

# *Annual General Meeting Sponda Plc*

*21 March 2016  
Finlandia Hall*

**SPONDA**

*Creates the conditions for success*

# Sponda's Board of Directors



*Kaj-Gustaf Bergh (pj.)*



*Christian Elfving*



*Paul Hartwall*



*Juha Laaksonen*



*Arja Talma*



*Leena Laitinen*



*Raimo Valo*

# The Board's meetings and activity in 2015

- In 2015, the Board met 12 times and the average attendance rate of Board members was 97.6.
- An external valuer makes an assessment of the Board's performance and working procedures once a year.
- The Board has prepared rules of procedure for itself and its committees as guideline for operations. The rules of procedure define the tasks and responsibilities of the Board, its Chairman and Deputy Chairman and committees.
  - The rules of procedure can be seen at the company's website.

# The Board's Committees

- Permanent Committees are:

- **Audit Committee**

As of 19 March 2014, the Audit Committee comprises of Arja Talma as Chairman, Raimo Valo as Deputy Chairman and Paul Hartwall and Juha Laaksonen as ordinary members.

- In 2015, the Audit Committee convened four (4) times and the attendance rate was 100%.

- **Structure and Remuneration Committee,**

As of 19 March 2014 the Structure and Remuneration Committee comprises of Kaj-Gustaf Bergh as Chairman, Christian Elfving as Deputy Chairman and Leena Laitinen as ordinary member.

- In 2015, the Structure and Remuneration Committee convened four (4) times and the attendance rate was 100%.

# Sponda updated its strategy in 2013

***Sponda's main goals are simplification of the business structure, more focused property ownership and profitable growth***

## **A Divestments**

- ✗ Sell the Property Funds business
- ✗ Sell the logistics property portfolio
- ✗ Sell the properties in Turku
- ✗ Sell the Russian portfolio

## **B Investments**

- ✓ Property development business
- ✓ Investments in office properties and shopping centres
- ✓ Investments in Sponda's main markets Helsinki and Tampere



Offices



Retail



Logistics

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# *Sponda Plc's Financial Year 2015 and CEO's Review*

*President and CEO Kari Inkinen  
21 March 2016*

The Sponda logo consists of a dark blue rounded rectangle with the word "SPONDA" in white, uppercase, sans-serif font.

1. Update on Sponda's Business

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2. Year 2015 in Brief and Financial Review for 2015

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3. Forum Acquisition

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# *Update on Sponda's Business*

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# Sponda has carried out majority of the divestment plans set in its strategy

	30.6.2013		31.12.2015		Divestments
<b>Property Funds business</b>	AUM EUR 720m Investments in Funds EUR 73m	➔	AUM EUR 0m <sup>1)</sup> Investments in Funds EUR 0m		<ul style="list-style-type: none"> <li>The Property Funds business and the properties in the Fund sold to Certeum</li> <li>Sponda's shares in Certeum sold at the end of 2015</li> </ul>
<b>Logistics property portfolio</b>	Fair value EUR 409.5m	➔	Fair value EUR 92.9m		<ul style="list-style-type: none"> <li>Logistics properties sold for EUR 320 million</li> </ul>
<b>Properties in Turku</b>	# of properties 8	➔	# of properties 1		<ul style="list-style-type: none"> <li>All properties except one small office property sold</li> </ul>
<b>Russian portfolio</b>	Fair value EUR 268.3m	➔	Fair value EUR 150.7m		<ul style="list-style-type: none"> <li>Properties in Russia sold for EUR 49 million</li> </ul>

# Sponda has systematically carried out investments consistent with its strategy

## Property development

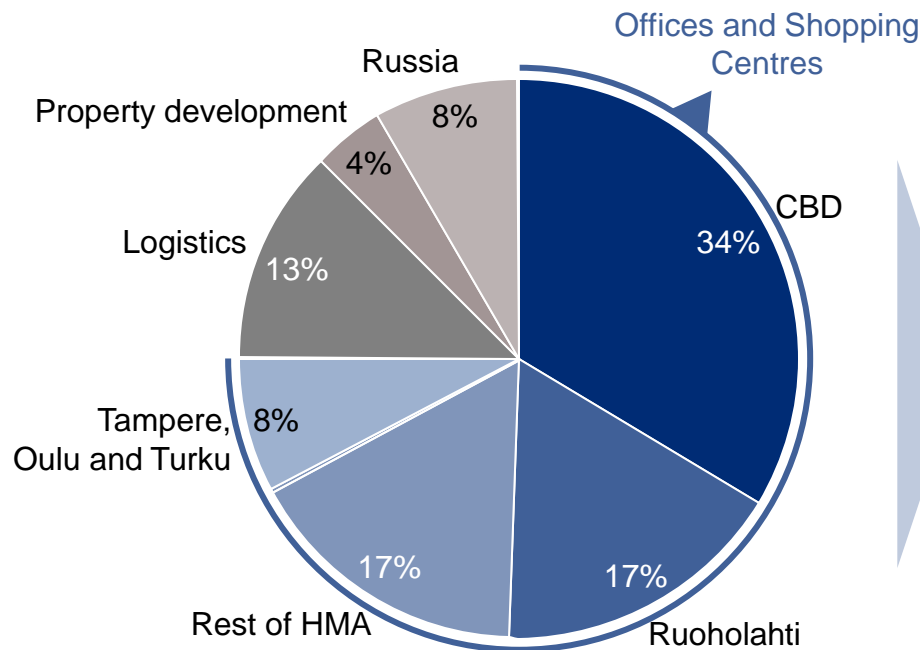
- Lassila office property completed in June 2015
- Office building in Ilmala completed in December 2015
- Estimated completion of the Ratina shopping centre in Tampere in 2018

## Property acquisitions

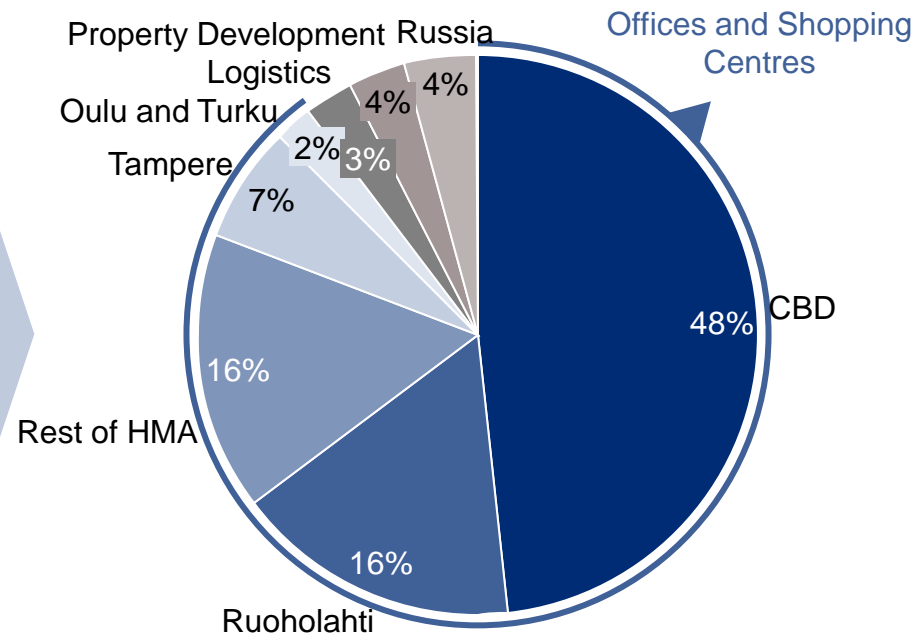
- Acquisition of Tulli 1 Koy office property in Tampere in July 2014 (EUR 63.7 million)
- **Acquisition of six prime properties in the Forum block in Helsinki CBD in February 2016 (EUR 576 million)**

# Share of Helsinki CBD's office and shopping centre properties has clearly increased

Sponda's portfolio 30.6.2013<sup>1)</sup>

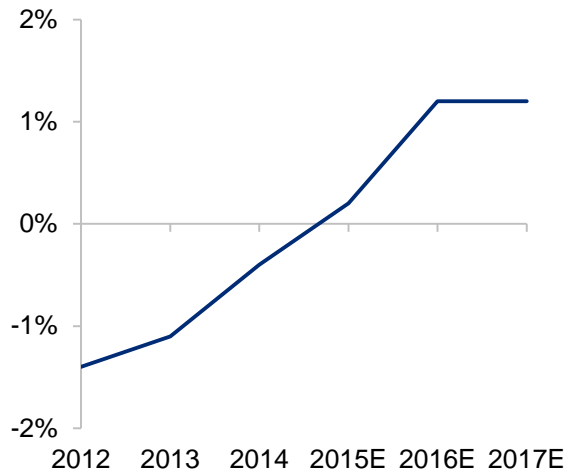


Sponda's portfolio today<sup>2)</sup>



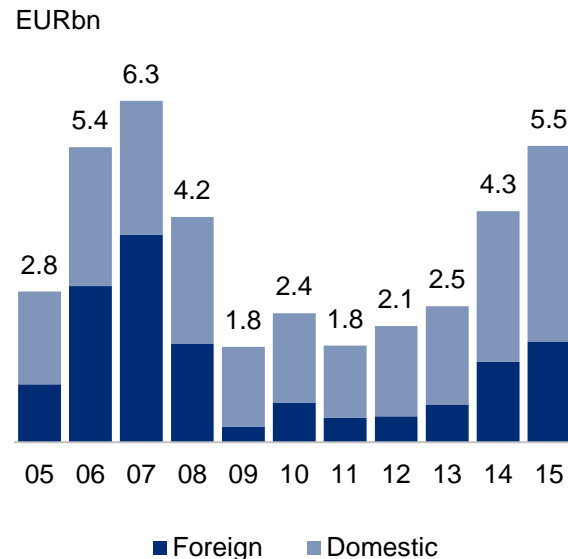
# Active Finnish property market in 2015

## GDP growth in Finland



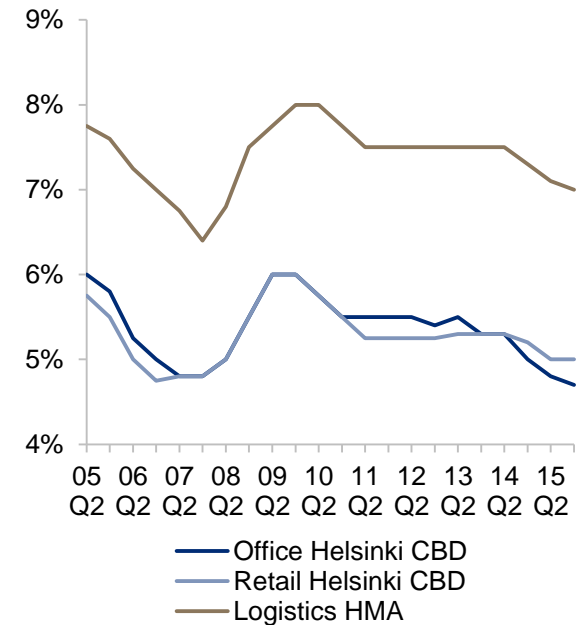
Economic growth slowly turning positive

## Real estate transaction volume in Finland



Record-high transaction volumes

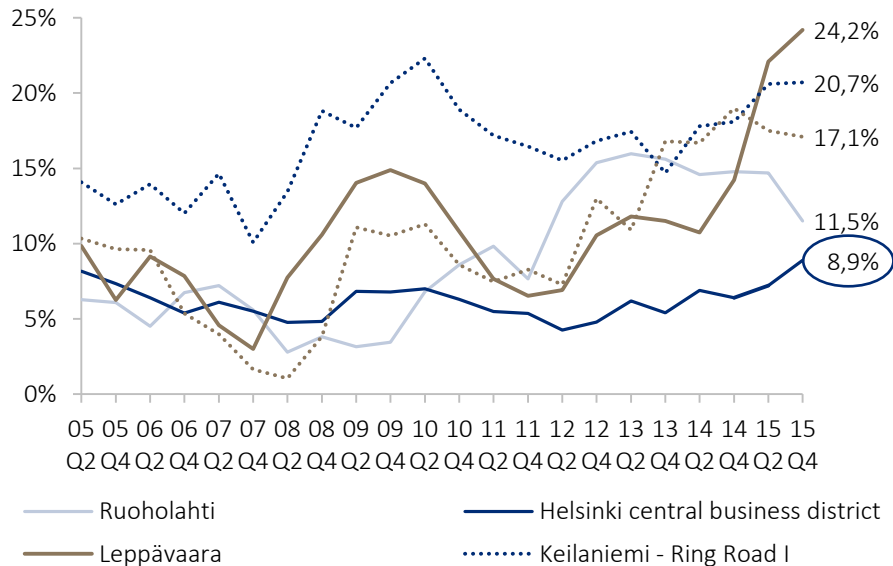
## Prime yields in HMA



Prime property yield requirements decreasing

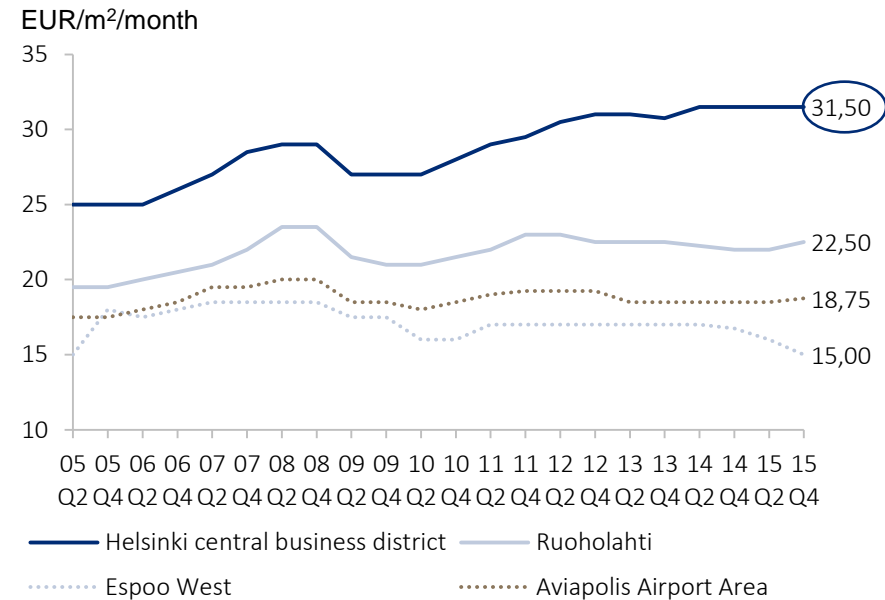
# Prime properties performing well

## Vacancy rate in HMA, office properties



Vacancy rates in CBD clearly lower than elsewhere in HMA

## Rental levels in HMA, office properties



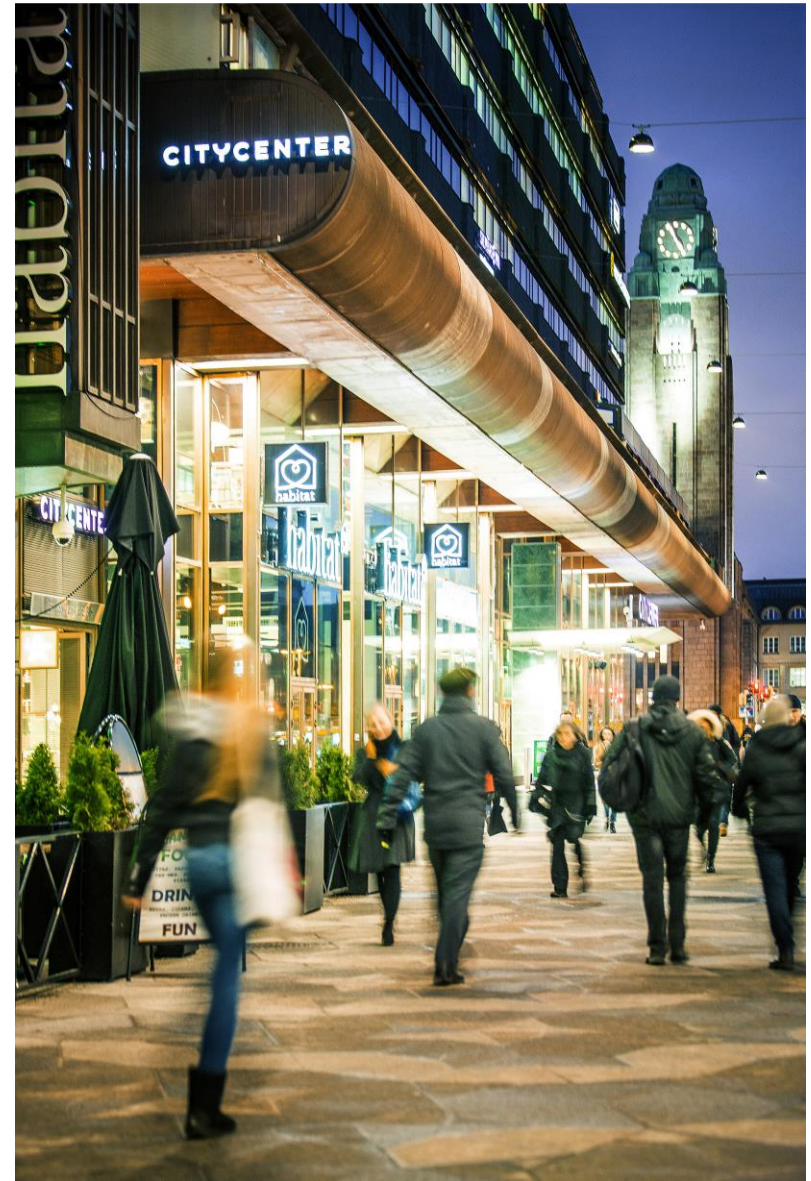
Office rental levels remain high in Helsinki CBD

# *Year 2015 in Brief and Financial Review for 2015*

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# Sponda's year 2015 in brief

- The occupancy rate increased to 87.7% (31.12.2014: 87.0%).
- The decline in NOI is due to the realized property divestments.
- Like-for-like rents were positive except in Russia.
- Certeum shares and Vuosaari properties transactions were closed mid-December 2015.
- Office building in Ilmala was completed at the end of the year.

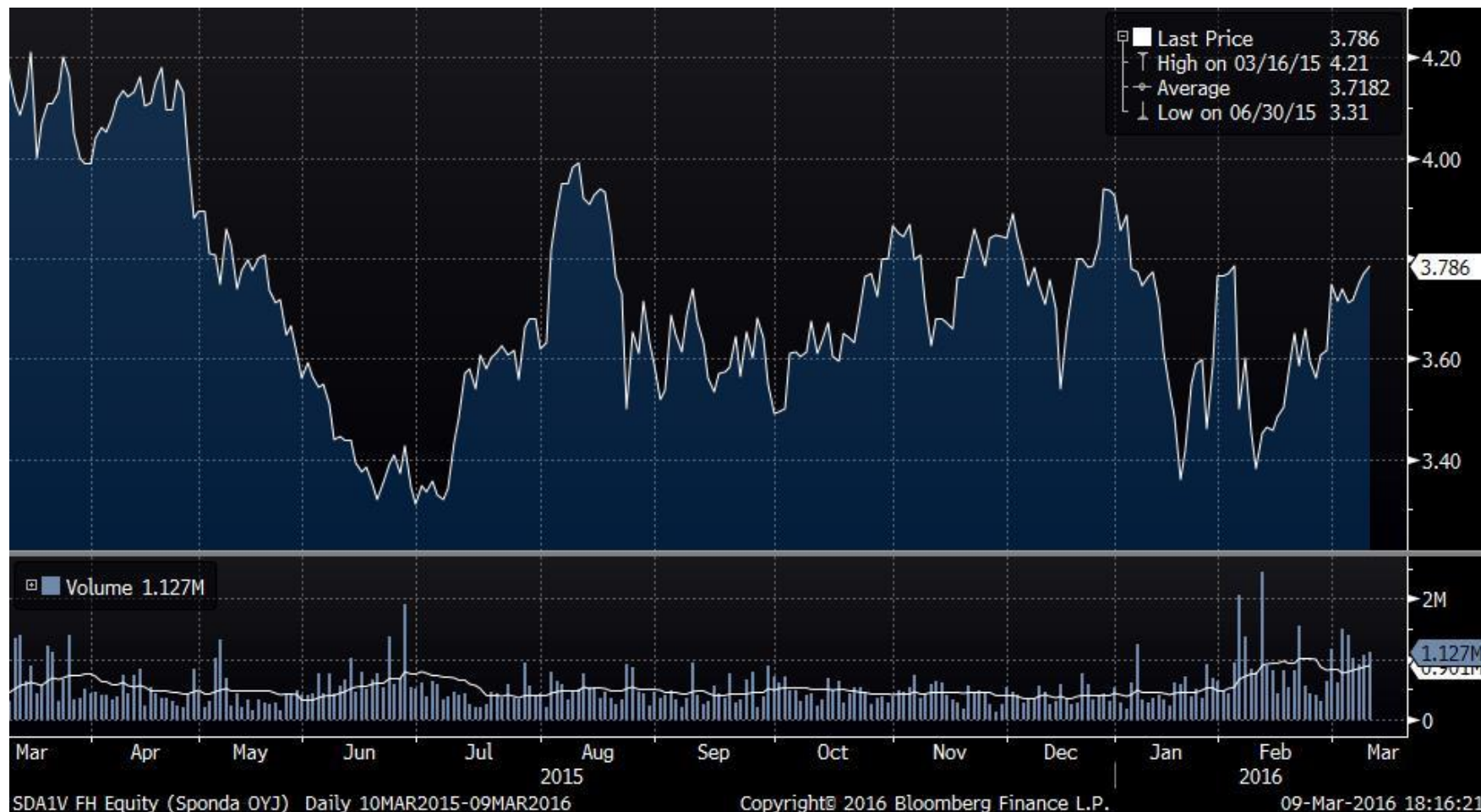




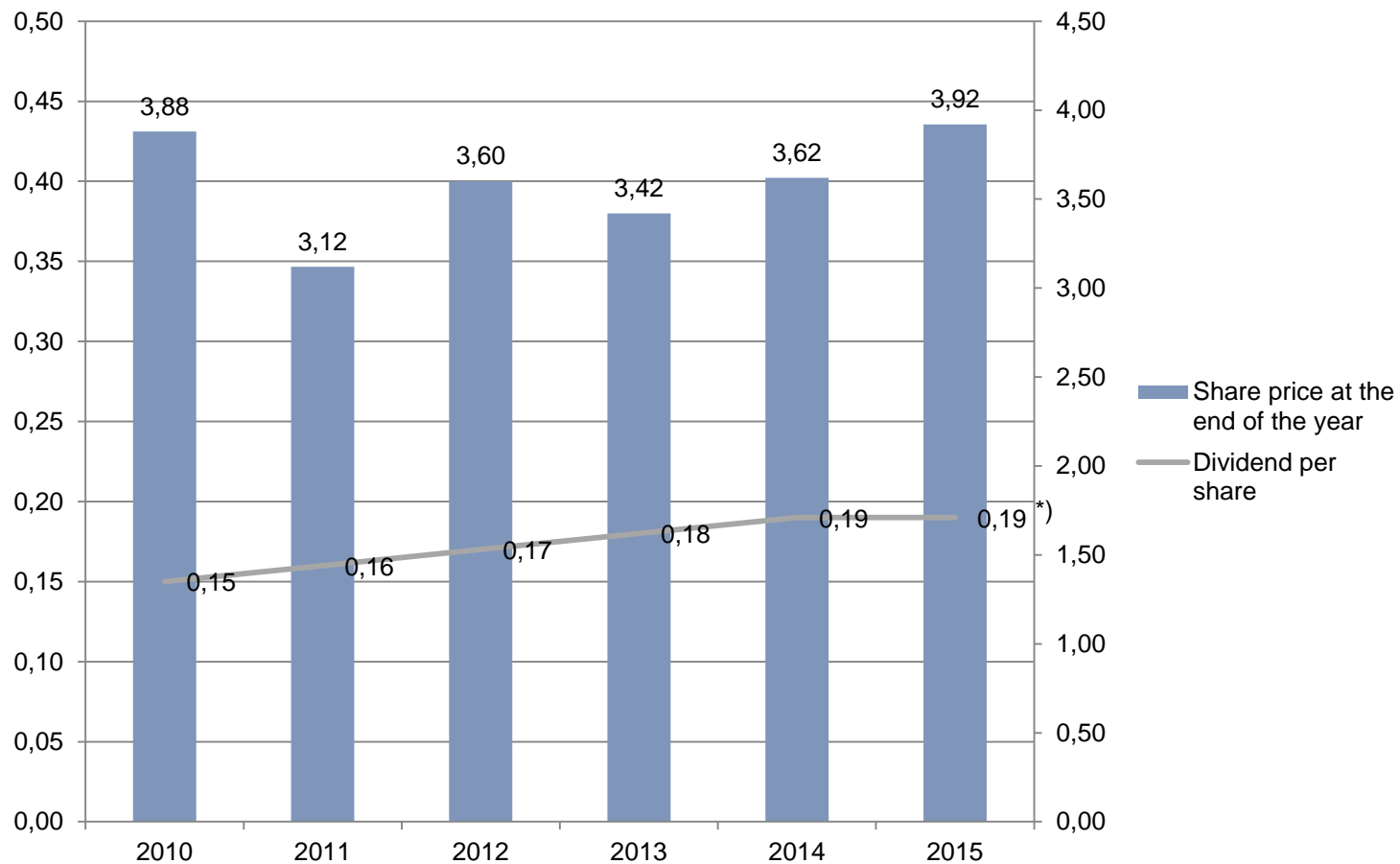
# Performance highlights

	1-12/15	Change, %	1-12/14
Total revenue, M€	<b>230.5</b>	(6.6)	<b>246.7</b>
Net Operating Income, M€	<b>165.7</b>	(5.9)	<b>176.0</b>
Operating profit, M€	<b>178.1</b>	17.4	<b>151.7</b>
Cash flow from operations/share, €	<b>0.36</b>	(2.7)	<b>0.37</b>
Earnings/share, €	<b>0.78</b>	225.0	<b>0.24</b>
NAV/share, €	<b>5.26</b>	13.1	<b>4.65</b>
EPRA NAV/share, €	<b>5.60</b>	2.8	<b>5.45</b>
Economic occupancy rate, %	<b>87.7</b>	0.8	<b>87.0</b>
Dividend/share, € *)	<b>0.19*)</b>		<b>0.19</b>
Equity ratio, %	<b>46</b>		<b>41</b>
Interest cover ratio	<b>3.5x</b>		<b>3.3x</b>

# Sponda's Share Price Development



# Dividend



# Larges Shareholders 29.2.2016

	<b>Largest Shareholders</b>	<b>Shares</b>	<b>Shares, %</b>
1.	Oy PALSKE Ab	42 163 745	14,89
2.	Varma Mutual Pension Insurance Company	29 083 070	10,27
3.	HC Fastigheter Holding Oy Ab	28 484 310	10,06
4.	Elo Pension Company	4 893 083	1,73
5.	The State Pension Fund	3 350 000	1,18
6.	OP-Finland Value Fund	1 433 221	0,51
7.	Odin Eiendom	1 089 390	0,39
8.	Tiiviste-Group Oy	750 000	0,27
9.	Norvestia Plc	718 196	0,25
10.	OP-Suomi Small Firms Fund	655 812	0,23
	Nominee-registered 46,1% of the shares		

# Profit & loss statement

M€	10-12/2015	10-12/2014	1-12/2015	1-12/2014
Total revenue	57.2	57.3	230.5	246.7
Expenses	(15.9)	(16.9)	(64.8)	(70.6)
<b>Net operating income</b>	<b>41.3</b>	<b>40.4</b>	<b>165.7</b>	<b>176.0</b>
Profit on sale of inv. properties	(3.0)	0.0	(4.5)	0.6
Valuation gain / loss	10.3	1.6	23.2	(0.2)
Depreciation of goodwill	(0.4)	0.0	(3.0)	0.0
Profit/loss on sales of associated companies	5.2	0.0	5.2	0.0
Profit on sale of trading properties	0.2	0.1	2.8	2.0
SGA expenses	(5.6)	(5.6)	(21.7)	(22.1)
Share of profit from associated companies	0.0	(3.5)	10.2	(3.5)
Other operating income/expenses	(0.1)	(0.2)	0.2	(1.2)
<b>Operating profit</b>	<b>47.8</b>	<b>32.9</b>	<b>178.1</b>	<b>151.7</b>
Financial income and expenses	(12.1)	(11.7)	(48.9)	(55.9)
<b>Profit before taxes</b>	<b>35.7</b>	<b>21.3</b>	<b>129.2</b>	<b>95.7</b>
Taxes from previous and current fin. years	(7.5)	(0.1)	(9.3)	(1.8)
Deferred taxes	129.9	(7.9)	107.3	(20.4)
<b>Profit for the period</b>	<b>158.0</b>	<b>13.3</b>	<b>227.2</b>	<b>73.6</b>

# Valuation gains/losses

M€	10-12/2015	10-12/2014	1-12/2015	1-12/2014
Changes in yield requirements (Finland)	7.0	12.4	39.2	15.7
Changes in yield requirements (Russia)	0.0	(10.0)	(7.4)	(10.0)
Profit/loss from property development projects	15.7	3.5	25.4	5.5
Modernization investments	(10.2)	(14.3)	(37.8)	(42.0)
Change in market rents and maintenance costs (Finland)	9.8	13.8	30.2	40.3
Change in market rents and maintenance costs (Russia)	(12.5)	(4.2)	(26.8)	(19.3)
Change in exchange rates	0.5	0.2	0.3	5.9
<b>Investment properties, total</b>	<b>10.3</b>	<b>1.5</b>	<b>23.2</b>	<b>(3.9)</b>
Real estate funds	0.0	0.1	0.0	(1.8)
Realised gains/losses in re funds	0.0	0.0	0.0	5.5
<b>Group, total</b>	<b>10.3</b>	<b>1.6</b>	<b>23.2</b>	<b>(0.2)</b>

# Balance sheet

M€	31.12.2015	31.12.2014
<b>ASSETS</b>		
Investment properties	3,101.7	3,142.1
Other non-current assets	61.4	250.9
Fixed assets & other non-current assets, total	3,163.1	3,393.0
Current assets, total	267.7	56.2
Non-current assets held for sale	10.2	0.0
<b>Assets, total</b>	<b>3,441.0</b>	<b>3,449.2</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity, total	1,585.0	1,411.5
Non-current liabilities, total	1,192.0	1,413.6
Current liabilities, total	664.0	624.1
<b>Shareholders' equity and liabilities, total</b>	<b>3,441.0</b>	<b>3,449.2</b>

# Segment performance

	Office		Shopping Centres		Logistics		Russia	
	2015	2014	2015	2014	2015	2014	2015	2014
Net Operating Income, M€	<b>109.7</b>	103.0	<b>35.7</b>	35.2	<b>9.1</b>	18.9	<b>12.8</b>	15.8
Fair Value of Properties, M€	<b>1,994.8</b>	1,853.5	<b>733.6</b>	726.0	<b>92.9</b>	205.1	<b>150.7</b>	224.4
Change in Fair Value of Properties, M€	<b>35.5</b>	18.5	<b>3.2</b>	3.8	<b>(7.4)</b>	(6.0)	<b>(33.9)</b>	(23.8)
Economic Occupancy Rate, %	<b>88.2</b>	88.5	<b>91.3</b>	91.2	<b>68.3</b>	64.9	<b>84.6</b>	90.4
Divestments, M€	<b>17.9</b>	20.6	-	-	<b>100.8</b>	216.7	<b>38.7</b>	-
Acquisitions, M€	<b>4.7</b>	65.0	-	-	-	-	-	-



# Sponda's priorities in 2016

## Occupancy rate development

Our target is to increase the occupancy rate from 87.7% (31.12.2015) level.

## Implementing our strategy

We will continue the non-core property divestments and the core property acquisitions.

## Stable cash flow from operations per share

We aim to maintain our ability to pay stable dividend.

## Focus in property development

Our target is to start at least one large development project in 2016 and to keep our property development gain of 15% on each project.

# Development and modernization investments

*For greenfield projects Sponda expects 15% development gain.*

	Leasable area m <sup>2</sup>	Estimated completion	Total investment M€	Investment by the end of 2015	Pre-let %	Estimated market rent Eur/m <sup>2</sup> /month
<b>Greenfield developments</b>						
Ratina shopping centre, Tampere	53,000	Spring 2018	240.0	51.9	35	N/A
Ilmala office property, Helsinki	18,500	End of 2015	57.0	57.0	100	22-24
<b>Total</b>	<b>71,500</b>		<b>297.0</b>	<b>108.9</b>		

# *Forum Acquisition*

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# Successful implementation of Sponda's strategy continues with the acquisition

***Sponda has acquired six properties in the heart of Helsinki, including five office properties and Forum Shopping Centre***

**Office and shopping centre properties...**

- The acquisition increases the share of office and shopping centre properties in Sponda's property portfolio, in line with the strategic focus

**...in prime area in central Helsinki**

- With the acquisition, Sponda focuses even more strongly on prime areas in Helsinki's central business district



# Properties included in the acquisition



## FORUM shopping centre

- 14 million visitors annually
- 140 shops
- Annual sales of EUR 200 million
- 8,000 m<sup>2</sup> more shopping area after recent renovation

Address	Leasable area, m <sup>2</sup>	Occupancy rate (m <sup>2</sup> ), %
Mannerheimintie 14	16,790	96.2
Mannerheimintie 16 and Yrjönkatu 23	11,016	98.2
Mannerheimintie 18	7,699	89.6
Mannerheimintie 20	22,066	100.0
Yrjönkatu 29	11,955	96.5
Yrjönkatu 31 and Simonkatu 8	7,393	89.3
<b>Yhteensä</b>	<b>76,918</b>	<b>96.3</b>



# Acquisition details

- Acquisition price in EUR 576 million
- Net yield after the first year is approximately 4.9%
- Total turnover for the six properties was EUR 36.6 million in 2015
  - In 2015, the shopping centre was partly under renovation and thus the turnover did not cover the full year
  - Estimated turnover with the current occupancy rate for 2016 will be EUR 37.7 million
- The acquisition was financed with:
  - Cash received from the asset disposals
  - EUR 325m short-term bridge loan



# Why the Share Issue?

- In February 2016, Sponda announced the acquisition of six properties in Forum block, Helsinki, for EUR 576 million.
- Sponda's objective is to restore the capital structure and equity ratio level preceding the acquisition.
  - At the end of 2015, equity ratio was 46%.
- The planned size of the offering is approximately EUR 220 million and is in proportion to the size of the Forum acquisition.
  - The offering corresponds approximately 38% of the acquisition price of EUR 576 million.
- Sponda intends to use the net proceeds from the offering to a partial repayment of the bridge loan raised for the Forum acquisition.



# Prospects and Dividend Policy

## *Net operating income*

Sponda estimates that the net operating income for 2016 will amount to EUR 175-190 million. The estimate is based on the company's view of property acquisitions and divestments to be completed and the development of rental operations during the year.

## *EPRA Earnings*

Sponda estimates that company adjusted EPRA Earnings in 2016 will amount to EUR 94-110 million. This outlook is based on the development of net operating income and the company's estimate of the development of financial expenses.

## *Dividend Policy*

Dividend policy is to pay approx. 50 % of the operational cash earnings per share, taking into account of the economic situation and company's development needs.

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