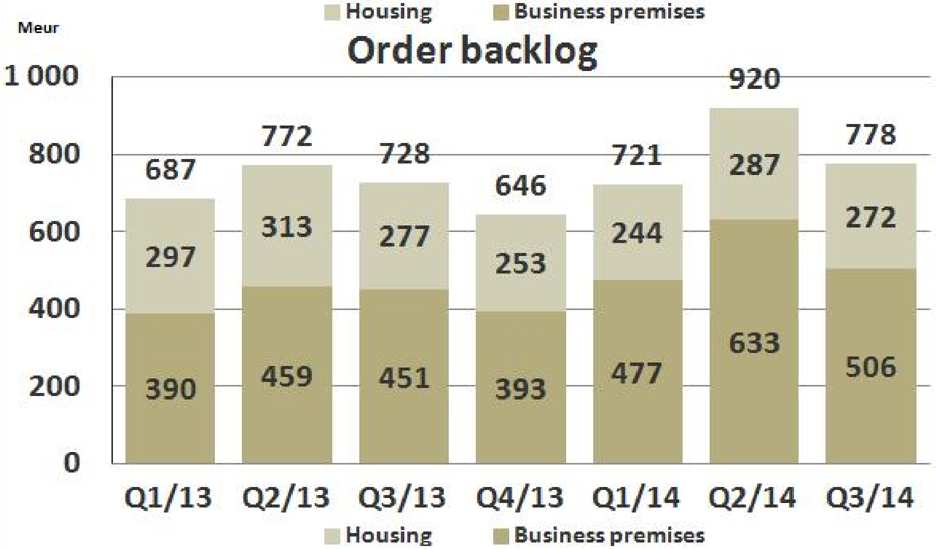
Q1/13
Q2/13
Q3/13
Q4/13
Q1/14
Q2/14
Q3/14

Domestic operations







Domestic Operations
92% of the Group's revenue

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66 %*

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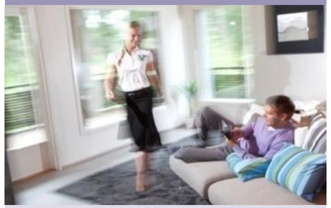
Housing construction
34 %*

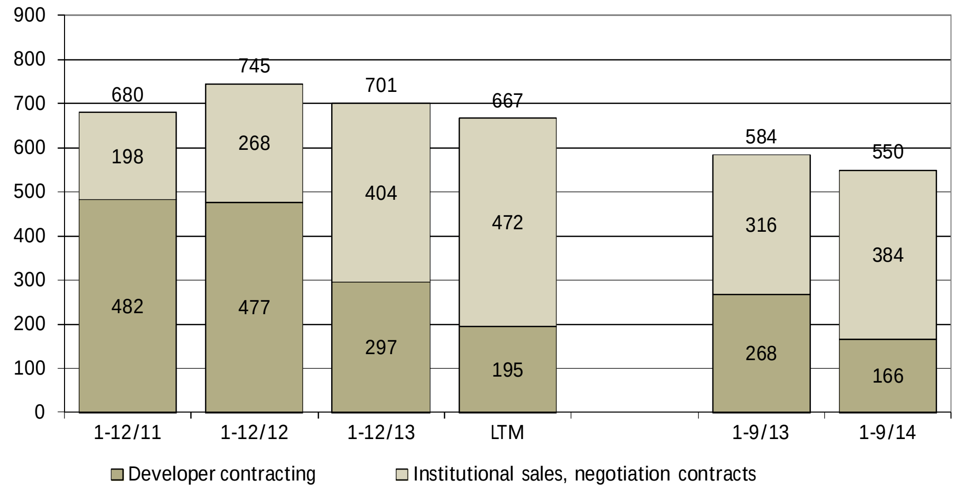


- Owner-occupied housing
- Rental housing
- Regional development projects

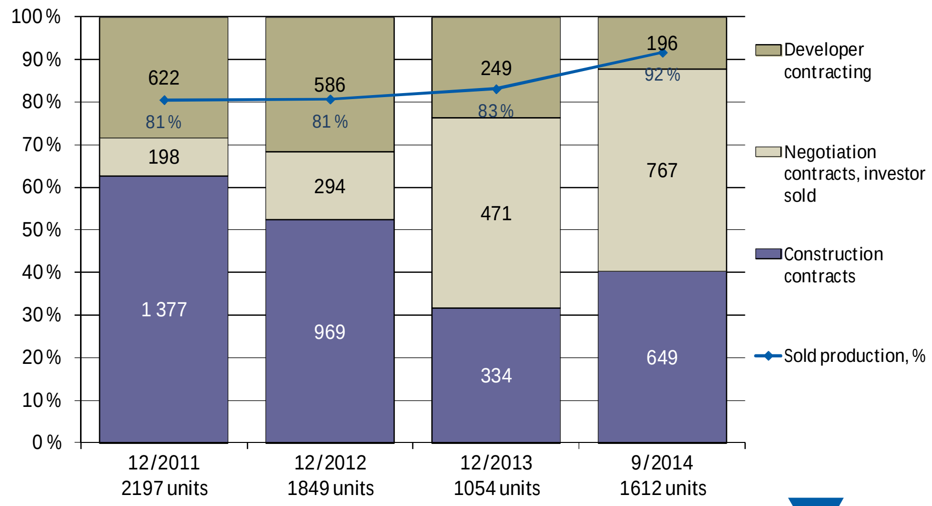
Total sales of housing units contracted moderately

- Total sales of housing production developed by SRV fell by 6%
  - 384 rental housing units developed by SRV were sold to investors (316 1-9/13)
  - 166 consumer-directed housing units were sold 166 (268 units 1-9/13), consumer demand picked up significantly during September Q3/14
- 92% of housing units under construction have been sold
  - 60% were developed by SRV
  - Start-ups of new consumer-directed housing units have been increased – only 12% of ongoing production is developer-contracted output

SRV's housing sales in Finland (units)

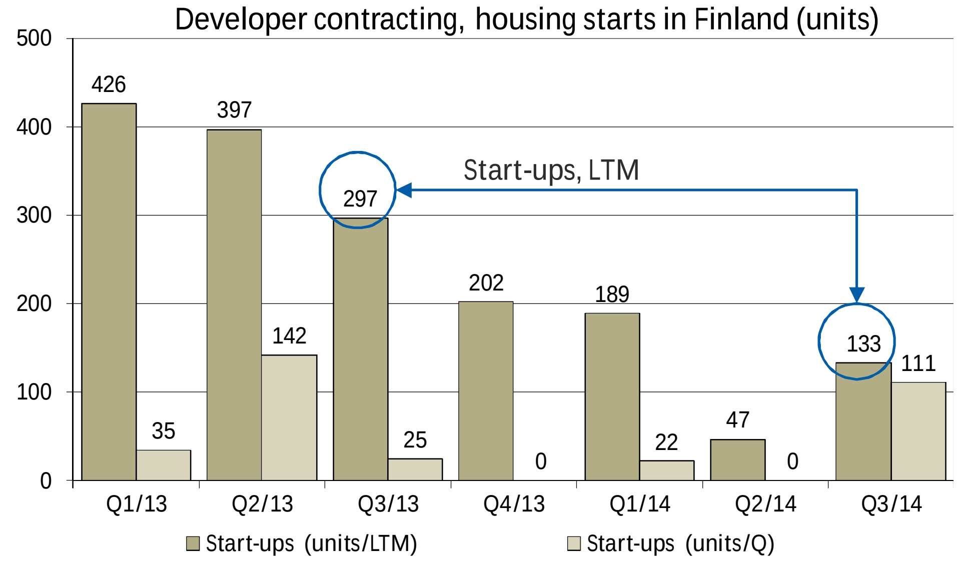


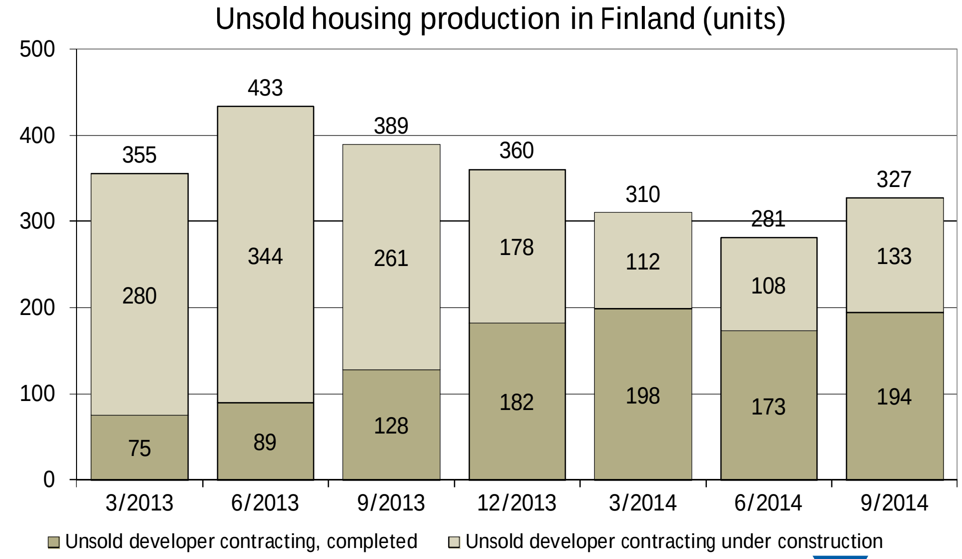
Housing production under construction in Finland (units)



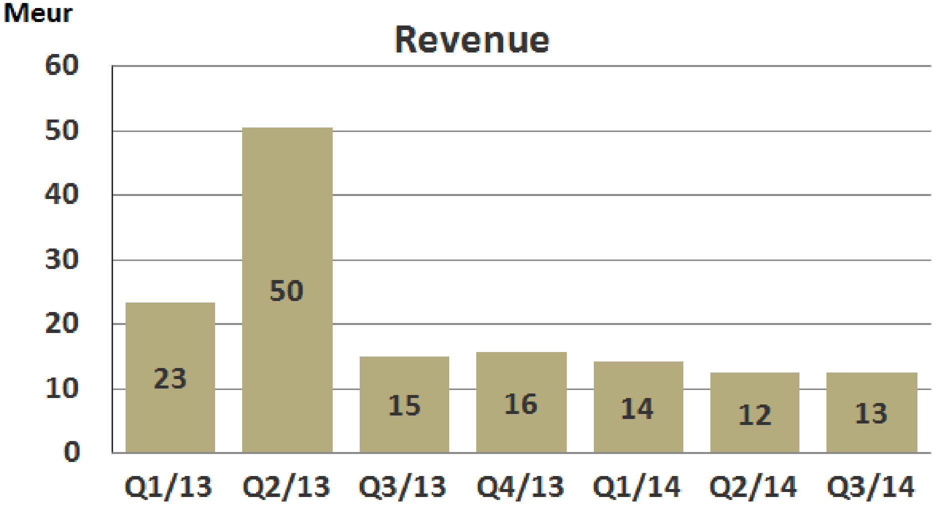
Decision made to increase own housing production start-ups

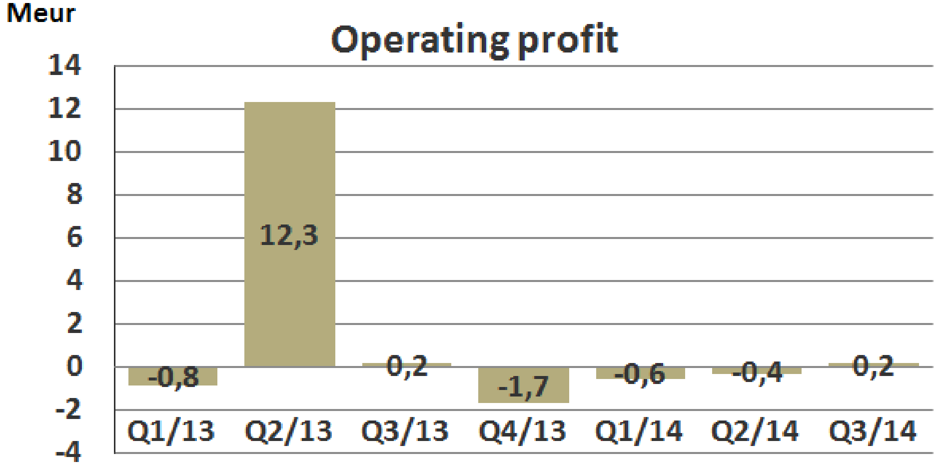
- SRV reacted to decline in consumer sales by reducing start-ups in Q3/13-Q2/14
  - SRV started construction of 111 new units in Q3/14
  - On the basis of advance marketing, SRV has decided to start construction of 304 new units
    - 236 housing units will be started in Helsinki, 38 in Tampere and 30 in Turku 30. The units will be transferred to the order backlog when construction begins
- Sales risk of consumer-directed output controlled
  - 327 housing units remain unsold (389 units in 9/2013)
    - Number of completed units remained stable
    - Although 111 new units were started during Q3/2014, the unsold volume of units under construction is small

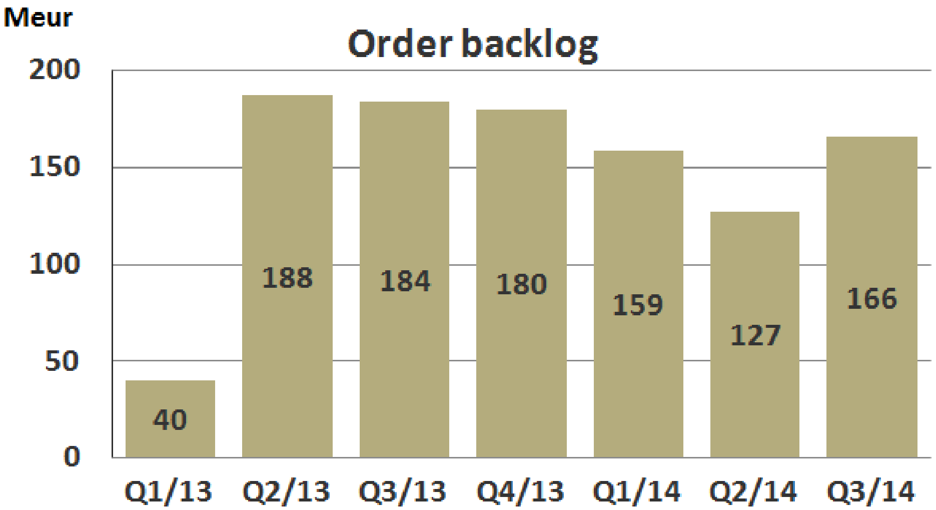




International operations







International Operations
8% of the Group's revenue

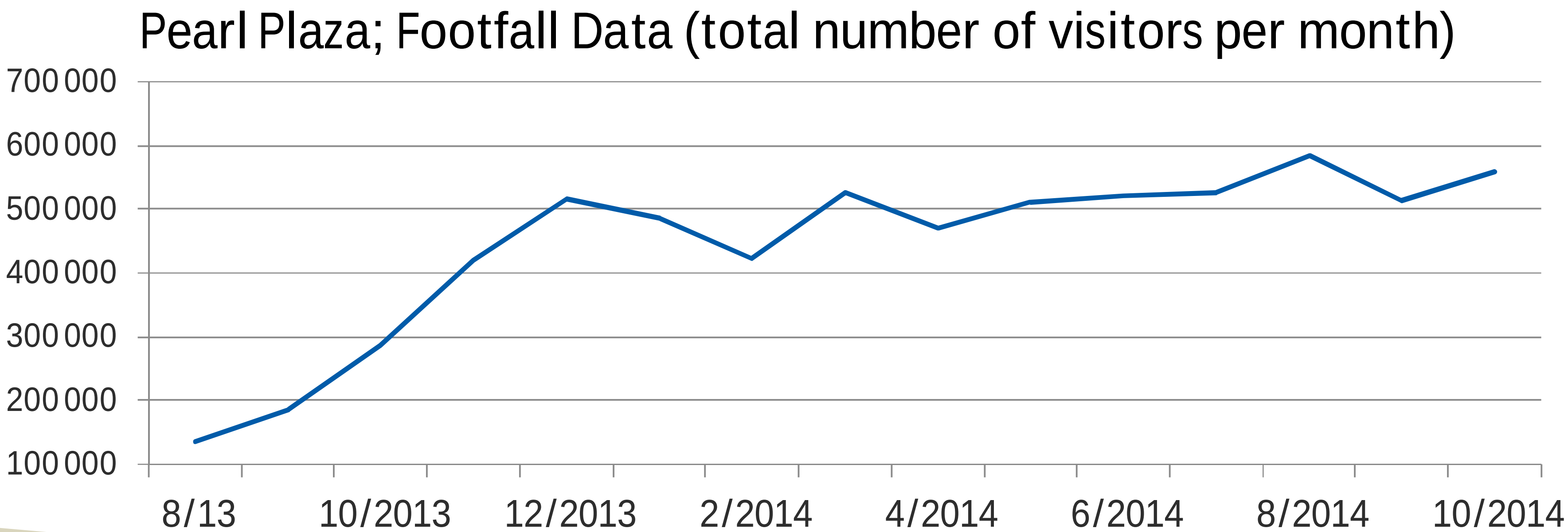
- Shopping centres
- Shopping centre management
- Other business premises projects

SRV's shopping centre projects in Russia 1.

Pearl Plaza shopping centre: opened 24 August 2013

- Phase I: €140m, scope 92,000 m2. SRV's holding 50% and investment €23m
- SRV is responsible for shopping centre management and leasing; around 97% of the space has been leased
- Annual rental income target around €18m. Footfall has developed favourably
- Phase II design has started, around 20% of the space has been reserved

http://pearlplaza.ru/



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SRV’s shopping centre projects in Russia 2.

<u>Okhta Mall shopping centre</u>: opening in spring 2016

- Part of large-scale project to be built in Okhta area
- Ownership: Russia Invest[1] 55%, SRV 45 % (+ indirect holding 15%)
- SRV is responsible for commercialisation and construction; the agreements are valued at around €140m
- Current investment budget is around €225m and the scope of the shopping centre is 144,000 m2
- Financing is based on capital investments of around €115m and a bank loan of around €112.9m.
- Signed lease agreements and preliminary lease agreements have been signed for 33% of leasable space
- The annual rental income target is around €33m.

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

SRV

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

Source: Jones Lang LaSalle

SRV's shopping centre projects in Russia 3.

<u>Promenade shopping centre</u>: opening in early 2016

- SRV development project under construction in city of Mytishi, Greater Moscow Area
- Investors: SRV (19%), Blagosostoyanie[1] (55%) and Vicus[2] (26%). SRV's total ownership is around 20%, taking into account SRV's 6.4% ownership of Vicus.
- SRV is responsible for commercialisation and construction. SRV signed project management contracts values at around €50m in July
- Investment value €75m and leasable space 26,000 m2. Negotiations on a long-term project loan of around €40m are under way
- Preliminary lease agreements already signed for over 60% of leasable space
- Annual rental income target around €10m

1. Russia's second-largest non-state-owned pension fund
2. A Finnish real-estate investment company

Financing structure of SRV's key projects in Russia

	Status	NOI target	SRV's ownership	SRV's additional investment	Project's bank loan	Other information
Pearl Plaza, St. Petersburg	Completed, 97% leased	€18m	50%	€0m	€95m	SRV's investment €23m
Etmia, Moscow	Completed, 100% leased	€4m	50%	€0m	€33m	SRV's investment €2m
Okhta Mall, St. Petersburg	Under construction, will be completed in H1/2016	€33m	45% (+15%)	€9m	€112.9m	Owners' investment approx. €115m, mostly invested already
Promenade, Moscow	Under construction, will be completed in H1/2016	€10m	20%	€1.5m	(target €40m)	Owners' investment €35m. Negotiations ongoing for a €40m bank loan.

REDI shopping centre and car park

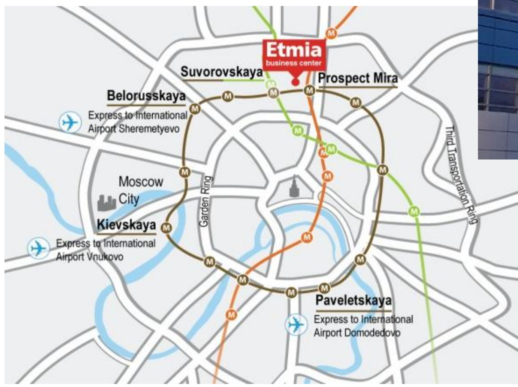
- REDI leasing is proceeding
  - In addition to anchor tenants, leasing negotiations are under way with a wide range of other tenants. If ongoing negotiations lead to agreements, 70% of the retail space would be leased
  - Final and preliminary lease agreements have already been signed for around 20% of the retail space
- Ownership base secured by letter of intent
  - €240m letter of intent signed in September covers the amount of capital required from the owners. Objective is to sign final JV agreement during November
  - SRV's ownership 45% of REDI and SRV's investment around €110m
- Bank financing negotiations under way
  - Based on the financing negotiations under way, SRV estimates that project financing will cover around 50% of the investment
- Total investment around €480m
  - A construction contract will be signed in connection with investors and financing agreements
  - The contract value is around €400m and will be transferred to the order backlog after signing
  - Construction can begin quickly after total financing is secured

- REDI will be the first shopping centre in Finland to be easily reachable 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
- Over 100,000 vehicles a day use the three main roads that pass through Kalasatama, and Helsinki city centre is only six minutes away by metro

SRV

Ready-for-sale business premises

- Etmia II & III office building, Moscow
  - SRV-developed project office in Moscow
  - Location next to Prospekt Mira metro station; Etmia II was completed in Q4/2009; Etmia III expansion 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 €2m
  - The property is fully leased and the rental income for 2014 is estimated to be around €4m
  - Measures to sell the property are under way. In the current market situation, however, a sale to investors is unlikely during 2014



SRV adjusts outlook for 2014

- SRV revises its outlook for full-year profitability and reiterates its outlook for full-year revenue. The development of revenue and result in 2014 are 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, and the start-up of new contracts and own projects. The construction of the REDI shopping centre that SRV is developing in Kalasatama is expected to start in late 2014. Based on current completion schedules, SRV estimates that a total of 249 developer-contracted housing units will be completed during 2014.

- The Group's full-year revenue is expected to be on par with the previous year (€679.4m 1-12/2013) and profit before taxes to amount to €14-20m (€22.8m 1-12/2013).

- Previous outlook: The Group's full-year revenue is expected to be on a par with the previous year (€679.4m 1-12/2013) and profit before taxes to amount to €10-20m (€22.8m 1-12/2013).

Appendices

Domestic Operations

	1-9/ 2014	1-9/ 2013	change MEUR	change %	7-9/ 2014	7-9/ 2013	1-12/ 2013
Revenue, MEUR	451.9	418.9	+32.9	+7.9%	574.8	451.9	418.9
• business construction	296.4	230.2	+66.2	+28.7%	319.2	296.4	230.2
• housing construction	155.6	188.7	-33.2	-17.6%	255.5	155.6	188.7
Operating profit, MEUR	19.8	13.4	+6.4	+47.6%	21.4	19.8	13.4
Operating profit, %	4.4%	3.2%			3.7%	4.4%	3.2%
Order backlog, MEUR	777.8	727.8	+50.1	+6.9%	645.8	777.8	727.8
• business construction	505.6	451.1	+54.4	+12.1%	392.8	505.6	451.1
• housing construction	272.3	276.6	-4.4	-1.6%	253.0	272.3	276.6

- Revenue and operating profit up
  - Growth of business construction revenue was influenced by the Derby sale. The sale had a minor impact on operating profit
  - Completions of consumer-directed housing production declined to less than half, which reduced the volume of housing construction revenue and margin
  - Growth of operating profit was driven by improved contract margin management, more efficient purchasing and higher development project volume
- Order backlog grew to €778m
- Focus has shifted to developer-contracted and development projects
  - The aim is to reduce the amount of low-margin contracting and increase the share of negotiated contracts and own projects

International Operations

	1-9/ 2014	1-9/ 2013	change MEURr	change %	7-9/ 2014	7-9/ 2013	1-12/ 2013
Revenue, MEUR	39.2	89.0	-49.8	-56.0%	12.6	15.1	104.7
Operating profit, MEUR	-0.7	11.7	-12.4	-106.2%	0.2	0.2	10.0
Operating profit, %	-1.8%	13.1%			1.6%	1.1%	9.5%
Order backlog, MEUR	166.2	183.7	-17.5	-9.5%			180.1

- Revenue down
  - Most of the revenue was generated by the construction of the Okhta Mall shopping centre
  - 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 55% and the change in fair value of the Okhta Mall shopping centre
- Operating profit down
  - The level of operating profit is affected by the elimination from the construction profit margin of a holding equivalent to the ownership share of SRV's associated company. 60% is eliminated from the profit margin of the construction of the Okhta Mall
  - Operating profit for the comparison period (2013) included a capital gain on the sale of the Okhta Mall shopping centre project and a €8.3m change in fair value of SRV's holding

SRV Group

	1-9/ 2014	1-9/ 2013	change MEUR	change %	7-9/ 2014	7-9/ 2013	1-12/ 2013
Revenue, MEUR	490.6	507.8	-17.2	-3.4%	209.0	170.0	679.4
Operating profit, MEUR	15.3	21.8	-6.5	-29.7%	6.0	6.9	26.4
Operating profit, %	3.1%	4.3%			2.9%	4.0%	3.9%
Financial income and expenses, MEUR	-3.5	-2.6	-0.9	+36.1%	0.2	-1.7	-3.6
Profit before taxes, MEUR	11.8	19.2	-7.4	-38.6%	6.2	5.2	22.8
Order backlog, MEUR	944.1	911.5	+32.6	+3.6%			825.8
New agreements, MEUR	592.3	532.4	+59.9	+11.2%	90.3	107.9	600.7
EPS, EUR	0.19	0.38	-0.19		0.14	0.06	0.39
Equity ratio, %	38.8	39.3					36.4

- Revenue, operating profit, and profit declined
  - 2013 comparison period's revenue and profitability were increased by sale of Okhta Mall shopping centre project and change of fair value of holding as well as interest income from associated company Etmia II
- Equity ratio at a strong level
- Order backlog and new agreements grew at a strong level
  - Success in growing new order backlog, order backlog's sales risk low