



# *Sponda Financial Results H1 2016*

*4 August 2016*

**SPONDA**

*Creates the conditions for success*

1. Highlights for the Period – Kari Inkinen

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2. Portfolio Development – Pia Arrhenius

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3. Financials – Niklas Nylander

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4. Business Environment and Business Update  
– Kari Inkinen

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# 1. Highlights for the Period

Kari Inkinen

SPONDA

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

	30.6.2013		30.6.2016	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 89.2m	<ul style="list-style-type: none"> <li>Logistics properties sold for EUR 325 million</li> </ul>
<b>Properties in Turku</b>	# of properties 8	➔	# of properties 0	<ul style="list-style-type: none"> <li>All properties sold by July 2016.</li> </ul>
<b>Russian portfolio</b>	Fair value EUR 268.3m	➔	Fair value EUR 123.9m	<ul style="list-style-type: none"> <li>Properties in Russia sold for EUR 59 million</li> </ul>

# Sponda has systematically carried out investments consistent with its strategy

## Property development

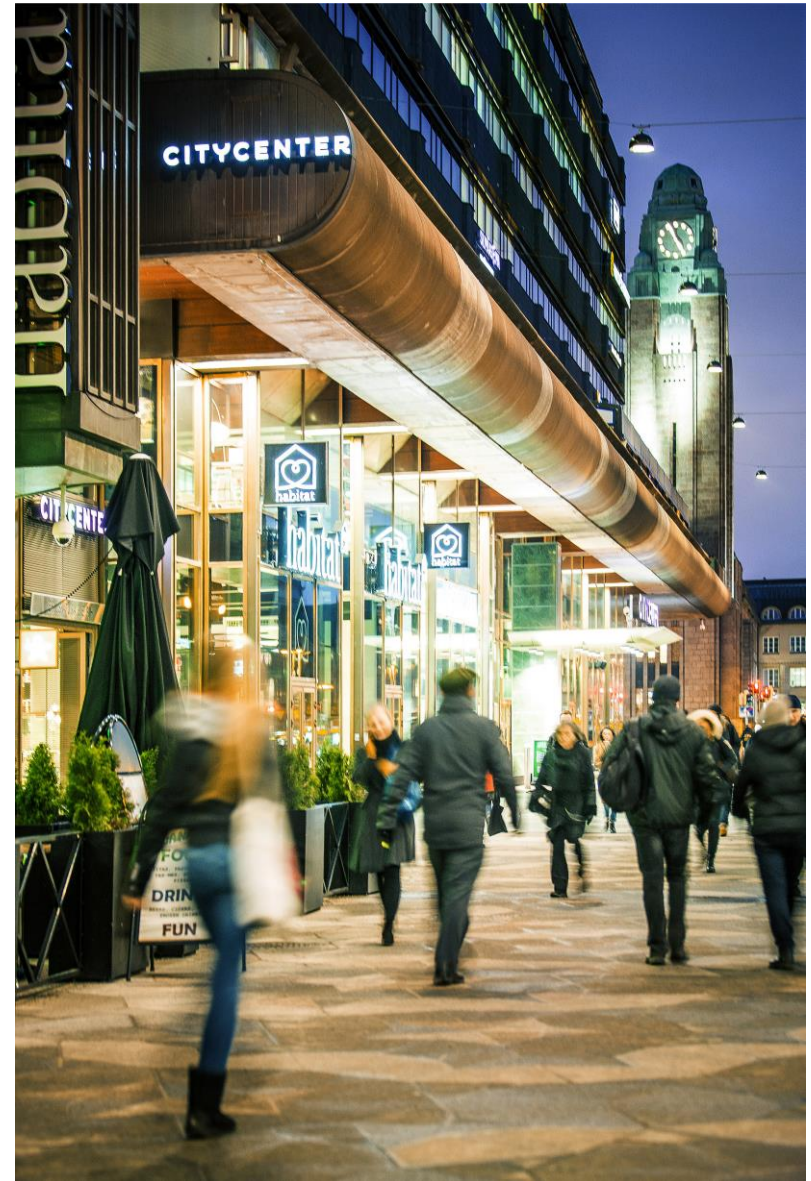
- Estimated completion of the Ratina shopping centre in Tampere in spring 2018.
- Estimated completion of an office and retail property in Tikkurila, Vantaa in spring 2018.

## Property acquisitions

- Acquisition of six prime properties in the Forum block in Helsinki CBD in February 2016 (EUR 576 million).

# Sponda's H1 2016 in brief

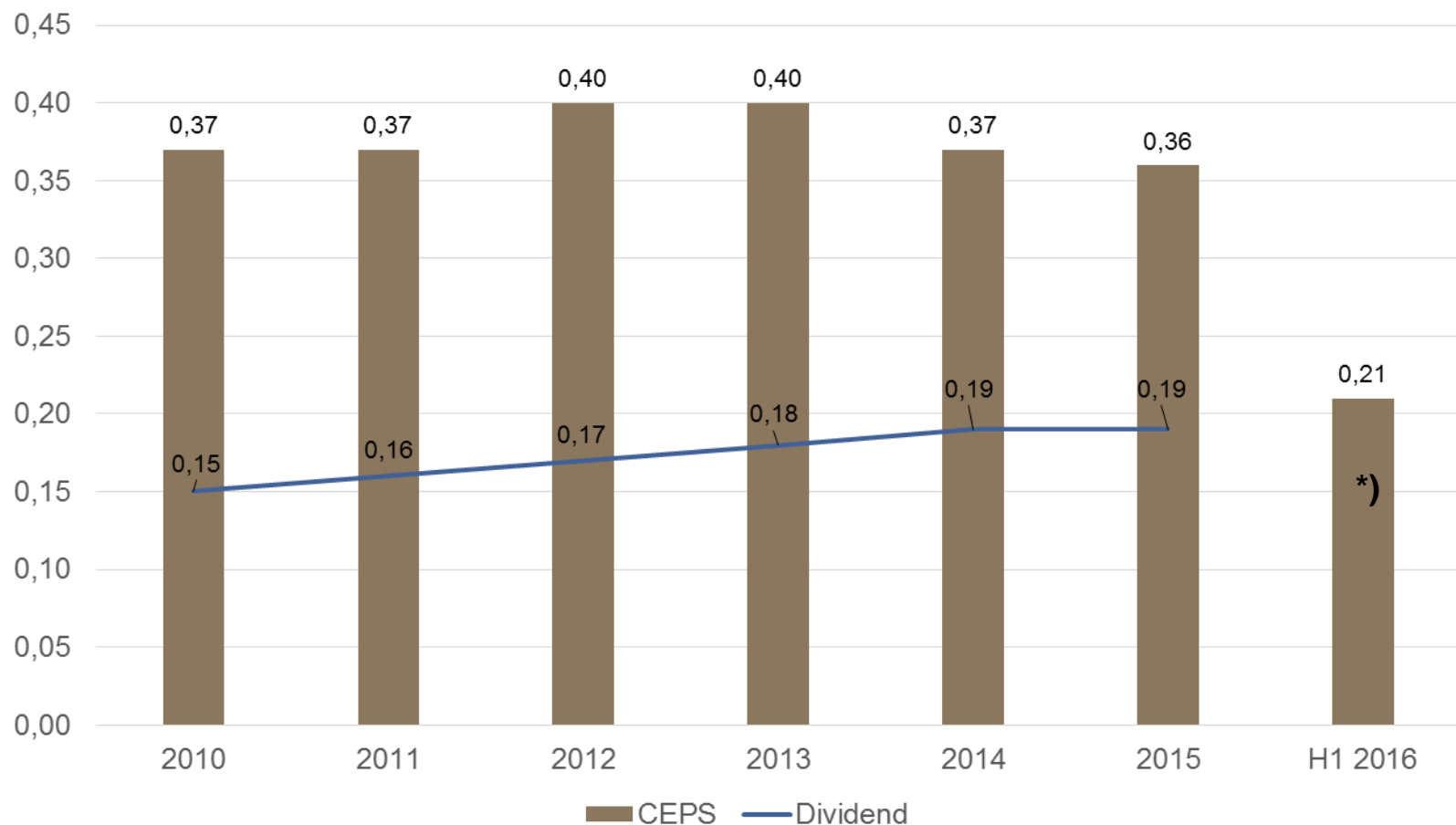
- **Steady growth in core segments.**
  - Like-for-like development in both shopping centres and offices were positive, 6.0% and 0.9% respectively.
- **Occupancy rate increased to 89.1% (30.6.2015: 86.3%).**
  - Shopping Centres had an occupancy of 94.2% (30.6.2015: 89.8%).
  - Office Properties had an occupancy of 88.3% (88.1%).
- **Divestments in 2016 were EUR 53 million.**
- **LTV is at a level of 48.5% and equity ratio at 46.3%.**



# Sponda H1 2016: Performance highlights

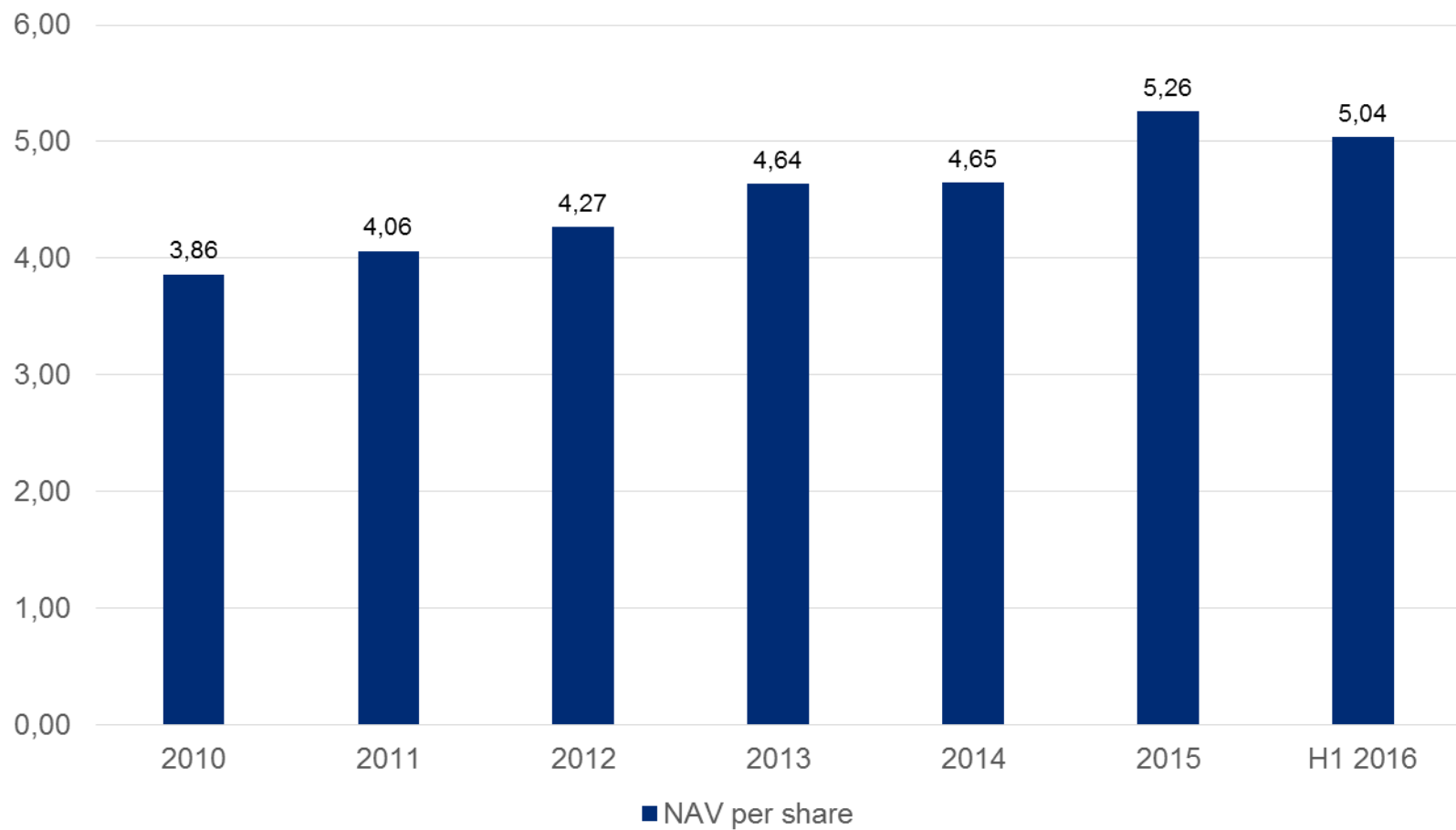
	<b>4-6/16</b>	Change, %	<b>4-6/15</b>	<b>1-6/16</b>	Change, %	<b>1-6/15</b>	<b>1-12/15</b>
Total revenue, M€	<b>67.6</b>	13.8	<b>59.4</b>	<b>126.9</b>	8.8	116.6	<b>230.5</b>
Net Operating Income, M€	<b>50.2</b>	18.1	<b>42.5</b>	<b>92.3</b>	12.4	82.1	<b>165.7</b>
Operating profit, M€	<b>48.8</b>	(24.2)	<b>64.4</b>	<b>95.6</b>	4.0	91.9	<b>178.1</b>
Cash flow from operations/share, €	<b>0.09</b>	(18.1)	<b>0.11</b>	<b>0.21</b>	10.5	0.19	<b>0.36</b>
Earnings/share, €	<b>0.09</b>	(35.7)	<b>0.14</b>	<b>0.18</b>	5.9	0.17	<b>0.78</b>
NAV/share, €				<b>5.04</b>	8.4	4.65	<b>5.26</b>
EPRA NAV/share, €				<b>5.35</b>	(2.2)	5.47	<b>5.60</b>
Economic occupancy rate, %				<b>89.1</b>	3.2	86.3	<b>87.7</b>

# Cash earnings per share and dividend per share, EUR





# NAV per share, EUR



# Sponda's priorities in 2016





## 2. Portfolio Development

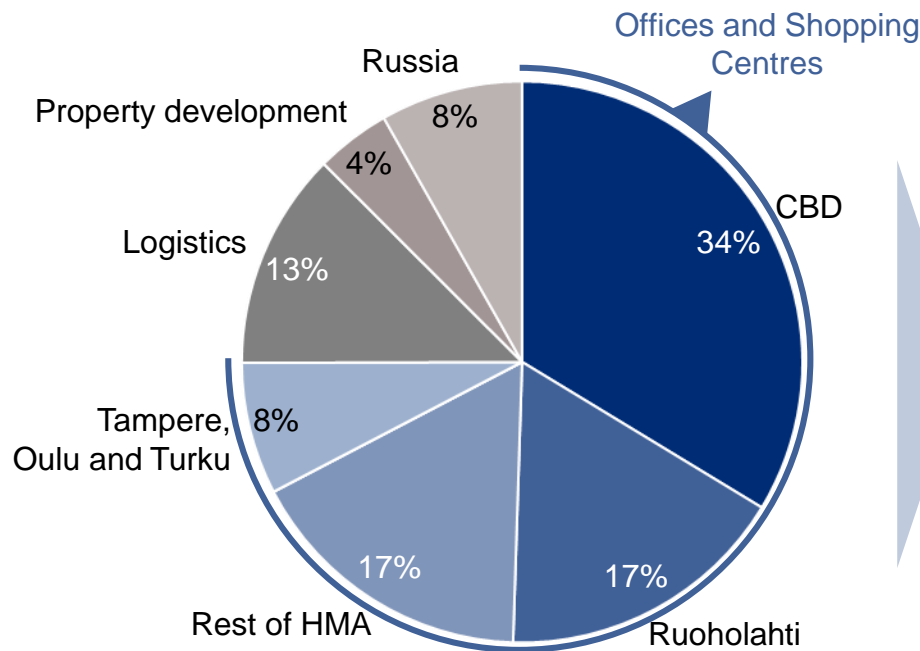
*Pia Arrhenius*

**SPONDA**

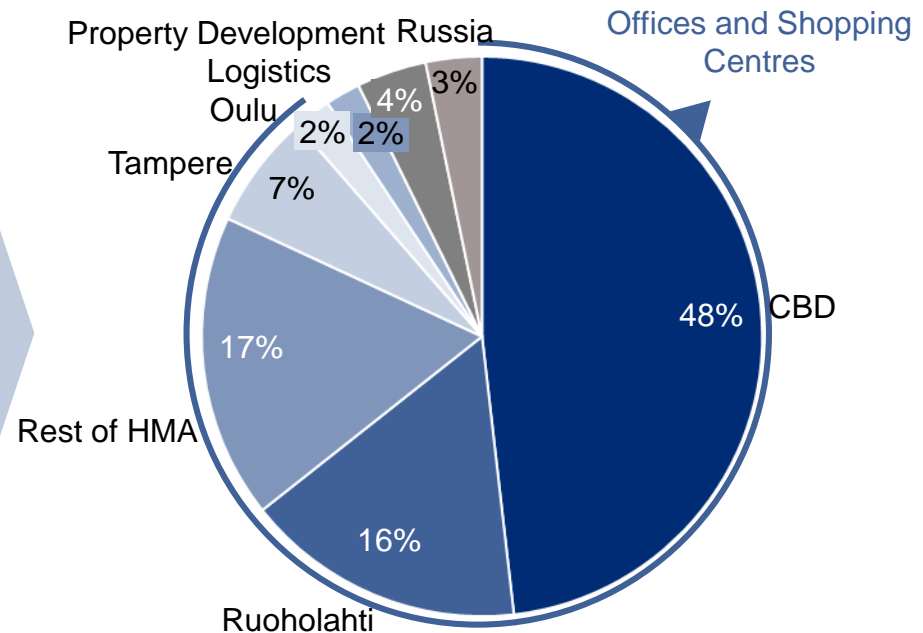
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# Share of Helsinki CBD's office and shopping centre properties has clearly increased

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



Sponda's portfolio today



# Shopping centres

- The total leasable area of shopping centres and all retail space combined in Sponda is approx. 200 000m<sup>2</sup> and 31% of the value of properties.
- After the Forum acquisition, the occupancy rate has increased by 0.4 %-points from Q1 2016.
  - Since Q2 2015, the occupancy rate increased by 4.4%-points.
- Combined footfall of all shopping centres increased by 3.0% compared to Q2 2015.
- Combined OCR of all shopping centres excluding other retail space was 15%.
- Combined sales of all shopping centres excluding other retail space increased by 8.0% compared to Q2 2015.
- Like-for-like rental growth was an impressive 6.0%.
  - The increase comes mainly from increased occupancy and indexation.

# Office properties

- Total leasable area for offices is over 800 000m<sup>2</sup> and 60% of the value of properties.
- Like-for-like rental growth for offices was 0.9%, mainly coming from the indexation.
- Demand for CBD offices remains strong.
  - Q2 CBD office occupancy rate was approximately 92% (Q1 2016: 91%).
- Rental levels in CBD offices have remained strong.

# Ratina shopping centre, Tampere

- Pre-letting has progressed and is now approximately 38%.
- The leasable space is 53,000 m<sup>2</sup> and there is a parking facility for 1,200 cars.
- Total investment EUR 240 million.
- Yield on cost approximately 7%.
- Total of 140 shops including Zara, H&M, Lidl and Kesko.



# Office and retail building, Vantaa

- Office and retail complex to be developed in Tikkurila, Vantaa.
- First phase started in July 2016.
- Total investment is EUR 31 million.
- Yield-on-cost is 7.3%.
- Pre-let is 57%.
- Total leasable area is 9,500 m<sup>2</sup> of which half is office and half retail space.
- Indoor and outdoor parking for 210 cars.





# Property development 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 June 2016	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	73.3	38	N/A
Tikkurila office building	9,500	Spring 2018	31.0	-	57	N/A
<b>Total</b>	<b>62,500</b>		<b>271,0</b>	<b>73.3</b>		

- We are continuously looking for investment opportunities
  - Any possible decision to start a greenfield project will be disciplined and based on more than 50% pre-let and at least 15% development gain.

# Active recycling of the portfolio

- We will further improve the quality of our portfolio.
- The non-strategic sales will continue.
- Also other mature, non-core properties have been identified and will be divested in the future.
  - These include both office and shopping centre assets.
- We will invest the capital received in office and retail properties in areas which we have defined strong areas of growth in the future.



# 3. Financials

*Niklas Nylander*



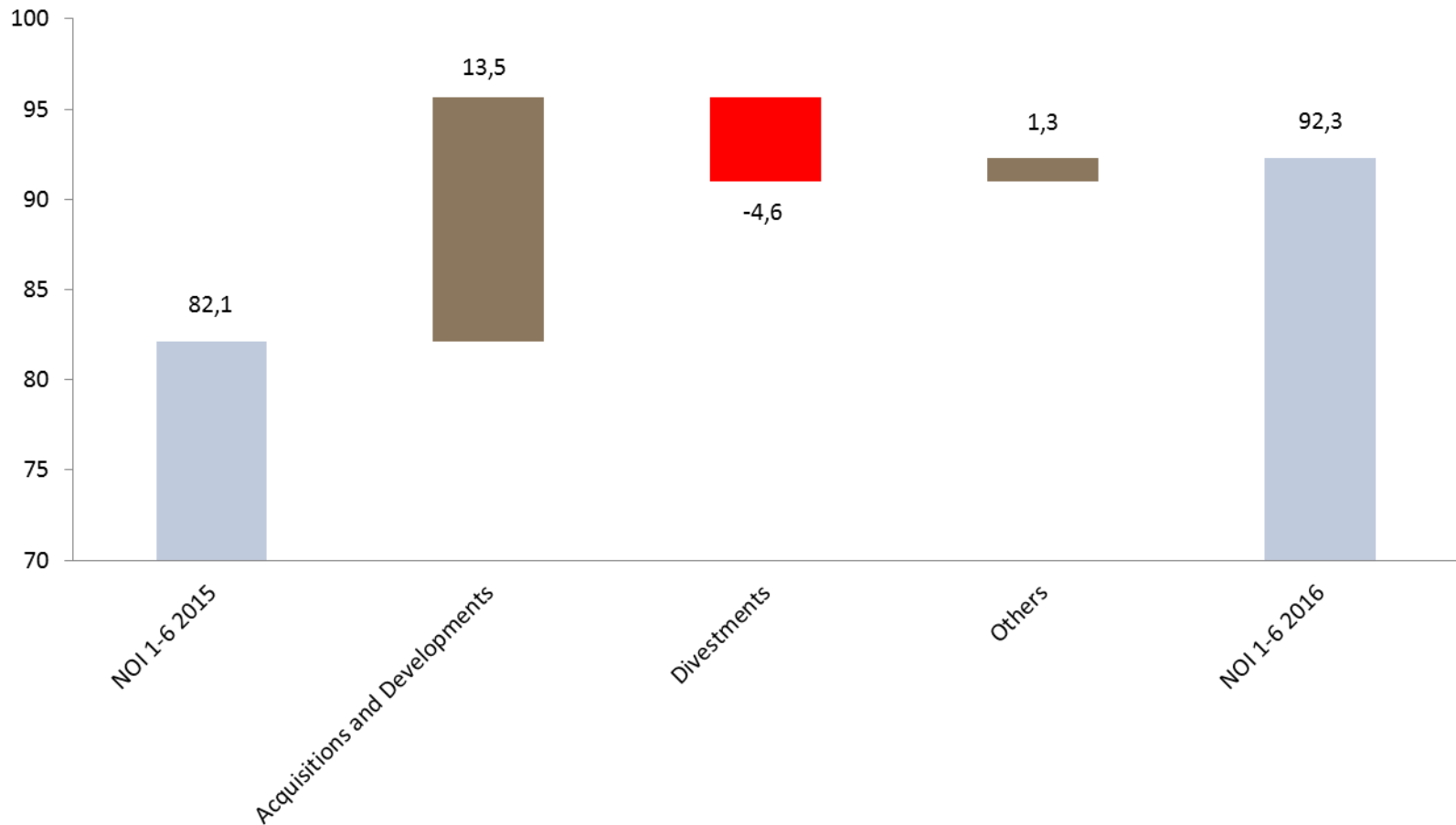
# Profit & loss statement

M€	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
Total revenue	67.6	59.4	126.9	116.6	230.5
Expenses	(17.4)	(16.9)	(34.6)	(34.5)	(64.8)
<b>Net operating income</b>	<b>50.2</b>	<b>42.5</b>	<b>92.3</b>	<b>82.1</b>	<b>165.7</b>
Profit on sale of inv. properties	(0.2)	(1.0)	0.0	(1.5)	(4.5)
Valuation gain / loss	5.0	22.3	3.0	12.4	23.2
Depreciation of goodwill	(0.7)	-	(1.3)	-	(3.0)
Profit/loss on sales of associated companies	-	-	-	-	5.2
Profit on sale of trading properties	0.0	2.5	12.5	2.6	2.8
SGA expenses	(5.6)	(5.0)	(11.4)	(10.9)	(21.7)
Share of profit from associated companies	-	3.3	-	6.8	10.2
Other operating income/expenses	0.1	(0.1)	0.5	0.3	0.2
<b>Operating profit</b>	<b>48.8</b>	<b>64.4</b>	<b>95.6</b>	<b>91.9</b>	<b>178.1</b>
Financial income and expenses	(12.3)	(11.2)	(25.4)	(23.8)	(48.9)
<b>Profit before taxes</b>	<b>36.5</b>	<b>53.1</b>	<b>70.2</b>	<b>68.1</b>	<b>129.2</b>
Taxes from previous and current fin. years	(0.1)	(0.7)	(2.4)	(1.5)	(9.3)
Deferred taxes	(4.7)	(12.5)	(9.4)	(15.5)	107.3
<b>Profit for the period</b>	<b>31.7</b>	<b>39.9</b>	<b>58.5</b>	<b>51.2</b>	<b>227.2</b>

# Net operating income development Y-o-Y

## Solid development driven by Forum acquisition

MEUR



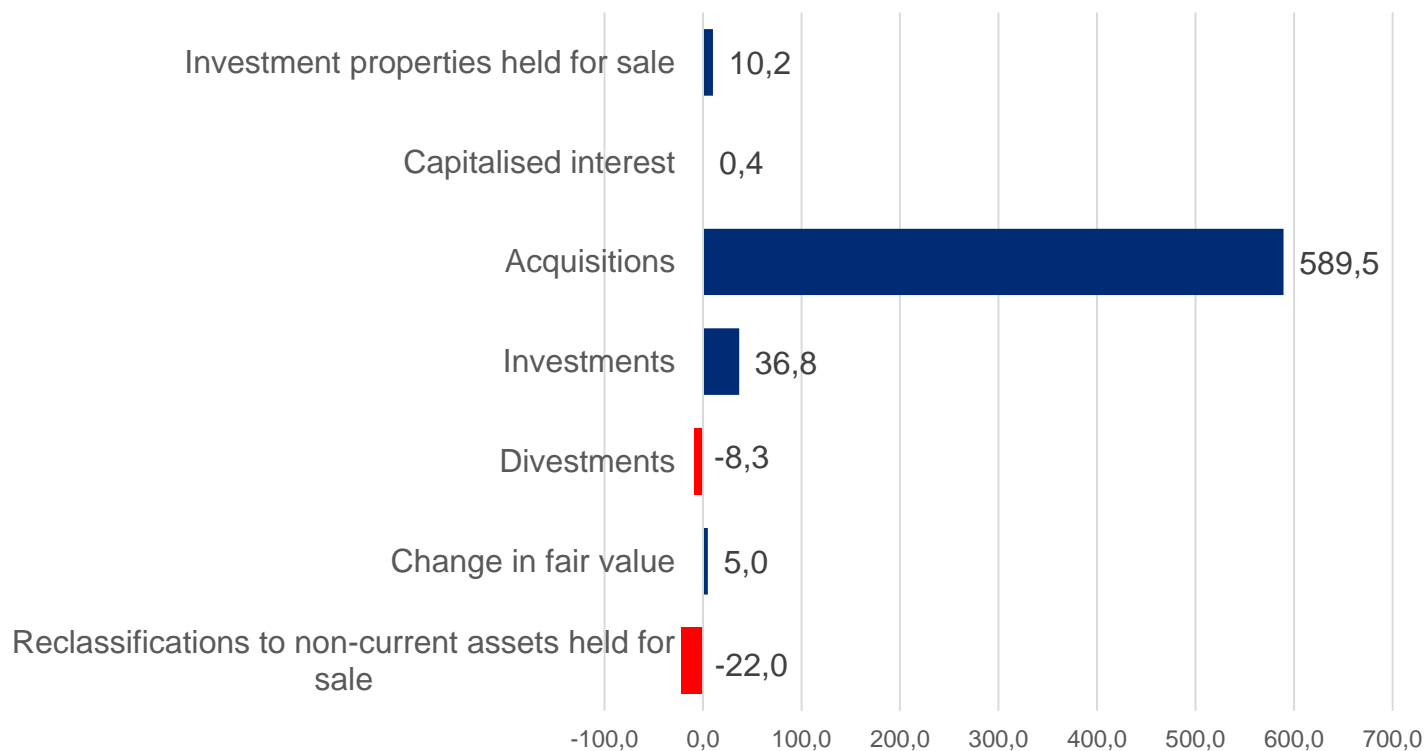
# Valuation gains/losses

M€	4-6/2016	4-6/2015	1-6/2016	1-6/2015	1-12/2015
Changes in yield requirements (Finland)	17.1	32.2	17.1	32.2	39.2
Changes in yield requirements (Russia)	(2.3)	(7.4)	(4.1)	(7.4)	(7.4)
Profit/loss from property development projects	2.1	1.8	3.9	2.9	25.4
Modernization investments	(5.6)	(9.7)	(12.5)	(20.7)	(37.8)
Change in market rents and maintenance costs (Finland)	5.4	9.2	13.7	18.4	30.2
Change in market rents and maintenance costs (Russia)	(9.6)	(2.8)	(10.7)	(15.3)	(26.8)
Change in exchange rates	(0.2)	(1.1)	(2.4)	2.2	0.3
<b>Investment properties, total</b>	<b>7.0</b>	<b>22.3</b>	<b>5.0</b>	<b>12.4</b>	<b>23.2</b>
Property Investment Companies	(2.0)	0.0	(2.0)	0.0	0.0
<b>Group, total</b>	<b>5.0</b>	<b>22.3</b>	<b>3.0</b>	<b>12.4</b>	<b>23.2</b>

# Investment property valuation

M€

**Investment properties 1 Jan 2016 3,101.7**



**Investment properties 30 Jun 2016 3,713.2**

# Financing

	Q2/2016	Q1/2016	Q4/2015	Q3/2015	Q2/2015
Equity ratio, %	<b>46.3</b>	45.7	46.2	41.4	40.7
Average interest rate, %	<b>2.7</b>	2.7	2.9	2.9	2.9
Hedging, %	<b>70</b>	78	90	86	86
Average loan maturity, yrs	<b>2.8</b>	1.8	2.2	2.3	2.5
Average fixed interest rate period, yrs	<b>1.6</b>	1.8	2.2	2.3	2.5
Interest cover ratio	<b>3.6x</b>	3.5x	3.5x	3.4x	3.4x
Loan to Value, %*)	<b>48.5</b>	48.5	45.7	50.4	50.9

## Covenants at:

Equity ratio, 28%  
(long-term ER target: 40%)

ICR 1.75x

\*) LTV is calculated based on net debt.

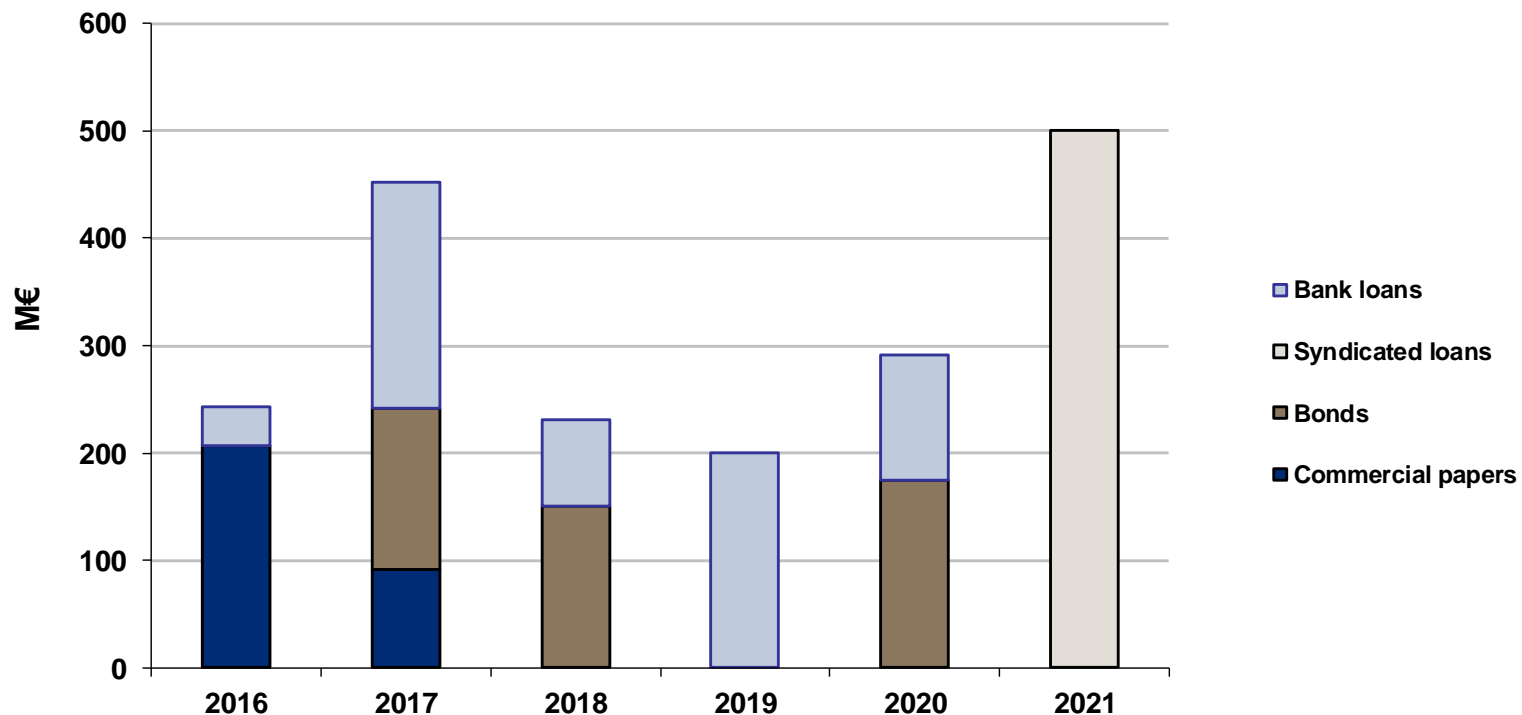


# Refinancing

- Sponda signed syndicated credit facilities for EUR 600 million in total.
- The agreement includes a term-loan for EUR 500 million and EUR 100 million revolving credit facility.
- Credit facilities are unsecured and for five years.
- Terms are similar to Sponda's other loans and the main covenants, ICR and equity ratio, in line with other credit agreements.

# Loan maturities, 30 June 2016

- Interest-bearing debt EUR 1,913.0 million
- Unused financing limits EUR 440 million



# Prospects and financial targets

## *Net operating income*

Sponda estimates that the net operating income for 2016 will amount to EUR 182–192 million (previously EUR 175-190 million). The change is primarily due to the development of the occupancy rate being more favourable than expected, as well as the timing of the property sales in 2016.

## *EPRA Earnings*

Sponda estimates that company adjusted EPRA Earnings in 2016 will amount to EUR 102–114 million (previously EUR 94-110 million). The change is primarily due to the development of the occupancy rate being more favourable than expected, as well as the timing of the property sales in 2016.

## *Financial targets*

Long-term equity ratio target is 40%.

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.

Starting from 2016, Sponda will pay dividend three times a year.



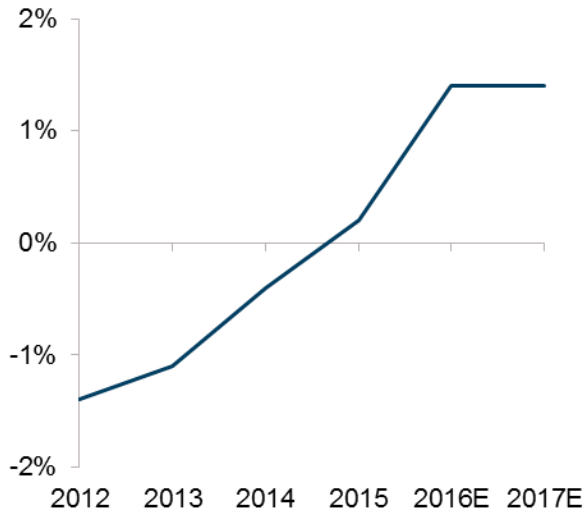
# *4. Business Environment and Business Update*

*Kari Inkinen*

**SPONDA**

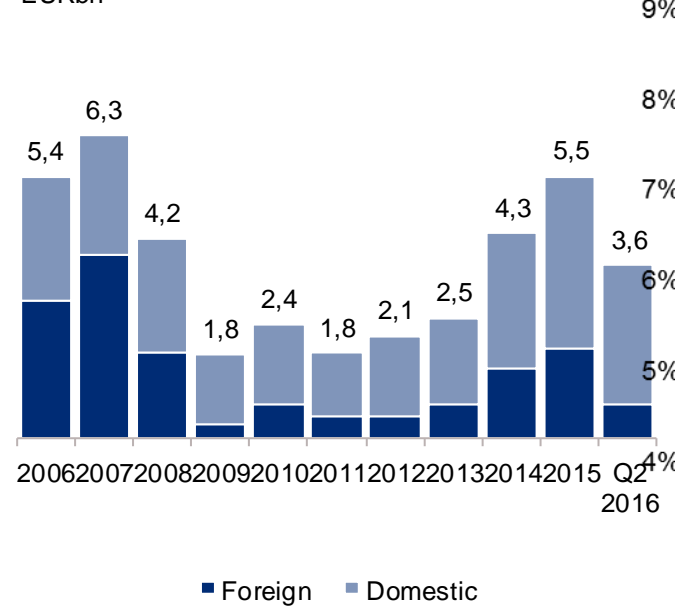
# Activity in the Finnish property market continues

## GDP growth in Finland

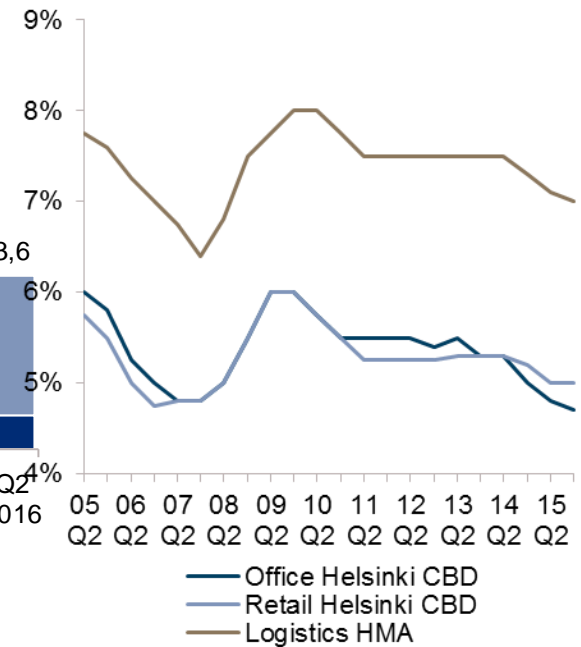


## Real estate transaction volume in Finland

EURbn



## Prime yields in HMA



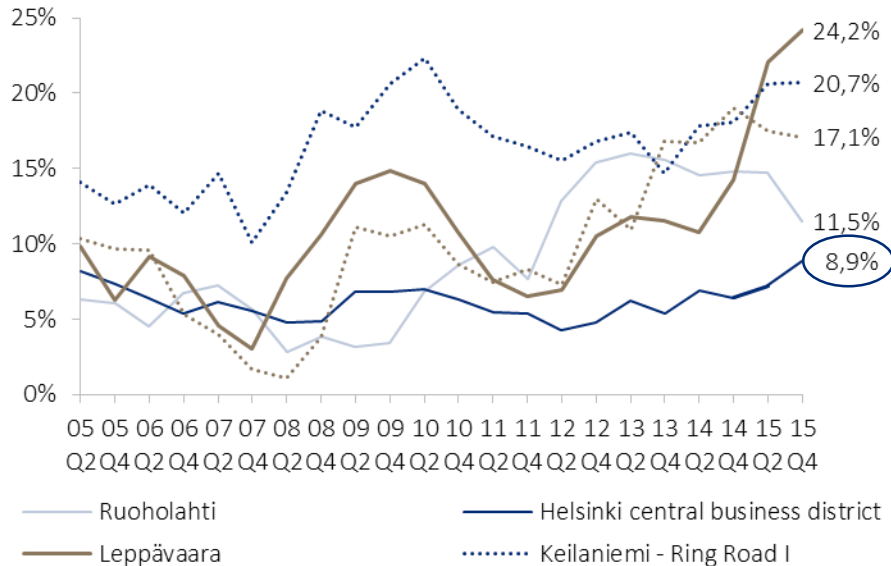
Economic growth slowly turning positive

Record-high transaction volumes

Prime property yield requirements decreasing

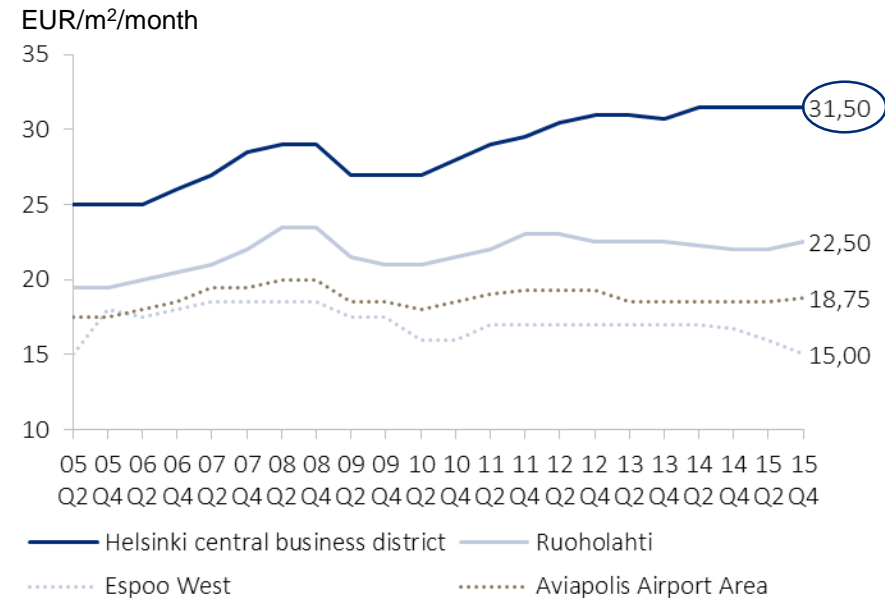
# Prime properties performing well

## 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

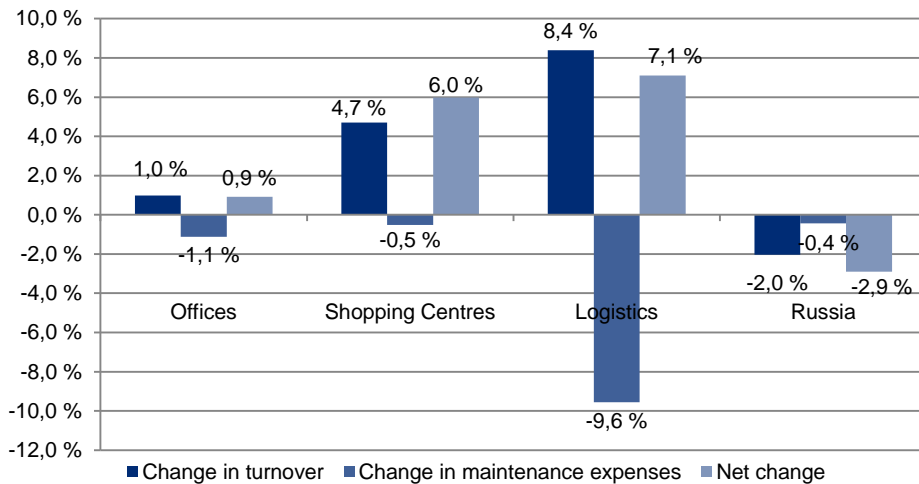
# Segment performance

	Office		Shopping Centres		Logistics		Russia	
	1-6/16	1-6/15	1-6/16	1-6/15	1-6/16	1-6/15	1-6/16	1-6/15
Net Operating Income, M€	<b>60.5</b>	53.3	<b>26.1</b>	17.7	<b>1.9</b>	4.3	<b>4.3</b>	7.7
Fair Value of Properties, M€	<b>2,173.6</b>	1,882.5	<b>1,177.1</b>	730.5	<b>89.2</b>	204.5	<b>123.9</b>	164.1
Change in Fair Value of Properties, m€	<b>12.6</b>	28.5	<b>6.2</b>	2.7	<b>(0.4)</b>	(1.0)	<b>(17.3)</b>	(20.6)
Economic Occupancy Rate, %	<b>88.3</b>	88.1	<b>94.2</b>	89.8	<b>73.4</b>	68.6	<b>81.9</b>	84.5
Divestments, M€	<b>4.8</b>	18.0	-	-	<b>1.8</b>	-	-	39.8
Acquisitions, M€	<b>161.2</b>	-	<b>428.2</b>	-	-	-	-	-

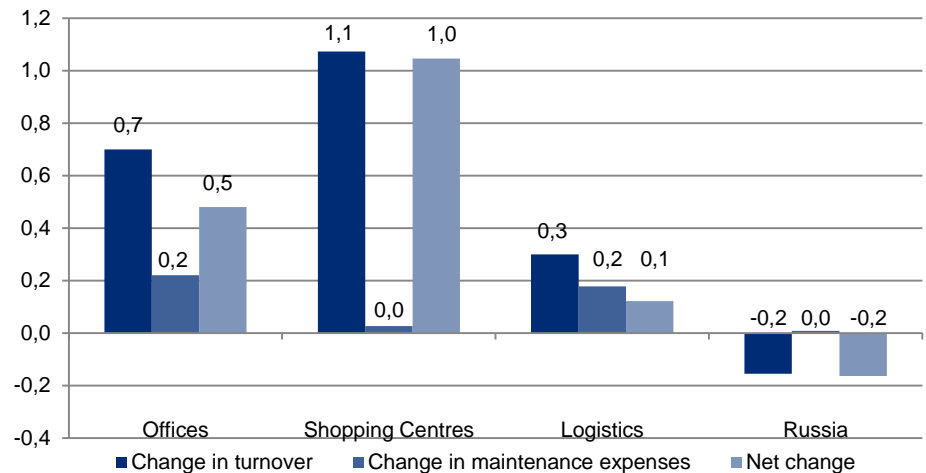
# Like-for-like development in H1 2016

Like-for-like net rental growth has been calculated from a portfolio that Sponda has held for 2 years excluding acquisitions, divestments and property development.

Like for Like net rental change, %

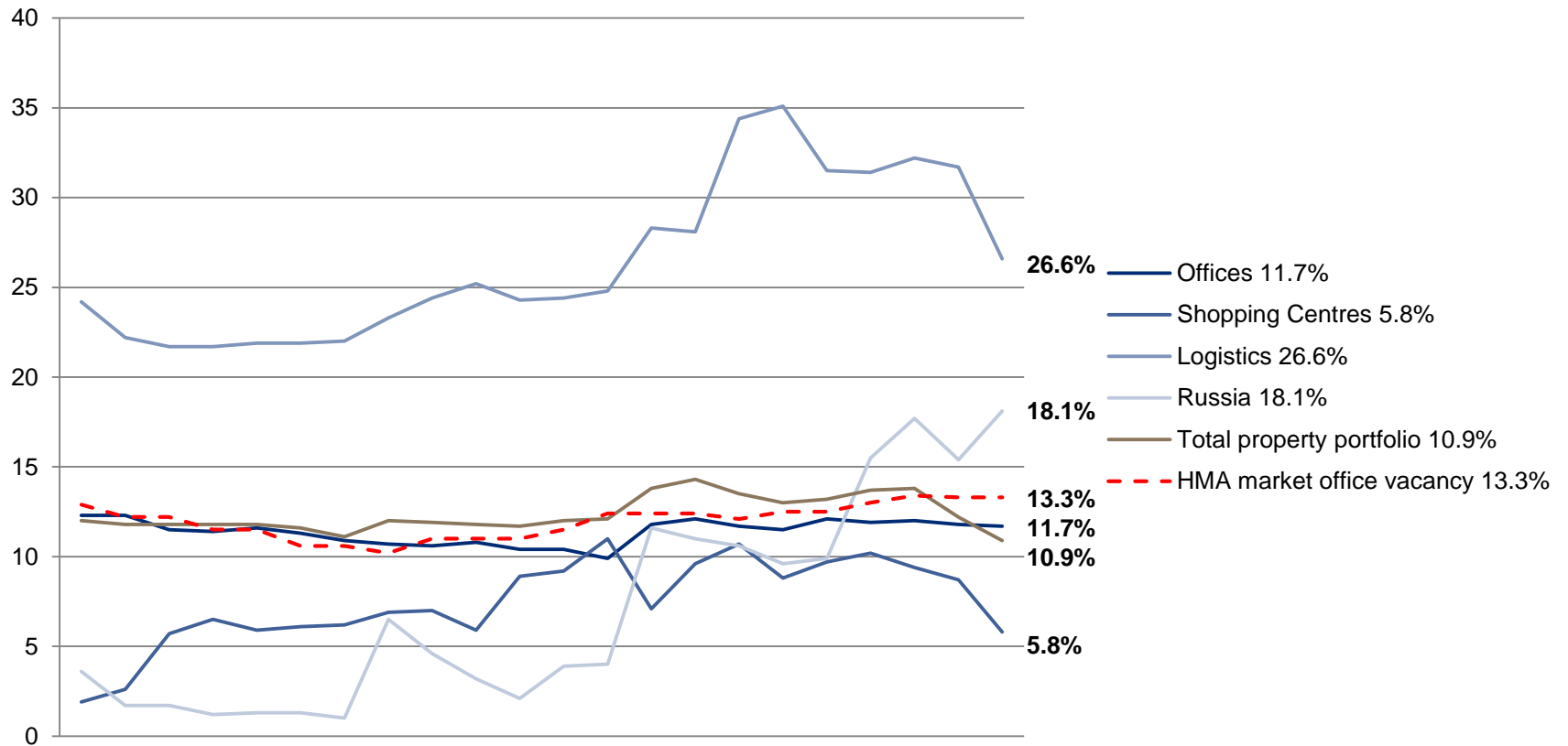


Like for Like net rental change, M€





# Economic vacancy rate 2009 – Q2 2016



# Lease agreements in Q2 2016

	<b>Pcs</b>	<b>M<sup>2</sup></b>	<b>€/m<sup>2</sup>/month (avg)*</b>
New agreements that came into force during the period	66	19 464	13.80
Agreements that ended during the period	63	11 284	18.50
Agreements that were extended during the period	51	22 346	18.40

\*) Agreements that came into force and ended do not necessarily correlate with same sector or space.

- All lease agreements in Finland are linked to CPI (upwards only).
- Ten largest tenants account for 28% of rental income.

# Investment portfolio development

- We are creating value by property development and active portfolio management.
- Our aim is to sell non-core assets classified as such either by location or development potential.

M€	2012	2013	2014	2015	H1 2016
Property development investments	47.5	14.0	22.0	65.2	<b>24.3</b>
Maintenance investments/ Tenant improvements	28.4	22.6	42.0	37.8	<b>12.5</b>
Acquisitions	53.1	3.1	65.0	4.7	<b>589.5</b>
Divestments	61.8	33.1	237.2	157.6	<b>8.3*)</b>

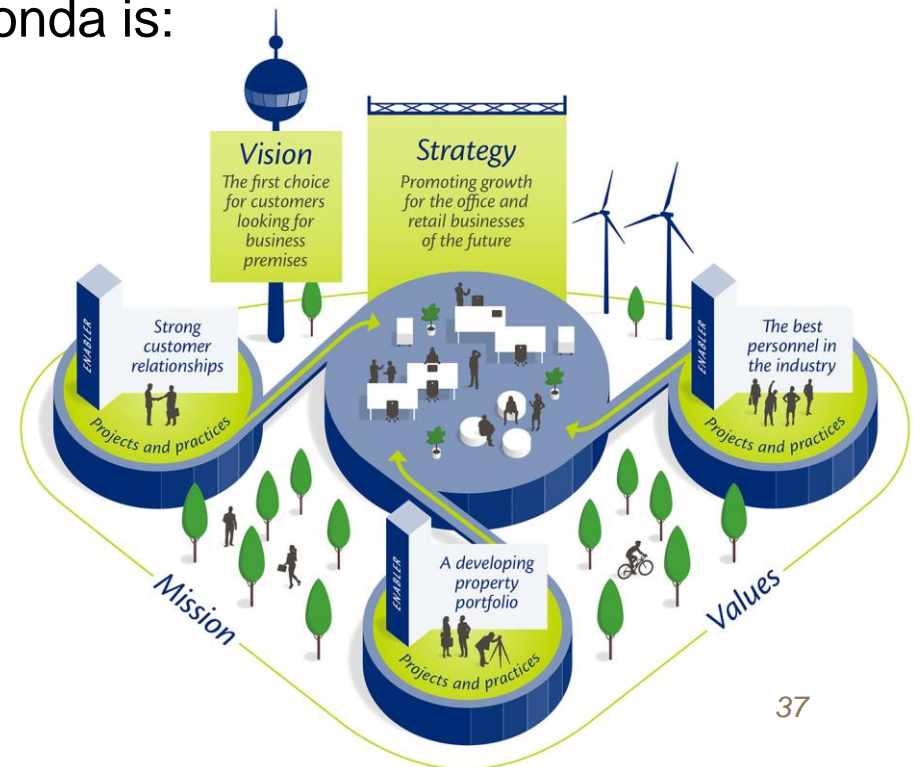
\*) In addition, Sponda sold investment properties for EUR 20 million after Q2 and land for EUR 25 million in Q1.



# Strategy

*Main goals of Sponda's strategy are to simplify the business as a whole, to have more focused property portfolio, and to grow profitably.*

- To achieve the strategic goals, Sponda is:
  - Selling the logistics portfolio;
  - Selling the Russian portfolio; and
  - Investing in prime properties in Helsinki and Tampere.

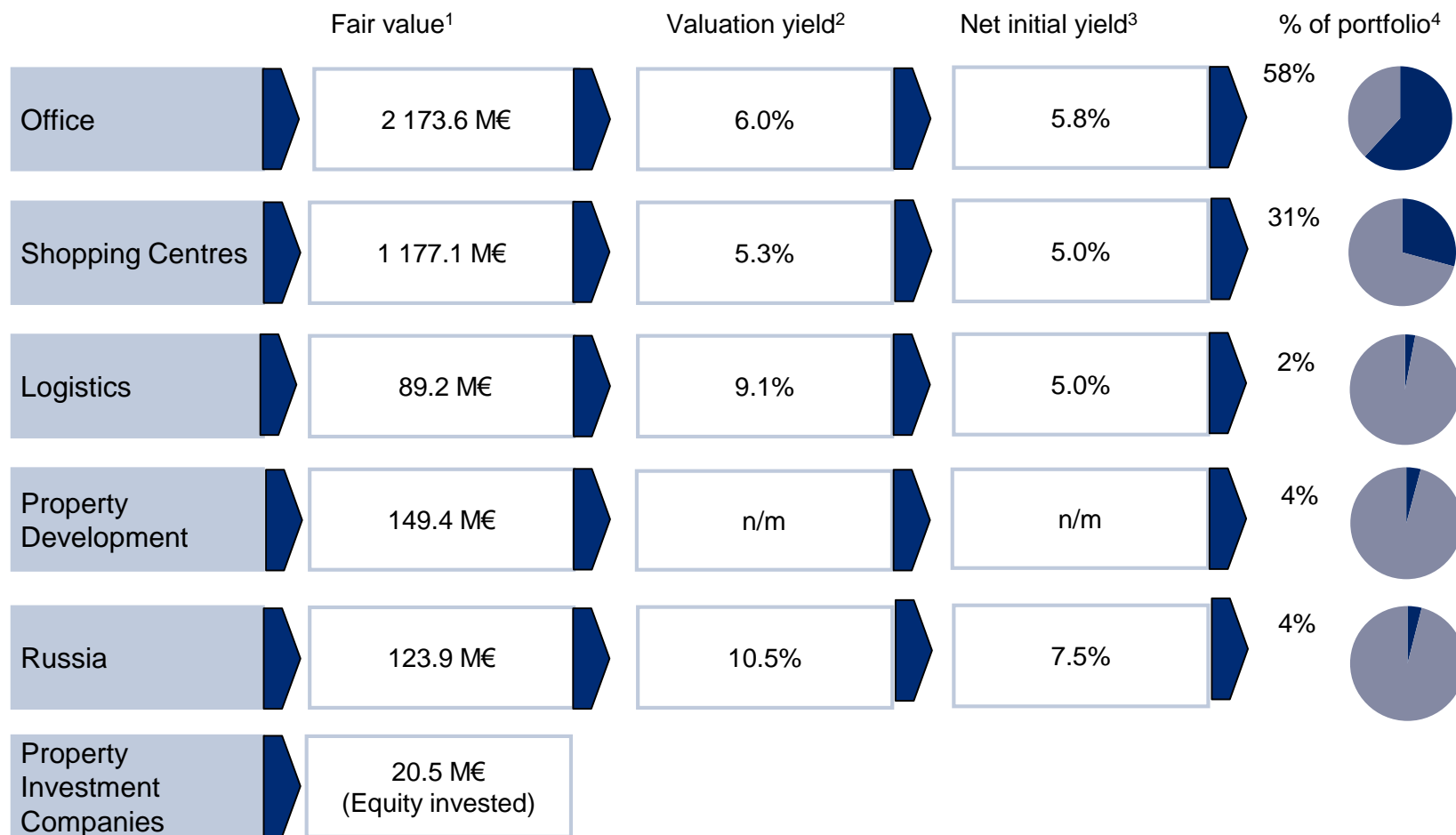




# Largest Shareholders 31 July 2016

	Major shareholders	No. of shares	Holding %
1.	Mercator Invest Ab	95,344,608	28.07
	Mercator Invest Ab	53,180,863	15.66
	Oy Palsk Ab	42,163,745	12.41
2.	HC Fastigheter Holding Oy Ab	34,181,172	10.06
3.	Varma Mutual Pension Insurance Company	29,083,070	8.56
4.	Elo Pension Company	4,893,083	1.44
5.	Åbo Akademi University Foundation	4,096,430	1.21
6.	The State Pension Fund	3,850,000	1.13
7.	OP-Finland Value Fund	1,303,221	0.38
8.	Odin Eiendom	1,254,805	0.37
9.	Danske Invest Finnish Institutional Equity Fund	815,000	0.24
10.	Bnp Arbitrage	814,771	0.24
	Nominee-registered shareholders 35.47% of the total		

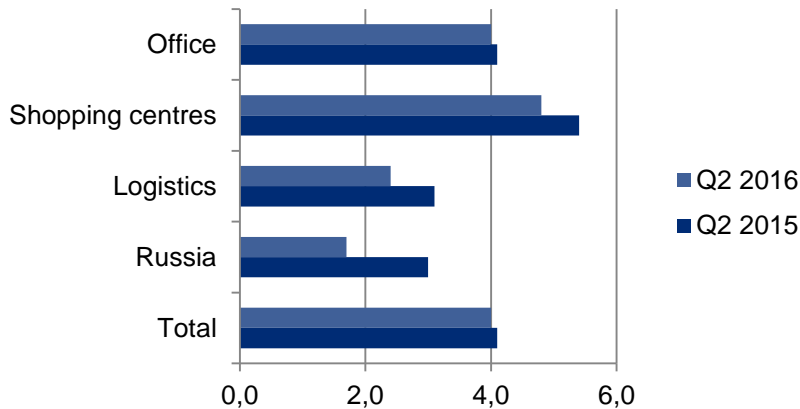
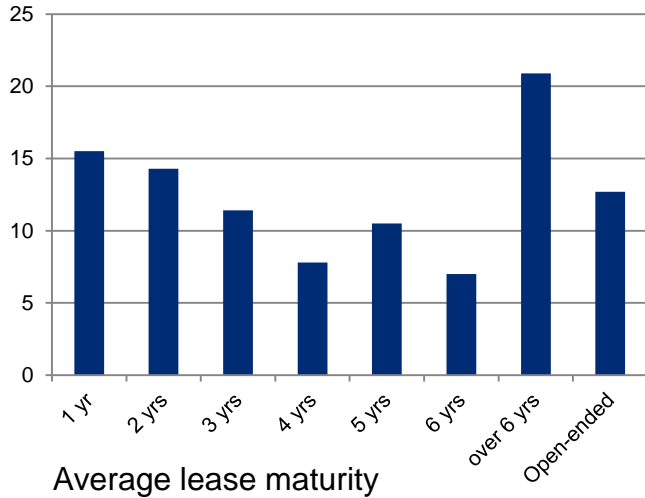
# Overview of the current reporting segments



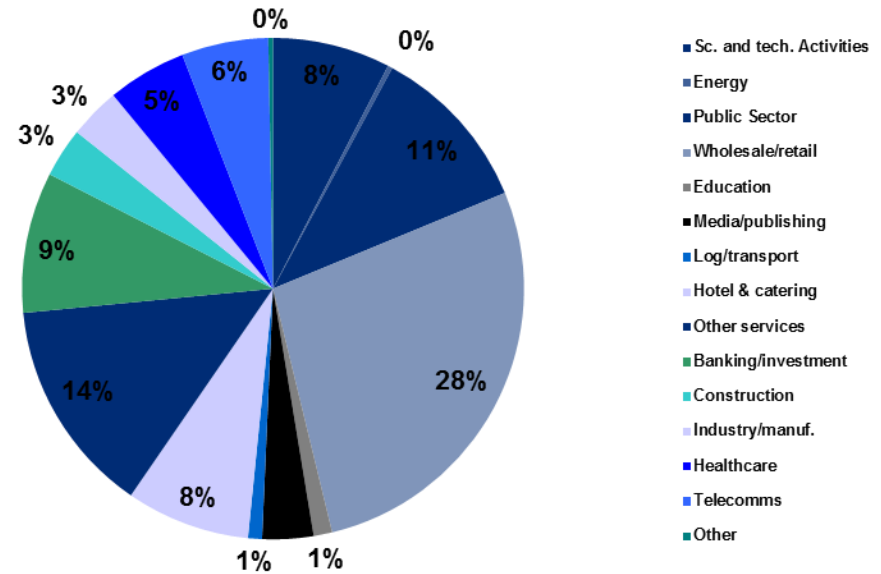


# Lease agreement composition Q2 2016

Lease maturity profile,  
% of rental income



Tenant breakdown by sector<sup>1</sup>

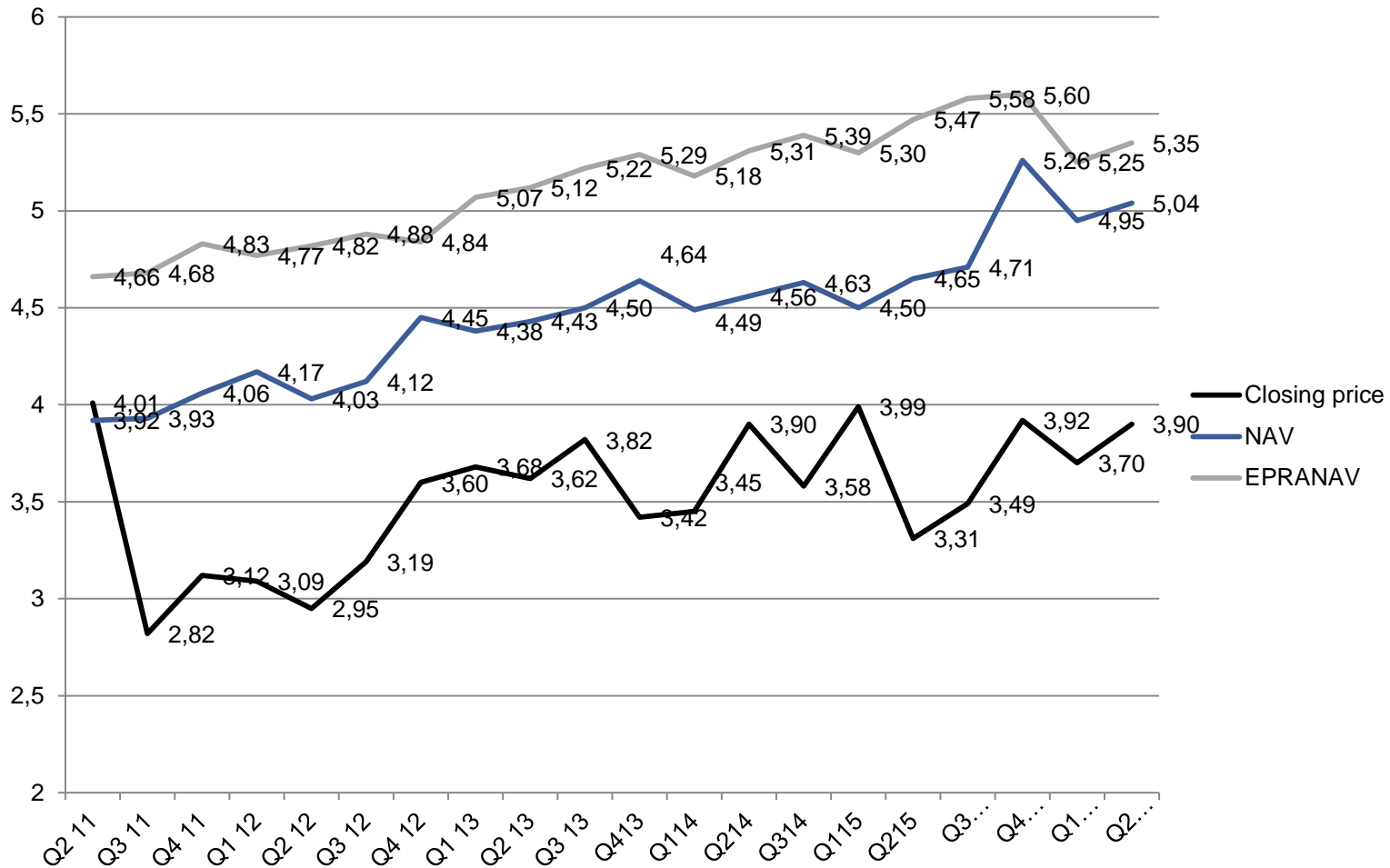


Note 1: Based on rental income

# Balance sheet

M€	30.6.2016	30.6.2015	31.12.2015
<b>ASSETS</b>			
Investment properties	3,713.2	3,143.2	3,101.7
Other non-current assets	58.6	260.7	61.4
Fixed assets & other non-current assets, total	3,771.8	3,403.9	3,163.1
Current assets, total	117.9	78.5	267.7
Non-current assets held for sale	22.1	-	10.2
<b>Assets, total</b>	<b>3,911.8</b>	<b>3,482.3</b>	<b>3,441.0</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity, total	1,809.0	1,413.2	1,585.0
Non-current liabilities, total	1,548.3	1,638.0	1,192.0
Current liabilities, total	554.1	431.2	664.0
<b>Shareholders' equity and liabilities, total</b>	<b>3,911.8</b>	<b>3,482.3</b>	<b>3,441.0</b>

# NAV/share and EPRA NAV/share



# EPRA NAV calculation

5.35 €/share

