



Sponda Financial Results Q3 2016

4 November 2016

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Creates the conditions for success

1. Highlights for the Period – Kari Inkinen

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1. Highlights for the Period

Kari Inkinen

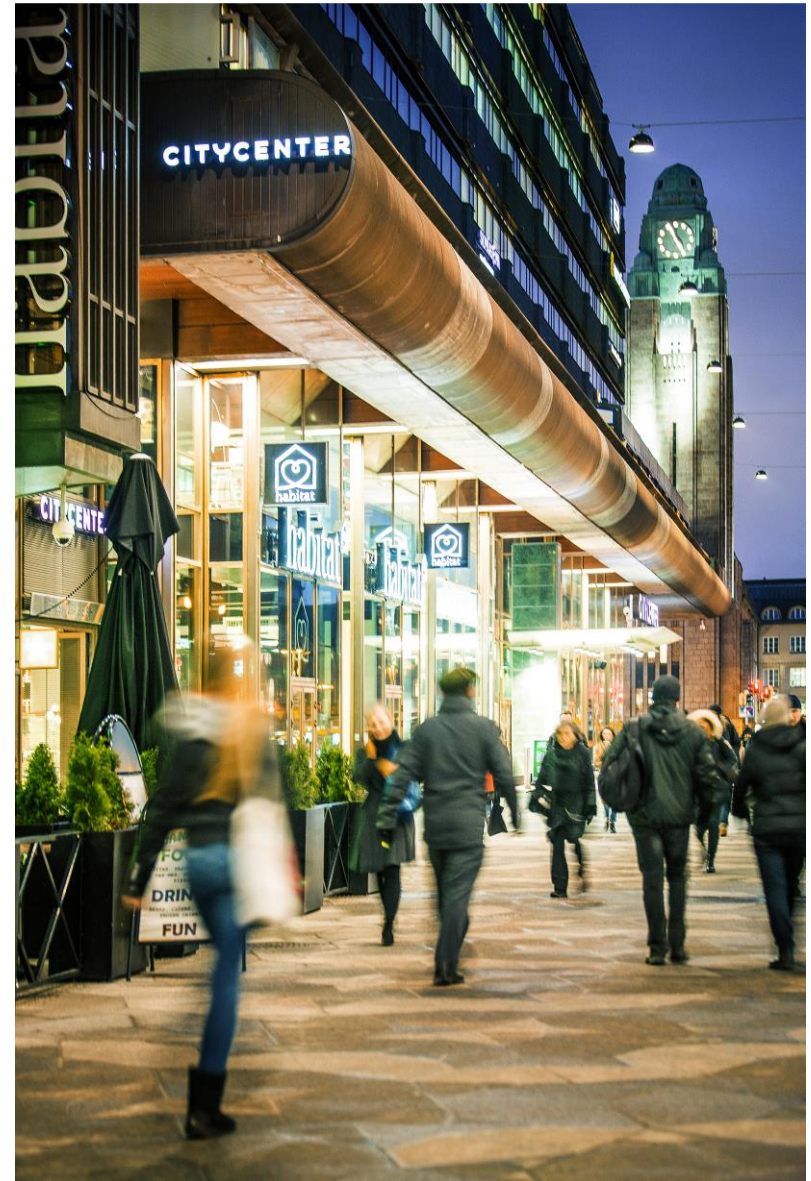
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Sponda has carried out majority of the divestment plans set in its strategy

	30.6.2013		30.9.2016		Divestments
Property Funds business	AUM EUR 720m Investments in Funds EUR 73m	➔	AUM EUR 0m ¹⁾ Investments in Funds EUR 0m		<ul style="list-style-type: none"> The Property Funds business and the properties in the Fund sold to Certeum Sponda's shares in Certeum sold at the end of 2015
Logistics property portfolio	Fair value EUR 409.5m	➔	Fair value EUR 80.2m		<ul style="list-style-type: none"> Logistics properties sold for EUR 325 million
Properties in Turku	# of properties 8	➔	# of properties 0		<ul style="list-style-type: none"> All properties sold by July 2016.
Russian portfolio	Fair value EUR 268.3m	➔	Fair value EUR 123.4m		<ul style="list-style-type: none"> Properties in Russia sold for EUR 59 million

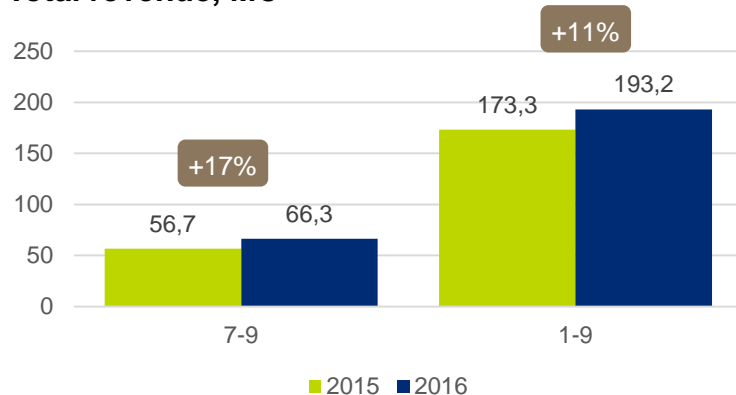
Q3 2016 in brief

- Continued solid performance in Q3 especially in Shopping Centre segment
 - Like-for-like development in both shopping centres and offices were positive, 4.7% and 0.6% respectively
- Occupancy rate increased to 89.3% (30.9.2015: 86.2%)
 - Shopping Centres 93.2% (30.9.2015: 90.6%)
 - Office Properties 88.8% (30.9.2015: 88.0%)
- Forum selected as the best shopping centre in Finland
- Divestments YTD were EUR 54 million

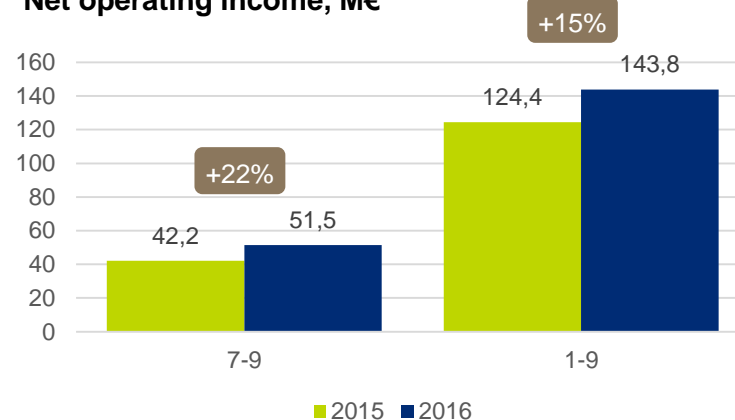


Q3 2016 key figures

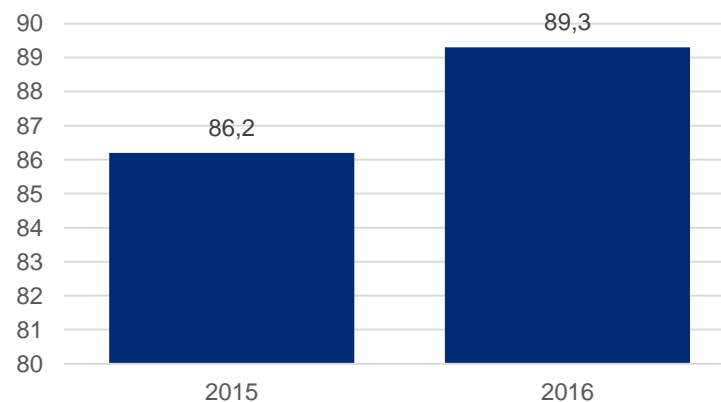
Total revenue, M€



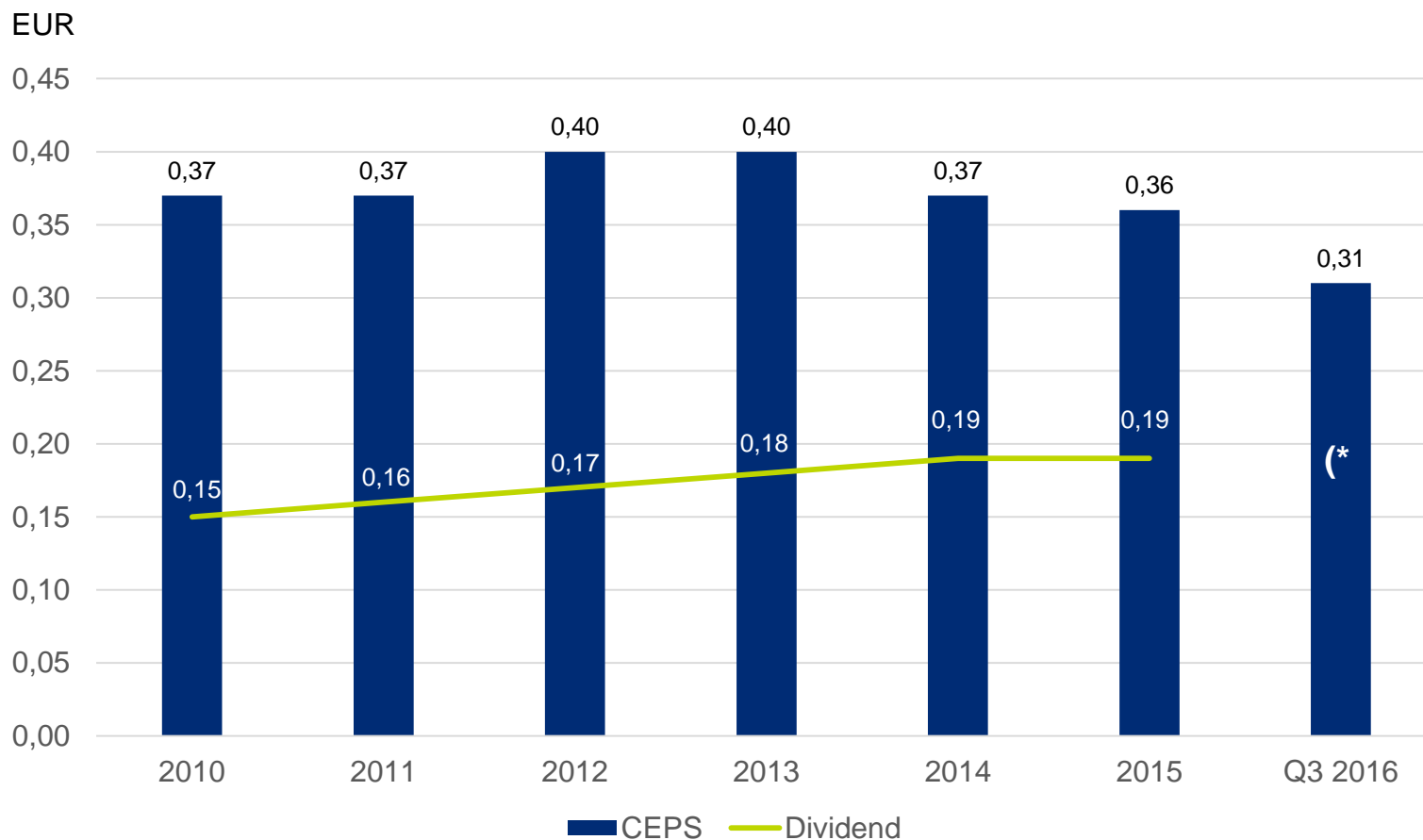
Net operating income, M€



Group occupancy rate, %



Cash earnings and dividend per share

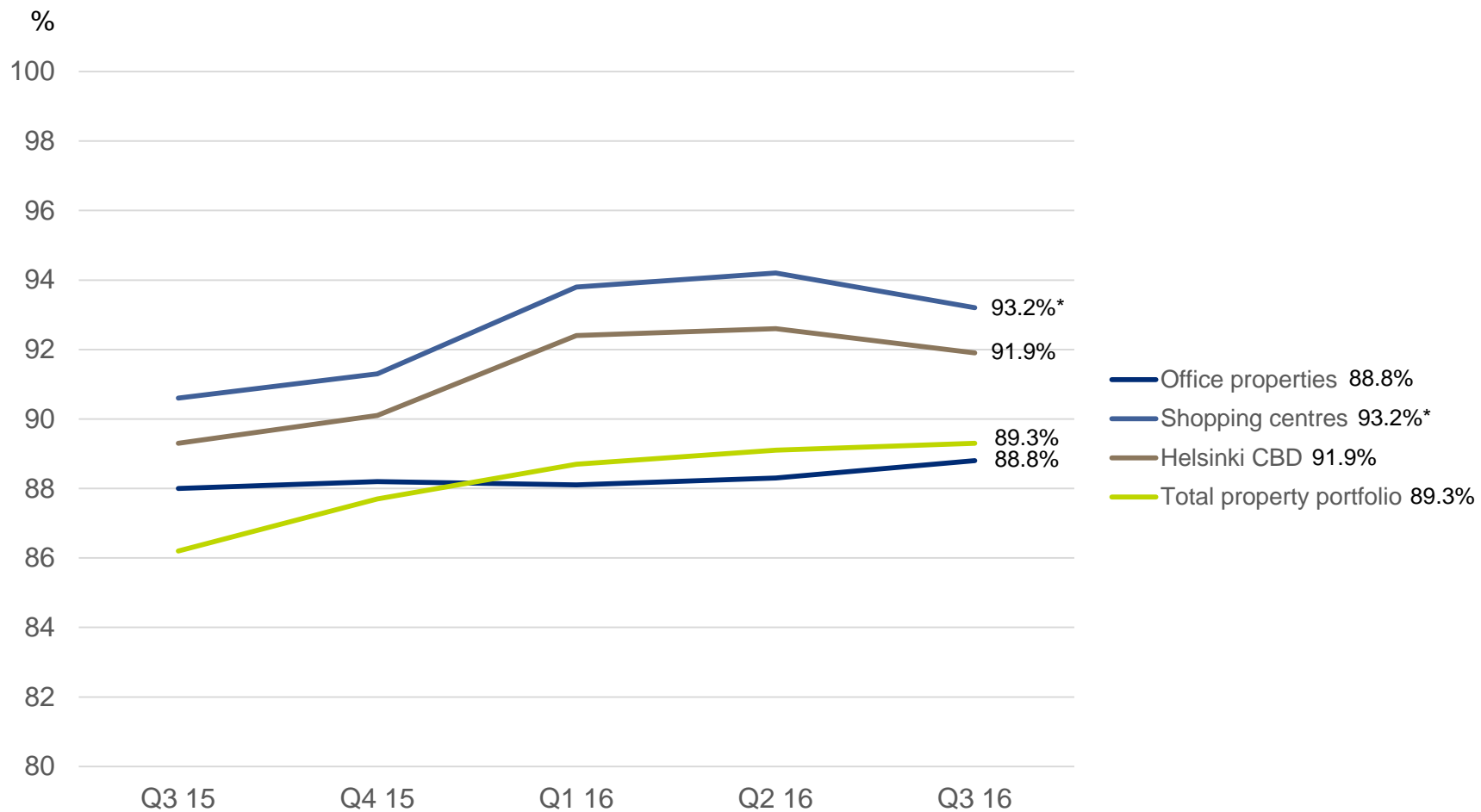


Location matters

Helsinki CBD shows strong development in occupancy rates and like-for-like rental growth

Like-for-like net income, M€	1-9/16	Change %	1-9/15
Offices	30.6	4.3%	29.3
Shopping Centres	10.5	9.4%	9.6
Economic occupancy rate, %	1-9/16	1-9/15	
Offices	92	91	
Shopping Centres	92	85	

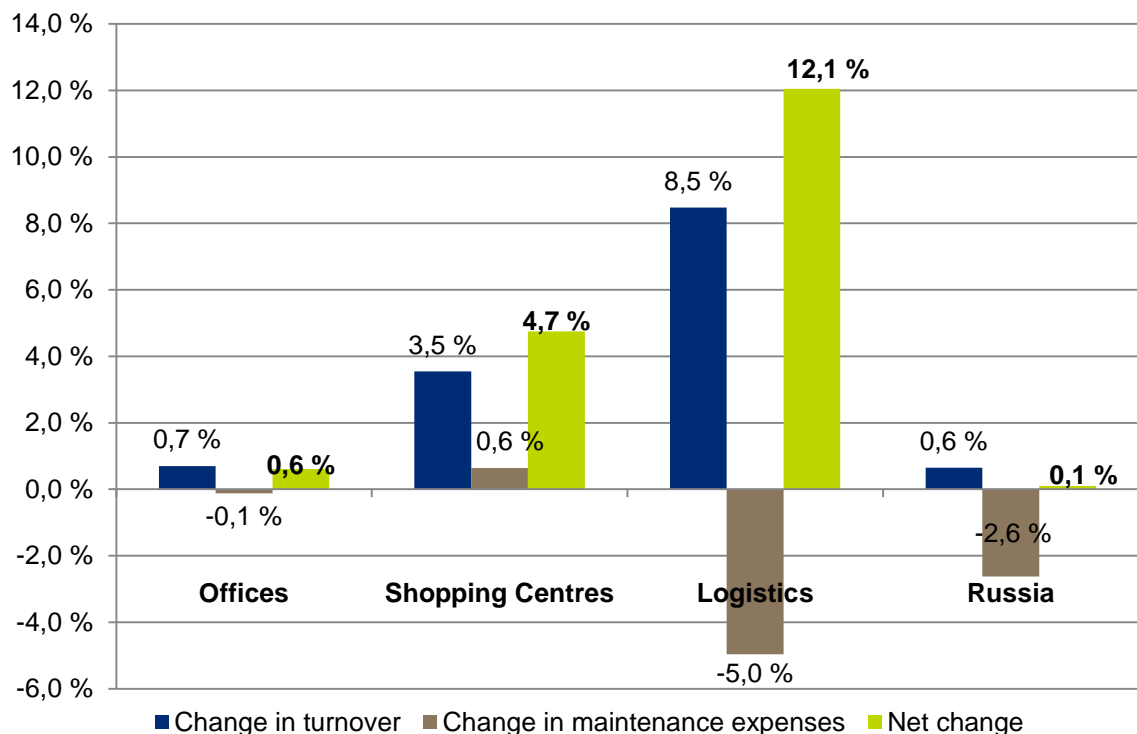
Economic occupancy rates



Like-for-like development in Q3 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, %



In **Offices** the improvement is a result of increased rents and indexation.

The positive development in **Shopping Centres** and **Logistics** is driven by both improved occupancy rates and increased rents.

Sponda's priorities in 2016





Offices



Retail



Logistics



2. Portfolio Development

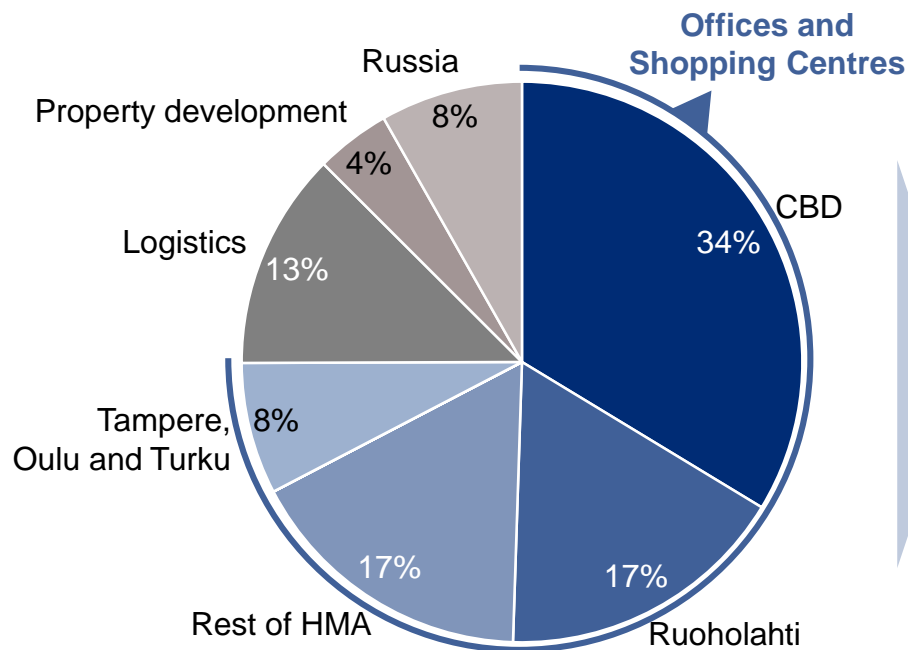
Pia Arrhenius

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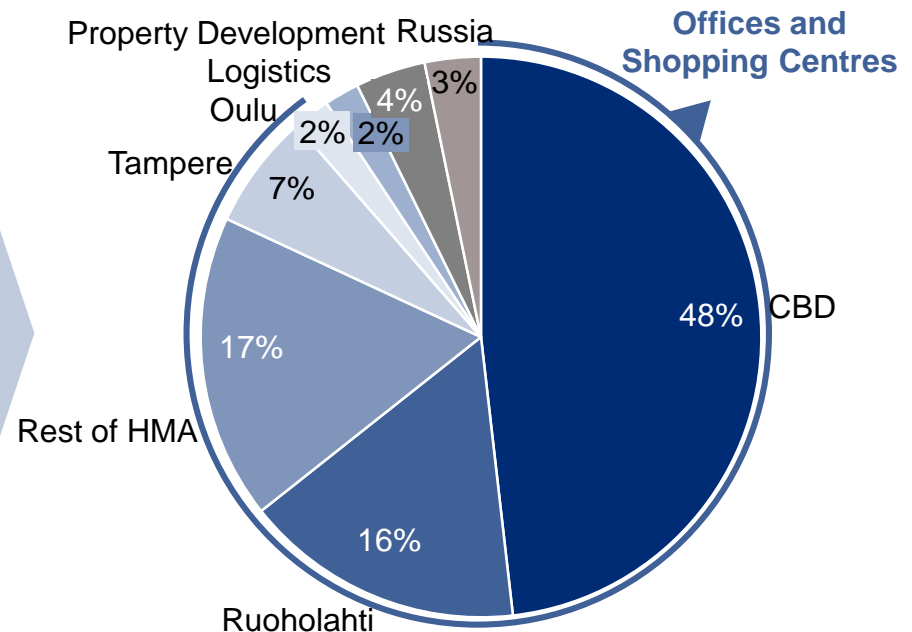
Share of Helsinki CBD's office and shopping centre properties has clearly increased

Sponda's portfolio 30.6.2013¹⁾



EUR 3,266.5 million

Sponda's portfolio today



EUR 3,692.7 million

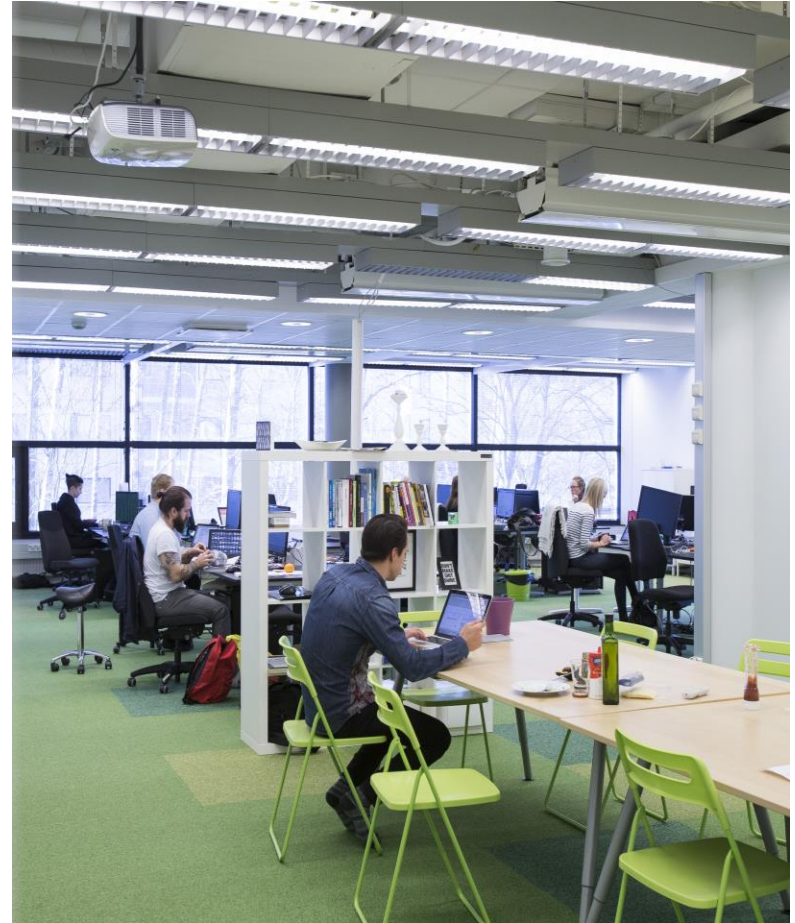
- Total portfolio -

Shopping centres

- The economic occupancy rate was 93.2%
 - The Anttila bankruptcy impact in Q3 was 1.5%-points
- The Finnish Council of Shopping Centers reports growth numbers for Finnish shopping centres in Q3
 - Footfall in Finland 5.9% and in HMA 6.3%
 - Sales improved by 6.0%, in HMA by 5.4%
- Sponda's combined footfall of all shopping centres increased by 3.6% compared to Q3 2015.
- Combined OCR of all shopping centres including Forum was 15.3%.
- Combined sales of all shopping centres including Forum increased by 1.8% compared to Q3 2015.
- Like-for-like rental growth was 4.7% as a result of improved occupancy rates and increased rents.

Office properties

- Demand for CBD offices remains strong.
 - Q3 CBD office occupancy rate was approximately 92% (Q2 2016: 92%).
- Rental levels in CBD offices have remained strong.
- Office segment like-for-like rental growth was 0.6% as a result of increased rents and indexation.



Property development investments

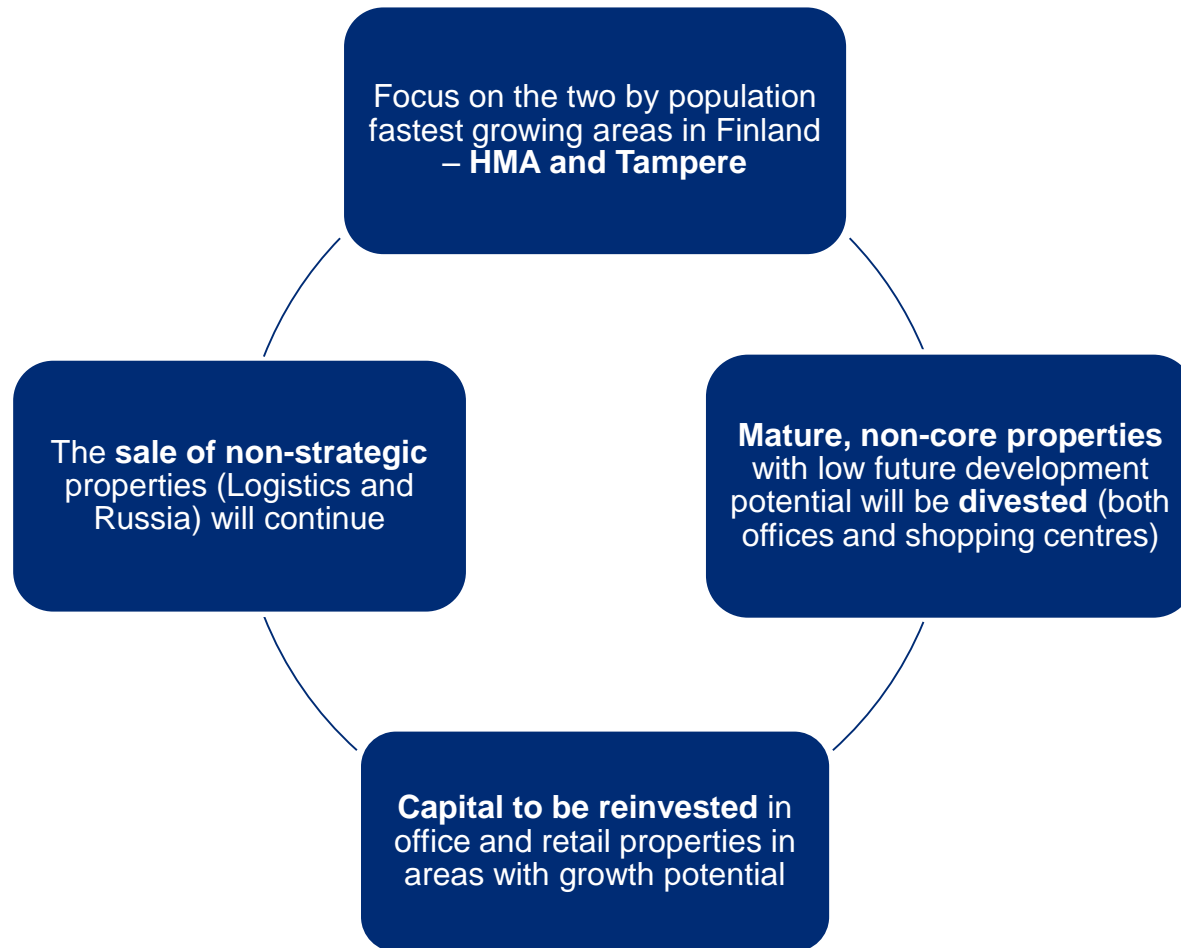
For greenfield projects Sponda expects 15% development gain

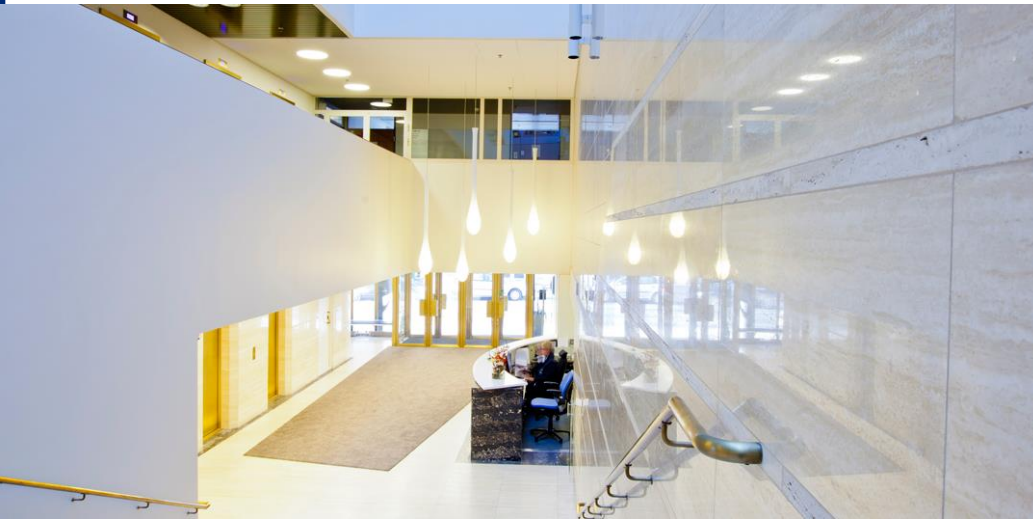
	Leasable area, m ²	Estimated completion	Total investment, €	Investment by the end of September 2016	Pre-let %
Greenfield developments					
Ratina shopping centre, Tampere	53,000	Spring 2018	240.0	87.0	40
Tikkurila office and retail building	9,500	Spring 2018	31.0	3.5	57
Total	62,500		271.0	90.5	

We are continuously looking for investment opportunities

- Any possible decision to start a greenfield project will be disciplined and based on at least 15% development gain.

Sponda continues to further improve quality of portfolio





3. Financials

Niklas Nylander

SPONDA

Financial highlights

	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Total revenue, M€	66.3	56.7	193.2	173.3	230.5
Net operating income, M€	51.5	42.2	143.8	124.4	165.7
EBITDA*, M€	46.6	37.0	127.4	108.3	144.0
EPRA Earnings, M€	31.0	27.4	84.9	78.7	232.0
NAV/share, €			5.05	4.71	5.26
EPRA NAV/share, €			5.38	5.58	5.60
CEPS, €	0.10	0.10	0.31	0.29	0.36

Key drivers during the period

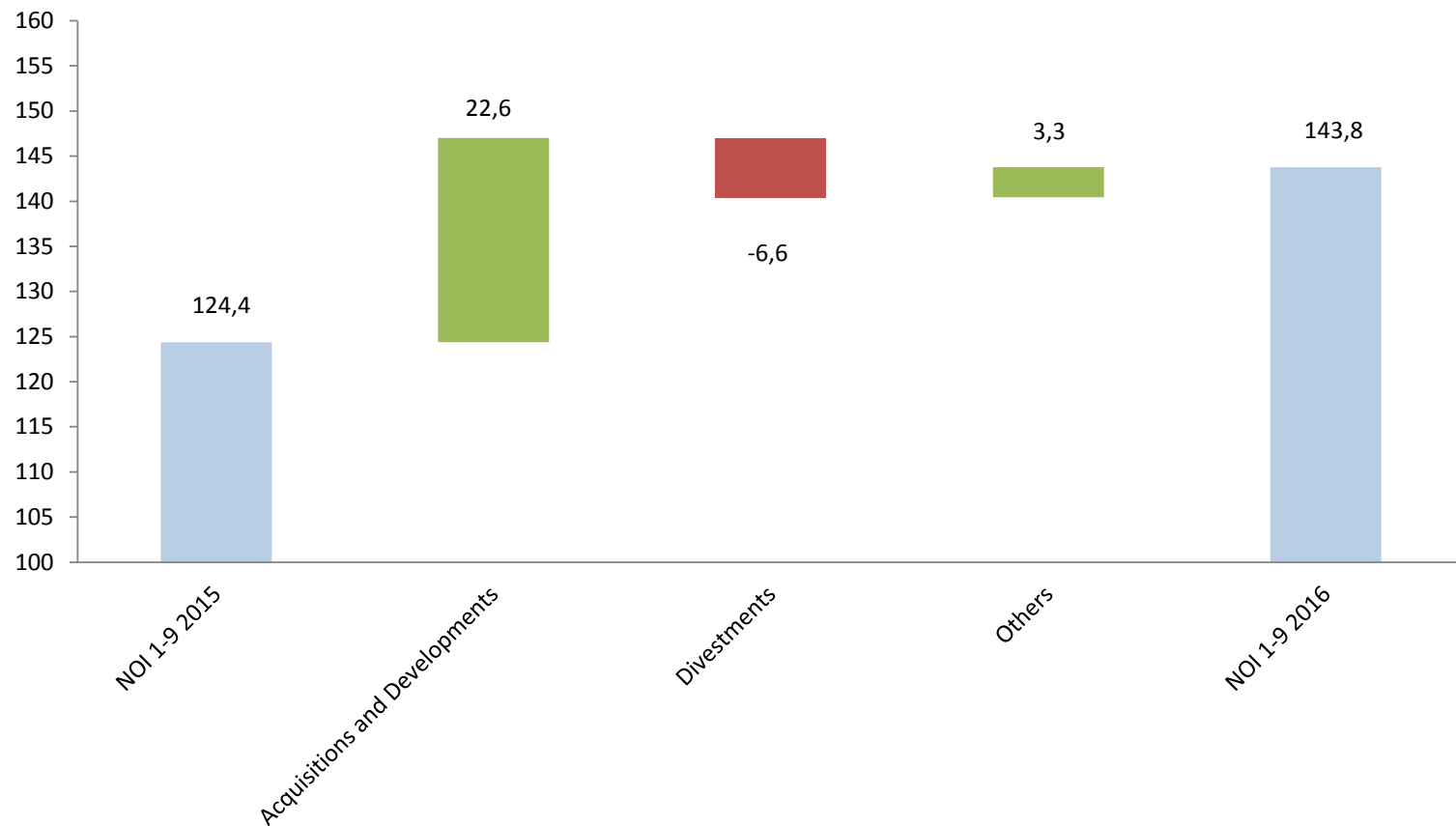
- Acquisition of Forum shopping centre
- Improved economic occupancy rates
- Helsinki CBD shows strong development in occupancy rates and like-for-like

*) Net operating income – administrative and marketing expenses

Net operating income development Y-o-Y

Solid development driven by Forum acquisition

MEUR



Valuation gains/losses

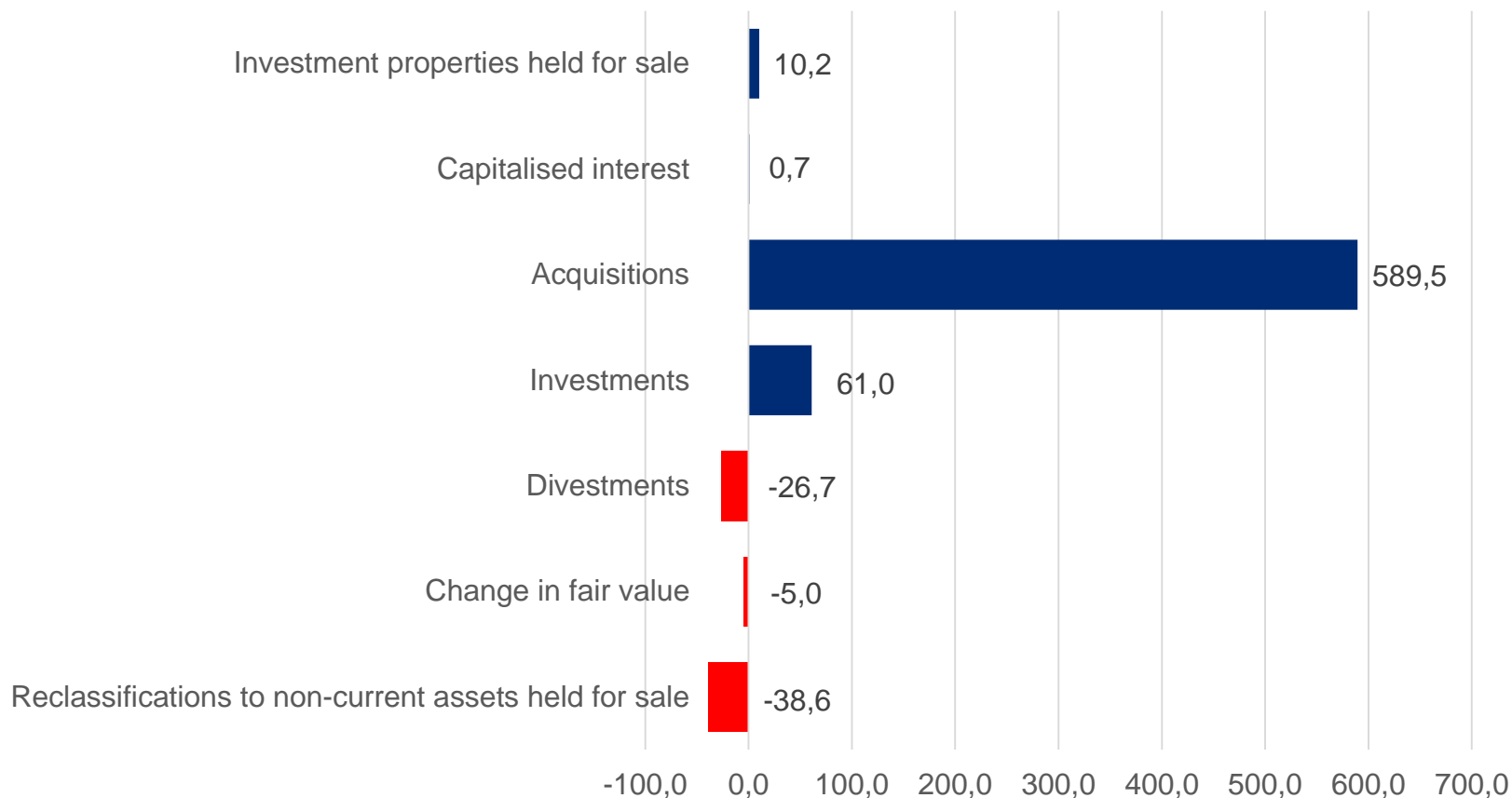
No changes in yield requirements in Q3 (internal valuation)

M€	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Changes in yield requirements (Finland)	0.0	0.0	17.1	32.2	39.2
Changes in yield requirements (Russia)	0.0	0.0	(4.1)	(7.4)	(7.4)
Profit/loss from property development projects	1.5	6.7	5.4	9.7	25.4
Modernization investments	(7.4)	(6.8)	(19.9)	(27.5)	(37.8)
Change in market rents and maintenance costs (Finland)	(3.6)	1.9	10.0	20.4	30.2
Change in market rents and maintenance costs (Russia)	(0.4)	1.0	(11.1)	(14.3)	(26.8)
Change in exchange rates	(0.1)	(2.4)	(2.5)	(0.2)	0.3
Investment properties, total	(10.0)	0.5	(5.0)	12.9	23.2
Property Investment Companies	0.0	0.0	(2.0)	0.0	0.0
Realised share of profit from real estate funds	0.0	0.0	0.0	0.0	0.0
Group, total	(10.0)	0.5	(7.0)	12.9	23.2

Investment property valuation

M€

Investment properties 1 Jan 2016 3,101.7



Investment properties 30 Sep 2016 3,692.7

Key balance sheet figures

	30.9.2016	30.6.2016	31.3.2016	31.12.2015	30.9.2015
Equity ratio, %	47.2	46.3	45.7	46.2	41.4
Gearing ratio, %	100,8	101.3	102.6	90.9	119.4
Average interest rate, %	2.8	2.7	2.7	2.9	2.9
Hedging, %	67	70	78	90	86
Average loan maturity, yrs	2.8	2.8	1.8	2.2	2.3
Average fixed interest rate period, yrs	1.5	1.6	1.8	2.2	2.3
Interest cover ratio	3.7x	3.6x	3.5x	3.5x	3.4x
Loan to Value (LTV)*, %	48.3	48.5	48.5	45.7	50.4
Interest-bearing debt, M€	1,840	1,913	1,902	1,661	1,725
Unused credit limits, M€	440	440	440	440	510

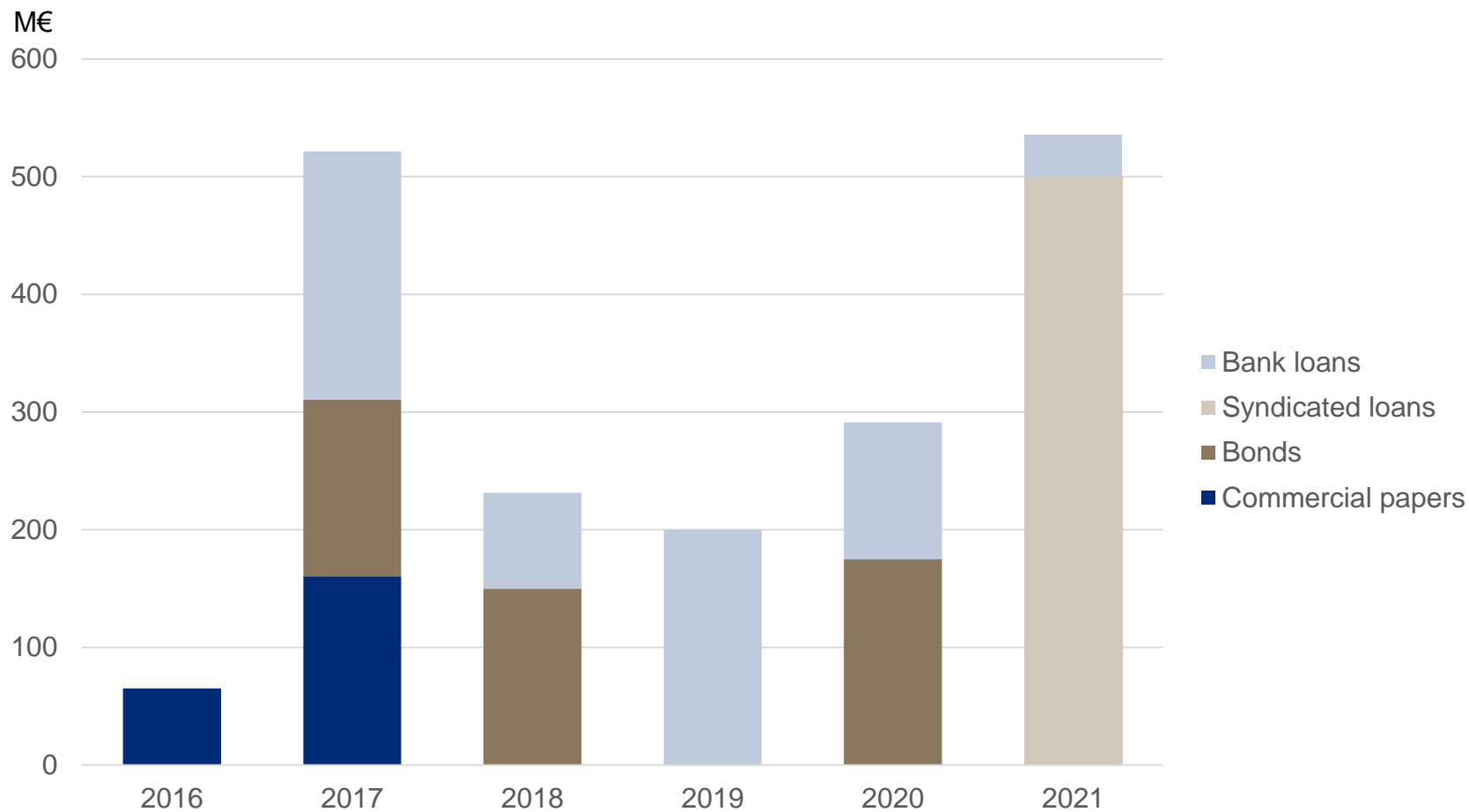
Covenants at:

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

ICR 1.75x

*) LTV is calculated based on net debt.

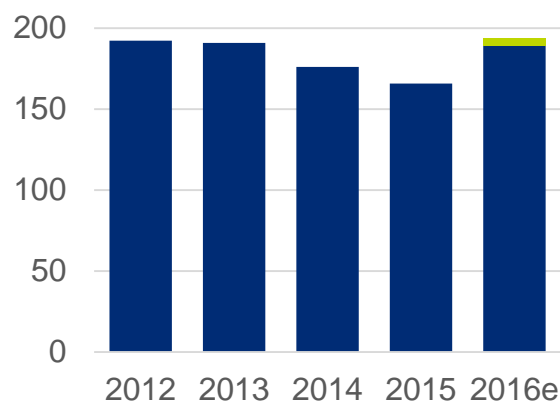
Loan maturities 30 September 2016



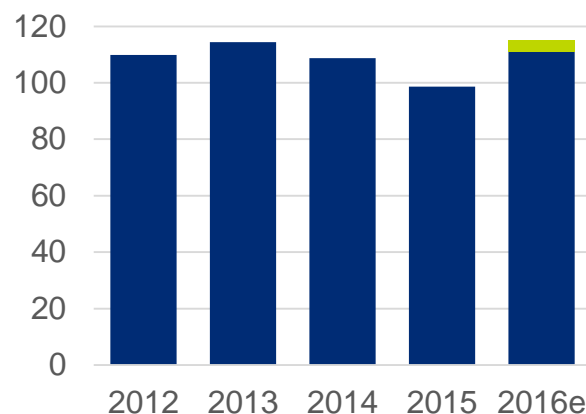
Prospects and financial targets

Sponda provides prospects for 2016 with regard to the development of the company's net operating income and adjusted EPRA Earnings.

Net operating income, EUR 189–194 million



Adjusted EPRA Earnings, EUR 111-116 million



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.



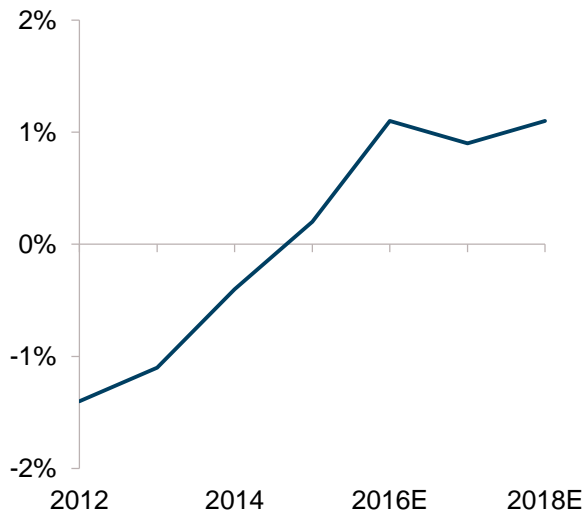
4. Business Environment and Business Update

Kari Inkinen

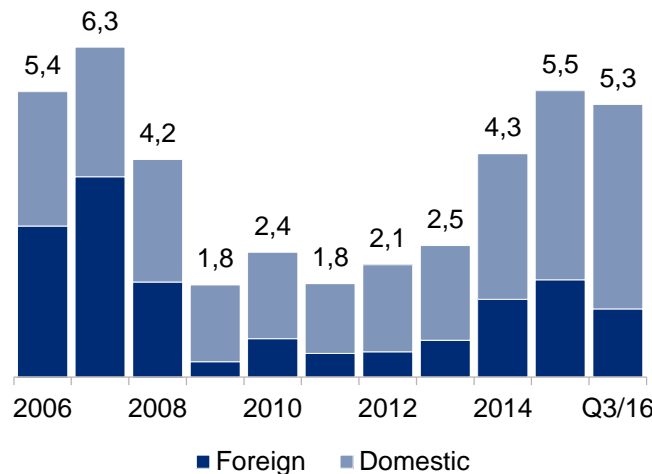
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Activity in the Finnish property market continues

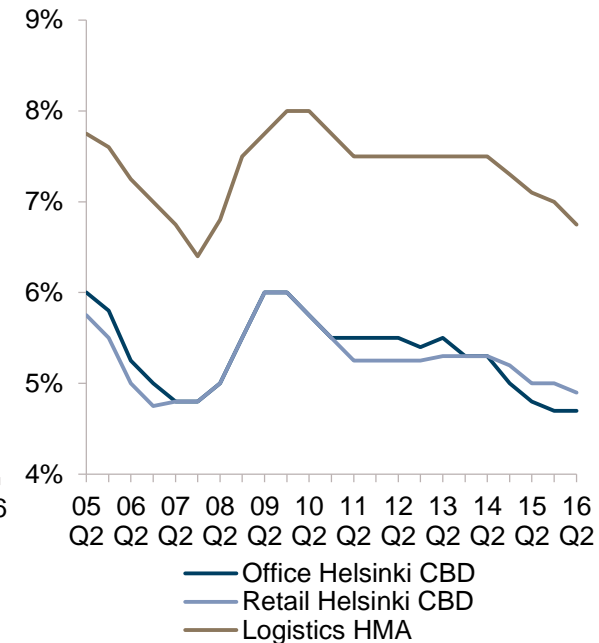
GDP growth in Finland



Real estate transaction volume in Finland
EURbn



Prime yields in HMA



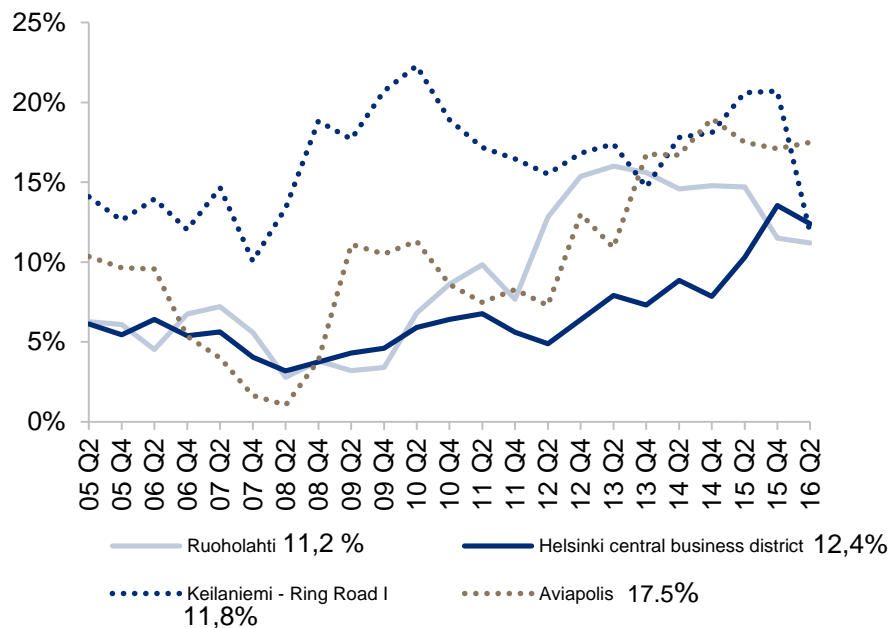
Economic growth slowly turning positive

Record-high transaction volumes

Prime property yield requirements decreasing

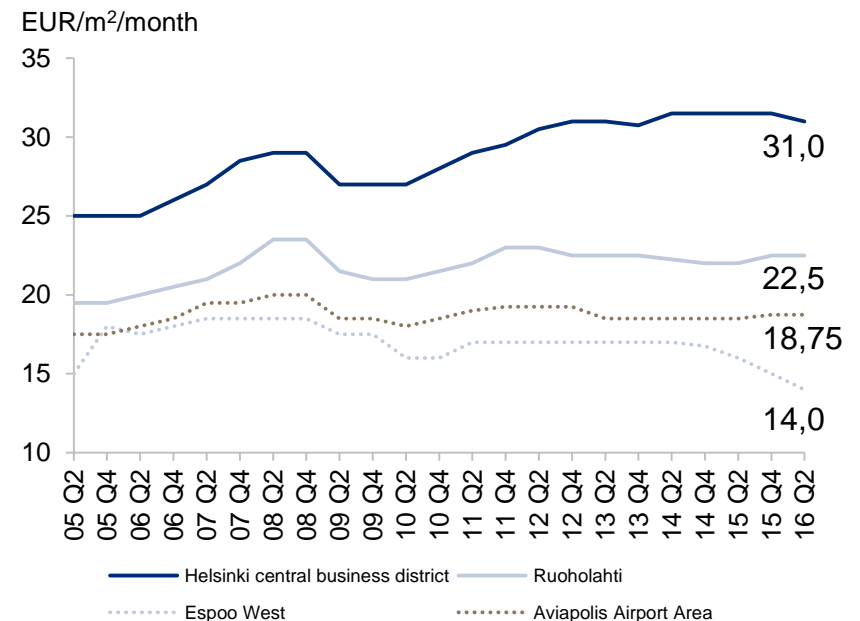
Prime properties performing well

Vacancy rate in HMA, office properties



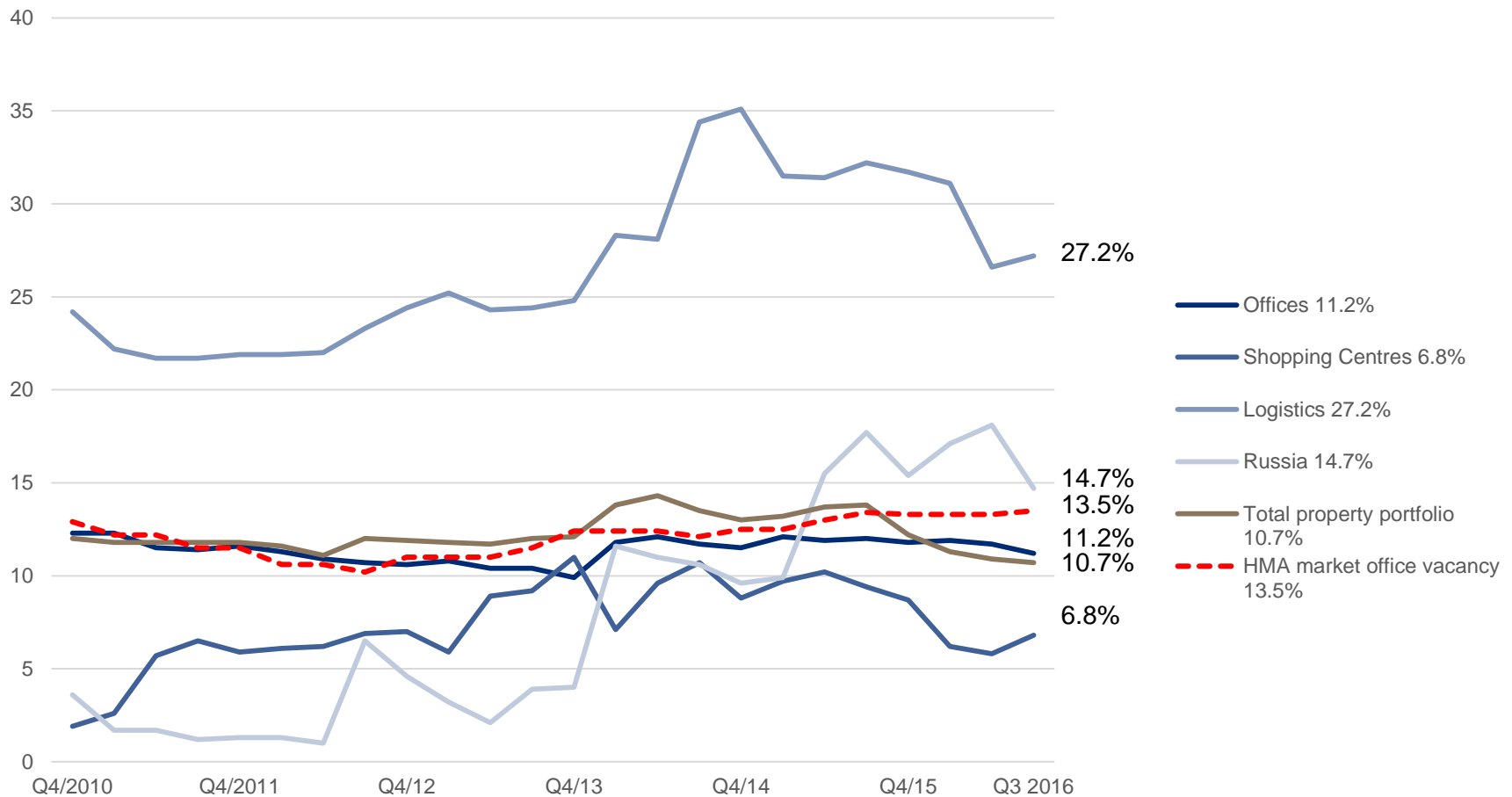
Vacancy rates are declining

Rental levels in HMA, office properties



Office rental levels remain high in Helsinki CBD

Economic vacancy rate 2010 – Q3 2016



Lease agreements in Q3 2016

	Pcs	M²	€/m²/month (avg)*
New agreements that came into force during the period	64	8 154	16.30
Agreements that ended during the period	80	22 354	15.80
Agreements that were extended during the period	38	10 420	16.60

*) 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	30.9.2016
Property development investments	47.5	14.0	22.0	65.2	41.1
Maintenance investments/ Tenant improvements	28.4	22.6	42.0	37.8	19.9
Acquisitions	53.1	3.1	65.0	4.7	589.5
Divestments	61.8	33.1	237.2	157.6	53.6





Largest shareholders 31 October 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.	Odin Eiendom	1,528,633	0.45
8.	Danske Invest Finnish Institutional Equity Fund	1,007,000	0.30
9.	OP-Finland Small Firms Fund	895,812	0.26
10.	OP-Finland Value Fund	813,221	0.24
	Nominee-registered shareholders 36.12% of the total		

Overview of the current reporting segments

	Fair value ¹	Valuation yield ²	Net initial yield ³	% of portfolio ⁴
Office	2 151.0 M€	6.0%	5.9%	58%
Shopping Centres	1 170.9 M€	5.3%	4.7%	32%
Logistics	80.2 M€	9.2%	5.0%	2%
Property Development	167.3M€	n/m	n/m	3%
Russia	123.4M€	10.2%	7.8%	5%
Property Investment Companies	20.5 M€ (Equity invested)			

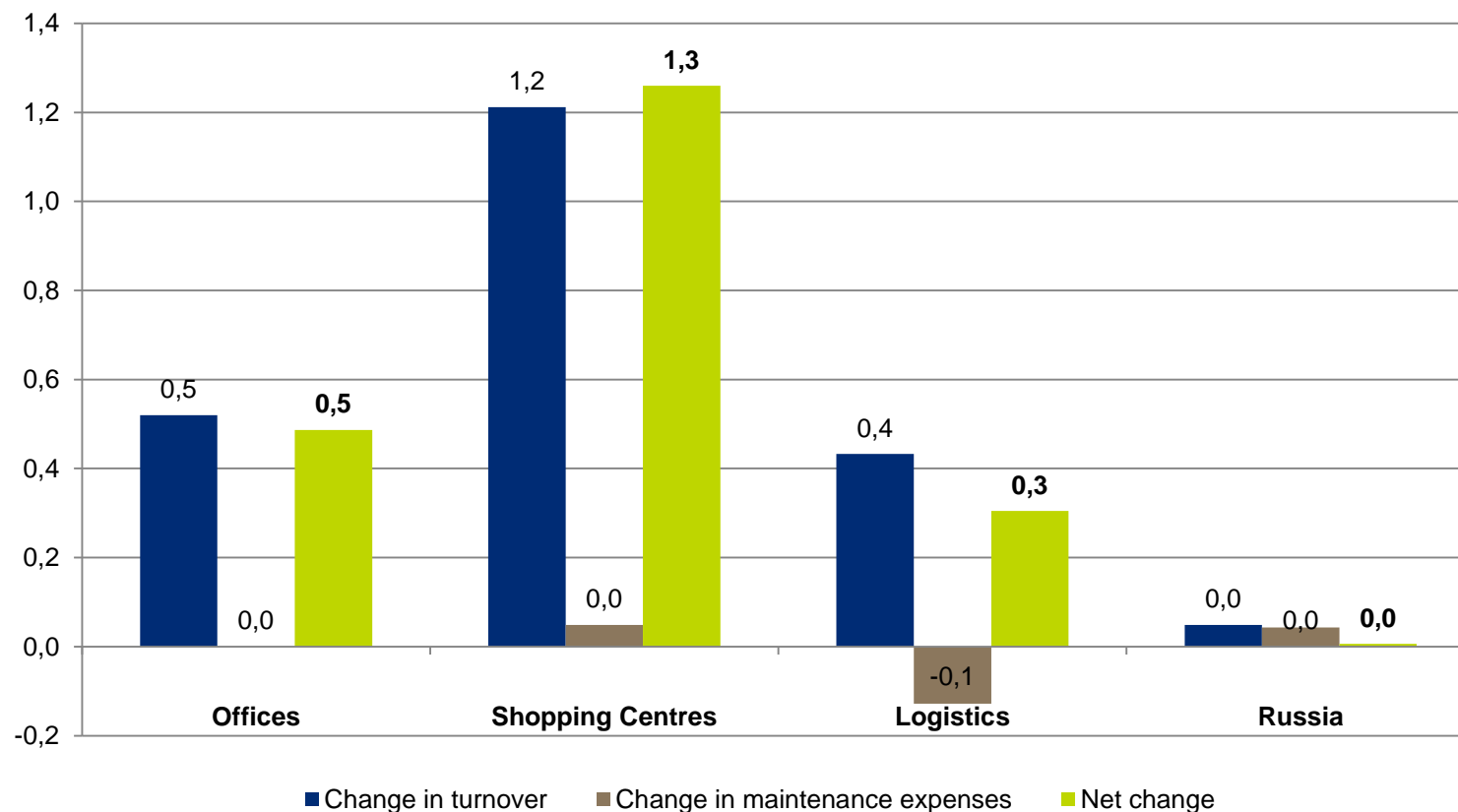
Segment performance

	Office		Shopping Centres		Logistics		Russia	
	1-9/16	1-9/15	1-9/16	1-9/15	1-9/16	1-9/15	1-9/16	1-9/15
Net Operating Income, M€	93.6	81.9	41.1	26.8	3.3	6.8	6.3	10.1
Fair Value of Properties, M€	2,151.0	1,891.6	1,170.9	732,3	80.2	199.0	123.4	162.7
Change in Fair Value of Properties, m€	10.8	30.2	-1,5	1,1	-1.2	-6.6	-17.8	-21.9
Economic Occupancy Rate, %	88.8	88.0	93.2	90.6	72.8	67.8	85.3	82.3
Divestments, M€	9.9	17.7	-	-	6.7	-	9.7	38.7
Acquisitions, M€	161.2	-	428.2	-	-	-	-	-

Like-for-like development in Q3 2016

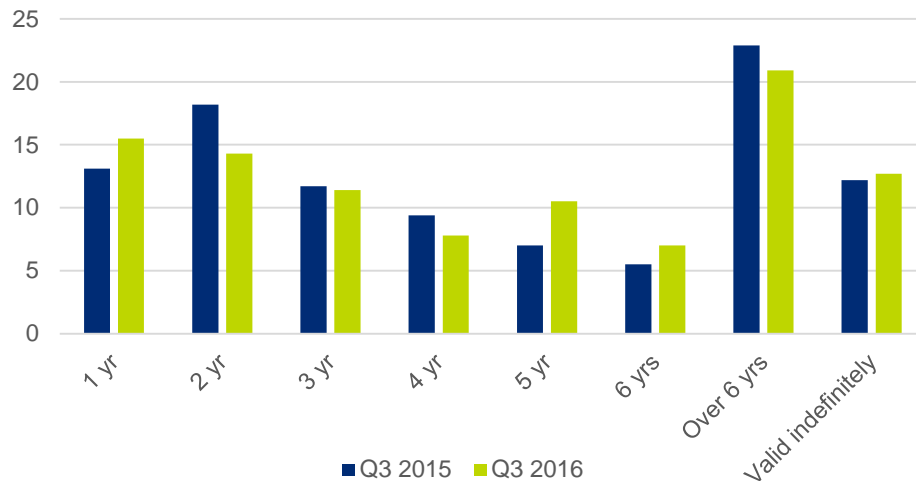
Like-for-like net rental growth has been calculated from a portfolio that Sponda has held for 2 years excluding acquisitions, divestments and property development.

Like-for-like rental change, M€

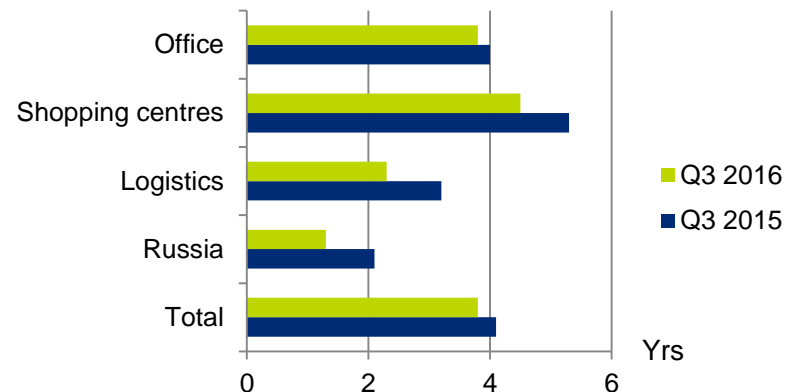


Lease agreement composition Q3 2016

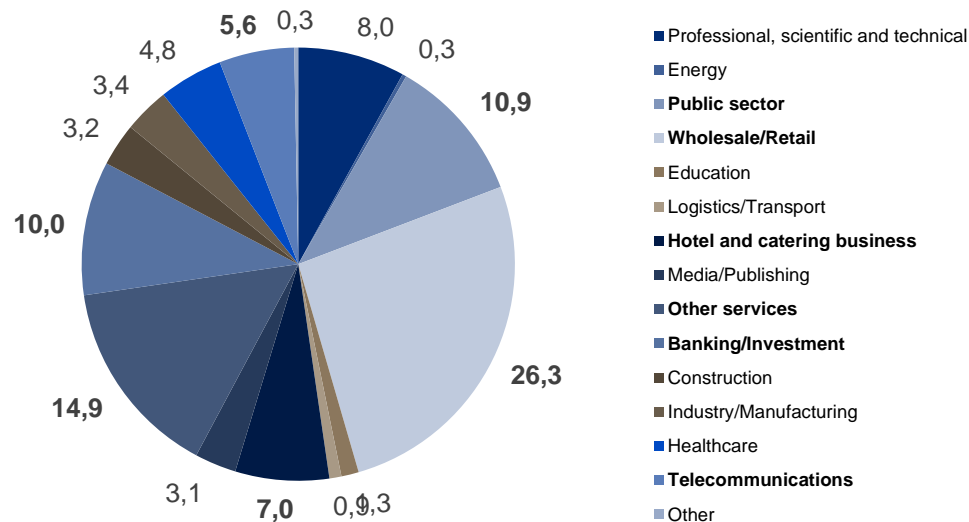
Lease maturity profile, % of rental income



Average lease maturity



Tenant breakdown by sector, based on rental income



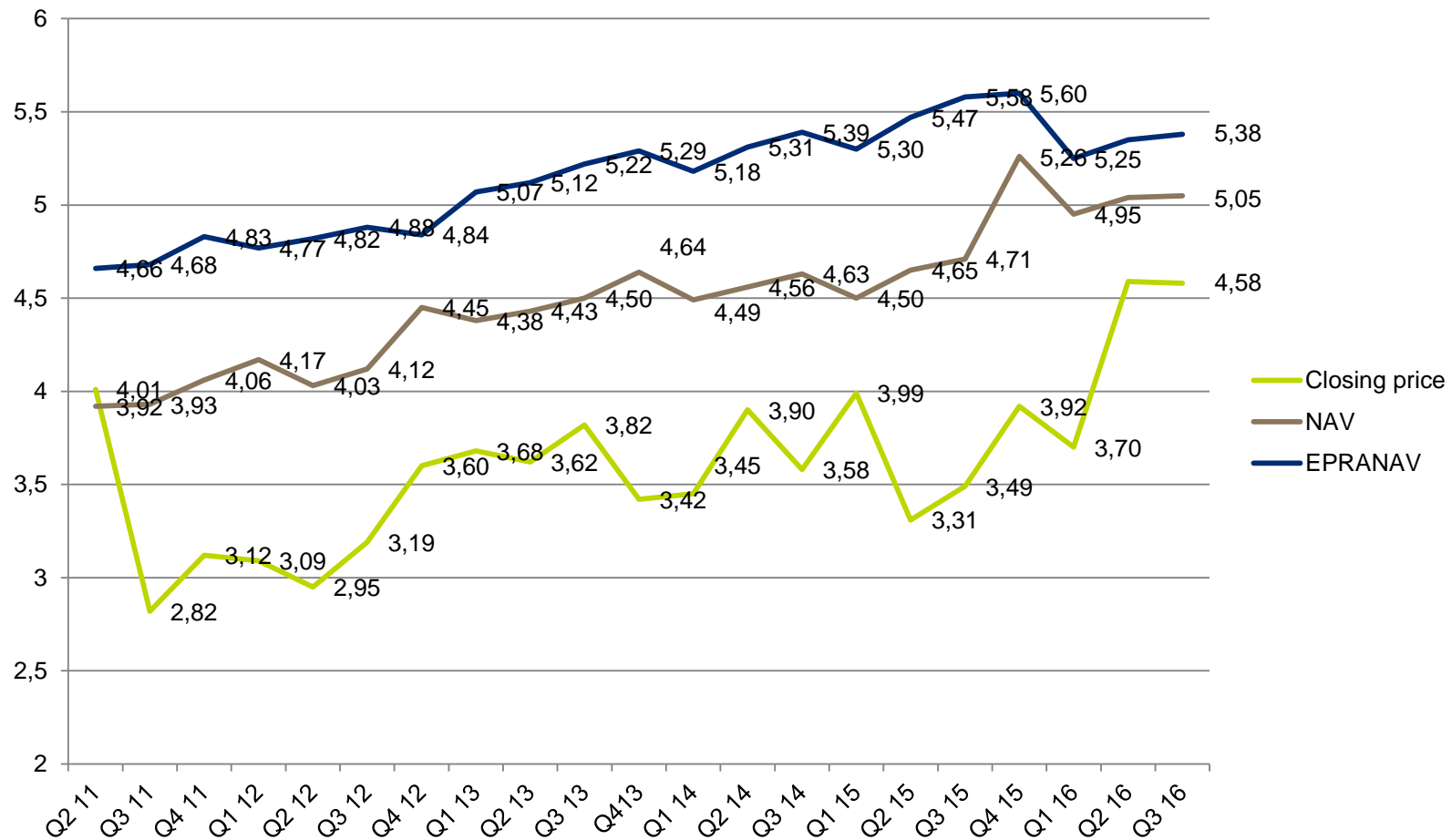
Profit & loss statement

M€	7-9/2016	7-9/2015	1-9/2016	1-9/2015	1-12/2015
Total revenue	66.3	56.7	193.2	173.3	230.5
Expenses	(14.8)	(14.5)	(49.5)	(48.9)	(64.8)
Net operating income	51.5	42.2	143.8	124.4	165.7
Profit on sale of inv. properties	0.9	0.0	0.9	(1.5)	(4.5)
Valuation gain / loss	(10.0)	0.5	(7.0)	12.9	23.2
Depreciation of goodwill	(0.8)	(2.6)	(2.1)	(2.6)	(3.0)
Profit/loss on sales of associated companies	(0.1)	-	(0.1)	-	5.2
Profit on sale of trading properties	0.8	-	13.3	2.6	2.8
SGA expenses	(4.9)	(5.2)	(16.4)	(16.1)	(21.7)
Share of profit from associated companies	-	3.4	-	10.2	10.2
Other operating income/expenses	(0.1)	0.0	0.4	0.3	0.2
Operating profit	37.2	38.3	132.8	130.3	178.1
Financial income and expenses	(12.8)	(13.0)	(38.1)	(36.8)	(48.9)
Profit before taxes	24.4	25.3	94.7	93.4	129.2
Taxes from previous and current fin. years	(0.1)	(0.3)	(2.5)	(1.7)	(9.3)
Deferred taxes	(5.6)	(7.1)	(14.9)	(22.5)	107.3
Profit for the period	18.8	18.0	77.2	69.2	227.2

Balance sheet

M€	30.9.2016	30.9.2015	31.12.2015
ASSETS			
Investment properties	3,692.7	3,161.4	3,101.7
Other non-current assets	62.3	78.7	61.4
Fixed assets & other non-current assets, total	3,755.0	3,240.1	3,163.1
Current assets, total	51.1	35.7	267.7
Non-current assets held for sale	38.6	185.1	10.2
Assets, total	3,844.8	3,461.0	3,441.0
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity, total	1,810.1	1,430.4	1,585.0
Non-current liabilities, total	1,531.2	1,645.6	1,192.0
Current liabilities, total	503.5	385.0	664.0
Shareholders' equity and liabilities, total	3,844.8	3,461.0	3,441.0

NAV/share and EPRA NAV/share



EPRA NAV calculation

5.38€/share

