SRV – Building for life

Capital Markets Day, SRV Group Plc
23 May 2018
Juha Pekka Ojala, CEO
@JpOjala
Agenda

SRV in brief
Megatrends and market overview
Strategy and Future SRV
Projects
SRV IN BRIEF
SRV at a glance

- Finnish construction company, founded in 1987, publicly listed since 2007
- Both builder and increasingly a real estate developer (more capital intensive)
- Mostly family/founder-owned, over 50%
- Employs about 1,100 people, of which about 1/3 are shareholders
- SRV is responsible for the implementation of approximately 70 construction projects and near future development projects in Finland, order backlog in total over EUR 1.5 billion (31.12.2017)
- Operates in the Helsinki Metropolitan Area as well as in other attractive growth centres in Finland
- Over 30 years history in operations in Russia and Estonia

Selected key figures (MEUR)

<table>
<thead>
<tr>
<th></th>
<th>Q1/2018</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>215.7</td>
<td>1,116.1</td>
<td>884.1</td>
</tr>
<tr>
<td>EBITDA</td>
<td>-7.9</td>
<td>22.8</td>
<td>34.3</td>
</tr>
<tr>
<td>Operative Operating profit ¹</td>
<td>-5.1</td>
<td>28.7</td>
<td>26.3</td>
</tr>
<tr>
<td>Operating profit</td>
<td>-8.8</td>
<td>17.1</td>
<td>27.7</td>
</tr>
<tr>
<td>Order backlog ²</td>
<td>1,653.0</td>
<td>1,547.9</td>
<td>1,758.5</td>
</tr>
<tr>
<td>Equity ratio % ³</td>
<td>32.5</td>
<td>35.5</td>
<td>38.3</td>
</tr>
<tr>
<td>Net debt</td>
<td>355.4</td>
<td>297.6</td>
<td>246.3</td>
</tr>
<tr>
<td>Balance sheet total</td>
<td>927.7</td>
<td>888.5</td>
<td>882.5</td>
</tr>
</tbody>
</table>

¹ Operative Operating profit is determined by deducting the calculated exchange difference included in financial items in Russian operations and their potential hedging impacts from operating profit.
² The number corresponds to the last available day of the period
³ Equity ratio = (total equity / (total assets – advances received)) x 100%
Operating Regions

Finland: Selected growth centres
- Helsinki Metropolitan area, Turku, Tampere, Jyväskylä, Joensuu, Oulu
  - Business premises
  - Housing
  - Infrastructure

Estonia
- Development of own plots; business premises, housing

Russia: Moscow and St. Petersburg
- Operating of shopping centres
- Management of facilities

Revenue split by region, 2017
- Finland 98%
- International 2%
- Other 0%
- Revenue MEUR 1,116.1

Total assets split by region, 2017
- Finland 69%
- International 30%
- Other 1%
- Assets MEUR 888,5
MEGATRENDS AND MARKET OVERVIEW
Megatrends in our operating environment affecting also our clients

- **URBANISATION**
  - Significance of ecology, use of renewable energies and overall management of energy is growing
  - Digitalisation and use of technology in everyday life
  - Rise of living standard, communality, well-being, and freedom of choice

- Global shift in economic and business power
SRV has a key role as a developer of the city centers
Construction volume continues to grow

The Finnish economy is continuing to see broad-scale growth. GDP is expected to grow by

+2.3-3.3%* in 2018
(3.1% in 2017)

Construction volume projected to grow by

+2% in Finland in 2018
(4% in 2017)

- **Material and labour costs** will continue to rise – the increase in costs will weaken the competitiveness of the industry as a whole

- Business construction start-ups- is **expected to decline slightly** in both 2018 and 2019 - exports stimulate industrial construction, but at the same time construction of warehouses is decreasing.

- **Infrastructure** construction also **on positive track** – focus in improving growth city centres attraction and in securing housing construction requirements

- Renovation is expected to see year-on-year **growth of about 2 per cent** in 2018, while civil engineering investments are anticipated to grow by about one per cent**

*Source: Statistics Finland, Building Cost Index.)*
** Source: Business cycle review by the Confederation of Finnish Construction Industries RT, 3/2018.)
Material and labour costs will continue to rise
Housing business continues to grow

The most optimistic forecast estimates that even

620,000 people will move to cities by 2040
(Source: VTT, Asuntotuotantotarve 2015–2040, 01/2016)

Housing start-ups forecasted to be around 40,000 units in 2018 (43,000 in 2017)

- Urbanisation and population shift will continue to be the general drivers of construction growth
- Finland’s urbanisation rate is significantly lower than in other industrialised countries, for example Sweden
- Prices of new homes are projected to continue to rise in the Helsinki Metropolitan Area by 2-2.5 per cent and in other growth centres by 1.5 per cent (Source: Bank of Finland forecast)
- Helsinki Metropolitan Area receives a busload of new inhabitants every day
  Helsinki’s new master plan enables population to grow to 860,000 inhabitants by 2050 (growth almost 35 per cent)

*Source: Statistics Finland, Building Cost Index
** Source: Business cycle review by the Confederation of Finnish Construction Industries RT, 3/2018
How is change reflected in housing generally and in SRV’s operations?

- Due to urbanisation, more housing is needed close to good transport links – while demand for public services is growing
  - SRV is involved in building public services such as schools and hospitals

- As cities change, new public transport connections will be built, such as Western Metro and Raide-Jokeri light rail link
  - SRV is involved in a number of infrastructure projects.

- People will need more services and assistance with daily routines. At the same time, the significance of the home will change – to become primarily a place for sleeping and recharging amid the bustle of everyday life
  - SRV is building REDI, Helsinki’s newest shopping and experience centre

- Shortage of reasonably priced housing is considered to weaken mobility of labour and increase risk of social exclusion and inequality.
  - Construction of SRV’s pilot project in Keimolanmäki begins in the summer

- More and more Finns are living alone
  - Of SRV’s housing production, majority of them being one-room studios and small two-room apartments
Russian economy developing positively despite challenges

GDP growth in 2018 +1.5-2 per cent

Bank of Finland global economic forecast

Sanctions lowered rouble exchange rate

- Despite Russia’s growing external problems, the country’s economy has developed quite positively.
- The USA’s new sanctions and heightened tensions between the countries in Syria have unsettled the Moscow stock market and lowered the rouble exchange rate against the euro.
- The main risks to the recovery of the Russian economy are a fall in the oil price and a tightening of the monetary position of the Central Bank as well as a prolongation of and increase in problems with Western countries.
VISION 2022

SRV CREATES THE BEST CUSTOMER EXPERIENCE AS A CONSTRUCTOR OF URBAN TOWN CENTRES.

MISSION
SRV’s mission is to improve quality of life by building sustainable solutions.
How to reach strategic targets?

**VISION - SRV creates the best customer experience as a constructor of urban town centres**

**MISSION – SRV’s mission is to improve quality of life by building sustainable solutions**

### Targets

<table>
<thead>
<tr>
<th>The best customer experience in our industry</th>
<th>The most attractive employer in our industry</th>
<th>The best profitability in the industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strengthen customer service process in b-to-c</td>
<td>• Adhering to management principles and processes</td>
<td>• A programme of measures to improve profitability and cost-efficiency on-going throughout the Group</td>
</tr>
<tr>
<td>• Systematisation of the identification of future customer needs</td>
<td>• Further expanding the operations of the SRV Step Academy</td>
<td>• Clear short-term and longer-term measures through cost savings and improved efficiency, e.g. more precise selection of projects to be implemented, improved planning and, for example, savings targets in procurement</td>
</tr>
<tr>
<td>• Improving b-to-b customer experience</td>
<td>• Measuring personnel satisfaction using the PeoplePower index – with the target to rise into one of the Finland’s Most Inspiring Workplaces</td>
<td>• Tight capital and cost controlling</td>
</tr>
<tr>
<td>• Improving b-to-c NPS and adopting NPS into business construction projects</td>
<td></td>
<td>• Relative fixed cost increase lower than revenue growth</td>
</tr>
</tbody>
</table>

**Must Win Battles**
Central Deck and Arena

Hybrid project, Tampere

- Construction work in the heart of Tampere on top of the railway station started in early 2018

- Several cooperation agreements have already been signed – Restamax for restaurant services and Lappland Hotels for a hotel, also Veikkaus’ second casino and agreements with Tappara and Ilves ice hockey teams,

- The total value of the project is approximately EUR 550 million – the final parts of the complex are due to be completed in 2024

- The value of the investment agreement for Phase 1 of the project, approximately EUR 340 million – will be entered into SRV’s order backlog in 2017 and 2018

- Total value over EUR 500 million
- Over 13,000 capacity multi-purpose arena
- 5 tower buildings, around 1,000 apartments
- Partners: OP, LocalTapiola, City of Tampere and SRV
The reform of Tays is a major joint project in Pirkanmaa, which ensures high quality and modern health care services for the region’s growing population also in future. The new buildings will become part of the current functioning hospital.

The project is having a very extensive impact on employment. In total, the project will employ construction and transport professionals as well as subcontractors amounting to 3,000 person years of work.
The project’s main contractor SRV handed over the hospital to its future user, the Hospital District of Helsinki and Uusimaa (HUS) at the end of April, two months ahead of schedule.

The New Children’s Hospital will open in autumn 2018 and it will replace the out-dated premises of the present Children’s Hospital and Children’s Castle Hospital.
The Bridge Hospital
Meilahti, Helsinki

71,500
gross square meters

8+1 floors

243 MEUR*

- The largest construction project in the history of HUS, The Bridge Hospital, will be constructed in the centre of the emergency hospital area at Meilahti.
- The hospital will replace the Töölö Hospital, as well as part of the Department of Oncology building.
- High quality care in an attractive, safe, accessible and environmentally friendly setting.
  - 215 beds in four wards, 58 intensive care unit beds, 69 day-hospital treatment places, 16 operating theatres.
- Construction work began in January 2018 and is due to be completed in 2022.

*value entered into SRV’s order backlog in January 2018
The Central Finland Hospital Nova will replace all of the functions of the present central hospital as it opens in 2020.

The hospital is Central Finland’s largest ever public investment as well as SRV’s biggest ever contractor agreement to which it is not committing its own capital.
3 office buildings

5 metres high connecting ground floor

18,000 gross square metres of reconfigurable space

- To be built in the developing Vantaankoski area, at the intersection of the Ring Rail Line, Ring Road III and the Hämeenlinnanväylä highway
- The design of the new kind of multifunctional office sets as a priority the modularity, energy efficiency and environmental criteria of the premises
- The premises are designed from the beginning in accordance with the customer’s needs – nearly half of the premises already leased
- Construction work started in February 2018 – the first building will be ready in late 2018
Wood City
Hybrid project, Helsinki

- 8-storey office building
- 2 apartment buildings
- 1 hotel
- 1 parking facility

MEUR 100, project’s total value

- SRV and Supercell signed an agreement on the purchase of the office building and parking facility belonging to Wood City – negotiations regarding hotel building still on the go
- Construction work on Helsingin Asuntotuotanto-toimisto (ATT) apartment buildings and on the office building and parking facility is under way
7 apartment buildings

Construction of **200** apartments will start in summer 2018

**Tower A** is being planned, with retail premises, for example

- The Lapinmäentie project, located in Munkkivuori, Helsinki, proceeds – demolition work started on October
- Work to develop the Lapinmäentie area continues in accordance with the city plan adopted in August 2016
- Seven apartment blocks, in addition to the maintained Tower A, will be implemented in the area
The concrete tunneling the Kehä I ring road will create a connection between Otosolahti and Keilalahti. Otaniemi's campuses, Tapiola's commercial services as well as residential areas will be connected to the metro, the green park area on top of the Kehä I ring road and Keilaniemi.

- A green city boulevard and Finland's tallest residential towers are being planned to be built on top of the Kehä I.
- SRV has had a significant role as a developer of the area.
The first phase of the project was completed in March 2017, when Stockmann opened its new department store on the premises and the number of stores rose to 50.

The construction project will reach completion in 2019, when the facility will house more than 120 stores and a wide range of restaurants, cafes and other services.
Shopping centre and apartments
Kerava

1 shopping centre Karuselli
1 apartment block above the shopping centre
1 joint parking facility
4 apartment blocks next to the shopping centre

New complex in the Aleksintori block superbly combines housing and commercial services as well as an excellent location in the heart of Kerava.

This is precisely the kind of modern residential and services complex that downtown Kerava has been longing for.
• Advance marketing of Loisto, the next residential tower has begun
• A total of 249 apartments on 32 floors – higher room height and conservatories as special features
• Selection from one-room to five-room apartments with spectacular views
• Construction will likely begin in summer 2018
• Only just under 30 apartments unsold in Majakka tower – ready to move into in spring 2019
REDI shopping centre will open on 20 September

- Construction work is progressing on schedule – the doors will open on 20 September 2018
- Leasing of premises is proceeding – of the just over 200 retail premises, 75 per cent have already been leased and negotiations on the rest are under way
- The shopping and experience centre is expected to attract over 12 million visitors in its first full year of operation
Over 75 per cent of business premises have been leased

<table>
<thead>
<tr>
<th>Business Premises</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>K Market</strong></td>
</tr>
<tr>
<td><strong>Lidl</strong></td>
</tr>
<tr>
<td><strong>Kukka kauppa</strong></td>
</tr>
<tr>
<td><strong>Ritokki</strong></td>
</tr>
<tr>
<td><strong>VOL</strong></td>
</tr>
<tr>
<td><strong>BIKBOK</strong></td>
</tr>
<tr>
<td><strong>Cubus</strong></td>
</tr>
<tr>
<td><strong>Dressmann</strong></td>
</tr>
<tr>
<td><strong>Garlungs</strong></td>
</tr>
<tr>
<td><strong>Clas Ohlson</strong></td>
</tr>
<tr>
<td><strong>Suomalainen</strong></td>
</tr>
<tr>
<td><strong>Faumatar</strong></td>
</tr>
<tr>
<td><strong>Satturi</strong></td>
</tr>
<tr>
<td><strong>Moretti</strong></td>
</tr>
<tr>
<td><strong>Italian Fashion Brands</strong></td>
</tr>
<tr>
<td><strong>Petrifun</strong></td>
</tr>
<tr>
<td><strong>Jack &amp; Jones</strong></td>
</tr>
<tr>
<td><strong>Zizzi</strong></td>
</tr>
<tr>
<td><strong>Fonni</strong></td>
</tr>
<tr>
<td><strong>Kiipeily Areena</strong></td>
</tr>
<tr>
<td><strong>7D Elektraanteri</strong></td>
</tr>
<tr>
<td><strong>Teknik</strong></td>
</tr>
<tr>
<td><strong>Glitter</strong></td>
</tr>
<tr>
<td><strong>Ninja</strong></td>
</tr>
<tr>
<td><strong>Joe Nels</strong></td>
</tr>
<tr>
<td><strong>Eila Hellgren</strong></td>
</tr>
<tr>
<td><strong>Instrumentarium</strong></td>
</tr>
<tr>
<td><strong>Nissen</strong></td>
</tr>
<tr>
<td><strong>Silmäasema</strong></td>
</tr>
<tr>
<td><strong>SKIDI</strong></td>
</tr>
<tr>
<td><strong>Pandora Shop</strong></td>
</tr>
<tr>
<td><strong>Laaxusoru</strong></td>
</tr>
<tr>
<td><strong>Tillander</strong></td>
</tr>
<tr>
<td><strong>Tiimantitiset</strong></td>
</tr>
<tr>
<td><strong>Kaksonen Siltari</strong></td>
</tr>
<tr>
<td><strong>Fonum</strong></td>
</tr>
<tr>
<td><strong>Kuvatapi</strong></td>
</tr>
<tr>
<td><strong>Sonera</strong></td>
</tr>
<tr>
<td><strong>Finlayson</strong></td>
</tr>
<tr>
<td><strong>Pentik</strong></td>
</tr>
<tr>
<td><strong>Iittala</strong></td>
</tr>
<tr>
<td><strong>Koivu Siausius</strong></td>
</tr>
<tr>
<td><strong>Koivu Apteekki</strong></td>
</tr>
<tr>
<td><strong>Paradiso</strong></td>
</tr>
<tr>
<td><strong>Ginza</strong></td>
</tr>
<tr>
<td><strong>FAFA's</strong></td>
</tr>
<tr>
<td><strong>Talveva入mas</strong></td>
</tr>
<tr>
<td><strong>Simit Deli &amp; Bakery</strong></td>
</tr>
<tr>
<td><strong>Burger King</strong></td>
</tr>
<tr>
<td><strong>Bakko</strong></td>
</tr>
<tr>
<td><strong>Assa lounas ravintola</strong></td>
</tr>
<tr>
<td><strong>Studio Ready Neli</strong></td>
</tr>
<tr>
<td><strong>Hus Plaza</strong></td>
</tr>
<tr>
<td><strong>Sisters' Beauty Salon</strong></td>
</tr>
</tbody>
</table>
Pearl Plaza
St. Petersburg

Latest visitor record: 900,000 customers (12/2017)
Rental occupancy rate: 100%

9.3 million customers in shopping centre in 2017

- SRV’s ownership 50 per cent
- Shanghai Industrial Investment Company (SIIC) owns 50 per cent
- Located in the Baltic Pearl area, which is an approximately 200 ha residential area developed by Chinese companies
- Grand Opening in August 2013
Okhta Mall
St. Petersburg

New record
700,000 visitors (12/2017)

In the neighbouring area live:
1.5 million St. Petersburg residents

Rental occupancy rate:
84%

- SRV owns 45 per cent of the shopping centre. In addition, SRV owns a 27 per cent share of the other main owner, Russia Invest
- The largest tenant is the food store chain Lenta
- A modern shopping centre, with many premises for eating out and leisure time enjoyment
Housing projects, under construction

- Smokki, Pitäjämäki, Helsinki
- Kulmaniitty, Niittykumpu, Espoo
- Piruetti, Vermonniitty, Espoo
- Kaardemumma & Korianteri, Kerava
- Maalisuora, Keimolanmäki, Vantaa
- Starlet, Tikkurila, Vantaa
- Sokeriherne, Tikkurila, Vantaa
- Aleksinkaarre, Kerava
## Housing projects, under construction

### Helsinki
- Laulukuja

### Espoo
- Keilaniemi
- Piispankallio
- Säteri

### Vantaa
- Neulansilmä
- Pyhtääankoventie

### Tampere
- Ranta-Tampere
- Pyhäranta

### Oulu
- Satamaranta
Future projects
Financial update
Ilkka Pitkänen, CFO