

Annual General Meeting Sponda Plc

*20 March 2017
Finlandia Hall*

SPONDA

Creates the conditions for success

Sponda's Board of Directors



Kaj-Gustaf Bergh (Ch.)



Christian Elfving



Paul Hartwall



Outi Henriksson



Leena Laitinen



Juha Metsälä



Arja Talma (Deputy Ch.)



Raimo Valo

The Board's meetings and activity in 2016

- In 2016 the Board met 18 times and the average attendance rate was 91 per cent.
- Of the eight Board members, five members are independent of both the company and its major shareholders, and three members are independent of the company.
- The composition of the Board fulfil the principles concerning the diversity of the Board of Directors.
- The Board's performance and working procedures are evaluated annually based on an external evaluation.

The Board's Committees

Permanent Committees are:

- **Audit Committee,**

As of 21 March 2016, the Audit Committee comprises of Arja Talma (Chairman), Raimo Valo (Deputy Chairman), Paul Hartwall (member) and Outi Henriksson (member).

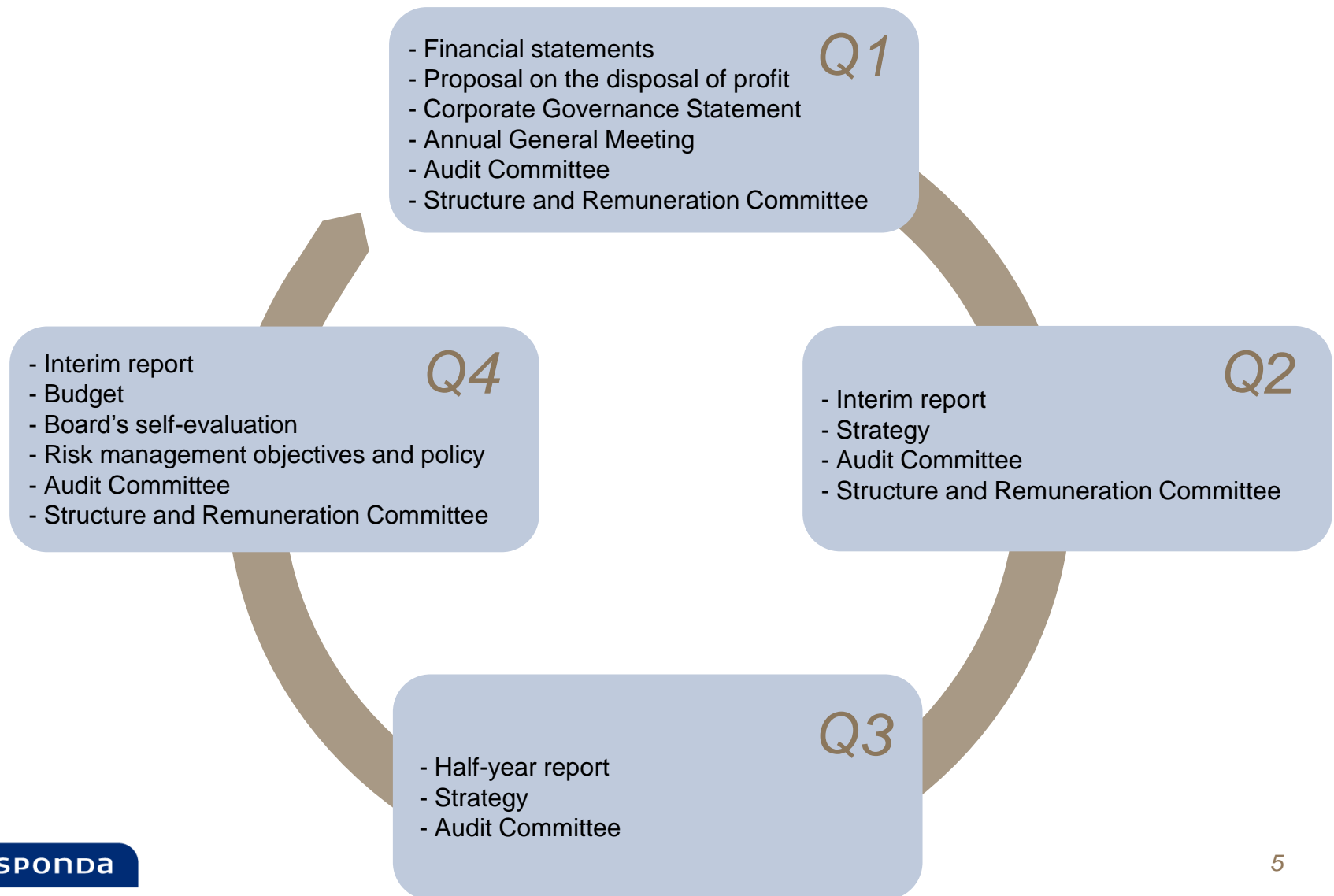
- In 2016, the Audit Committee convened four times and the average attendance rate was 75 per cent

- **Structure and Remuneration Committee,**

As of 21 March 2016, the Structure and Remuneration Committee comprises of Kaj-Gustaf Bergh (Chairman), Christian Elfving (Deputy Chairman), Leena Laitinen (member) and Juha Metsälä (member).

- In 2016, the Structure and Remuneration Committee convened three times and the average attendance rate was 100 per cent.

The Board's annual work cycle



Sponda's strategy from 2013 until today

Sponda's strategy is based on three main themes

Simplification of business structure

- Disposal of the Property Funds business
- Sale of the Logistics property portfolio

A more focused property portfolio

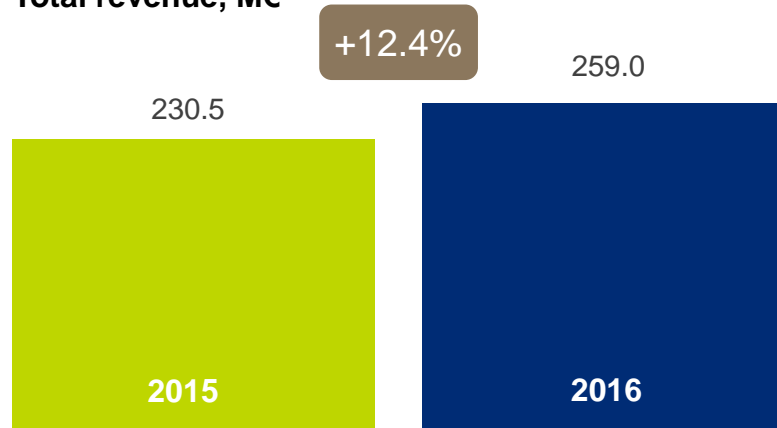
- Disposal of properties located in Turku
- Sale of the Russian property portfolio

Profitable growth

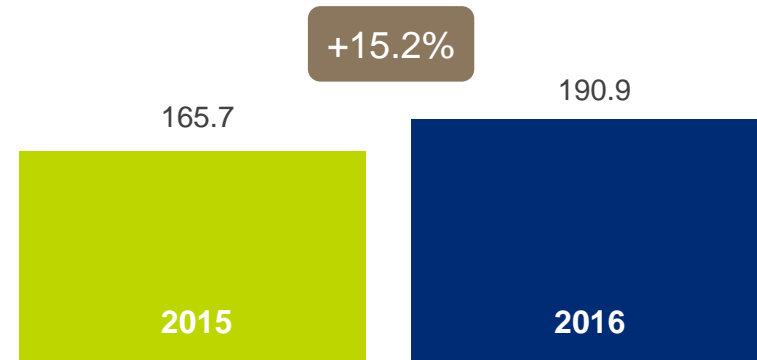
- Property development projects
- Investments in office and shopping centre properties in Helsinki and Tampere

2016 key figures

Total revenue, M€



Net operating income, M€



Group occupancy rate, %



Sponda Plc's financial year 2016 and CEO's review

*President and CEO Kari Inkinen
20 March 2017*

SPONDA

1. Update on Sponda's business

2. Financial review 2016

3. Priorities in 2017

Key takeaways from 2016

1 The Forum block acquisition strengthens Sponda's position in Helsinki CBD.

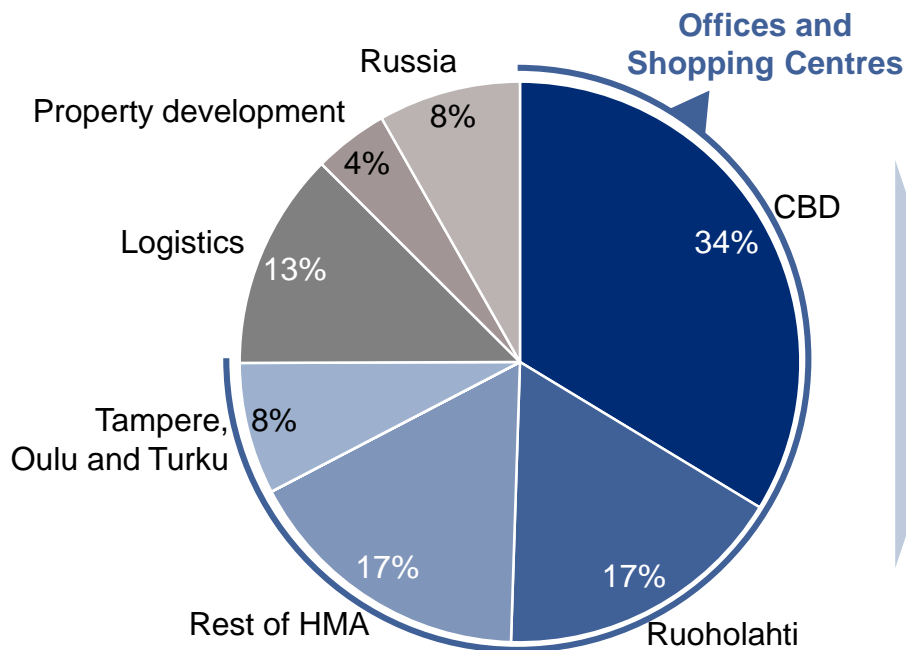
2 Improved occupancy rates against the market trend.

3 Property development proceeded as planned – Ratina and Tikkurila projects on schedule.

4 Strong cash earnings enables stable dividend payment.

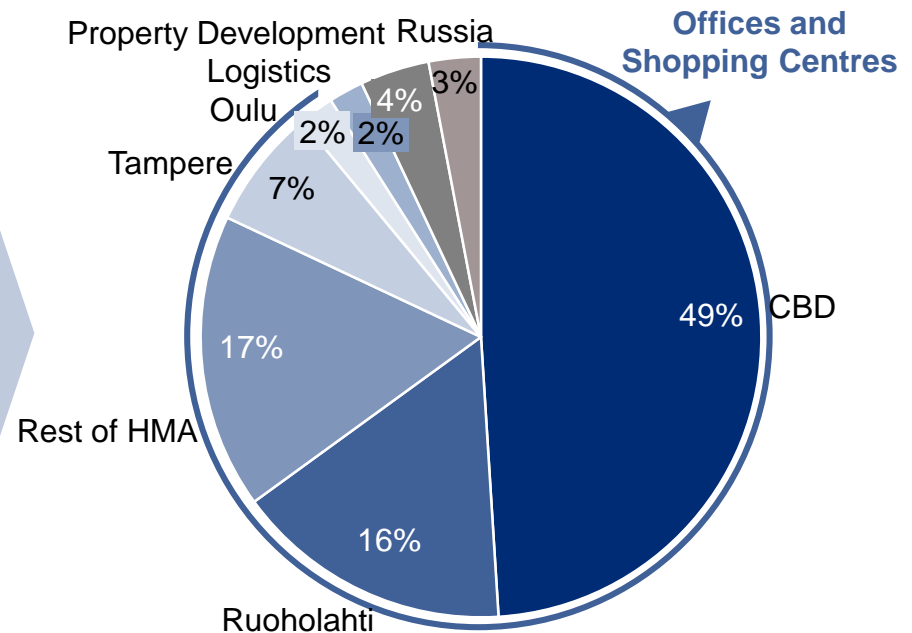
Share of Helsinki CBD's office and shopping centre properties has clearly increased

Sponda's portfolio 30.6.2013¹⁾



EUR 3,266.5 million

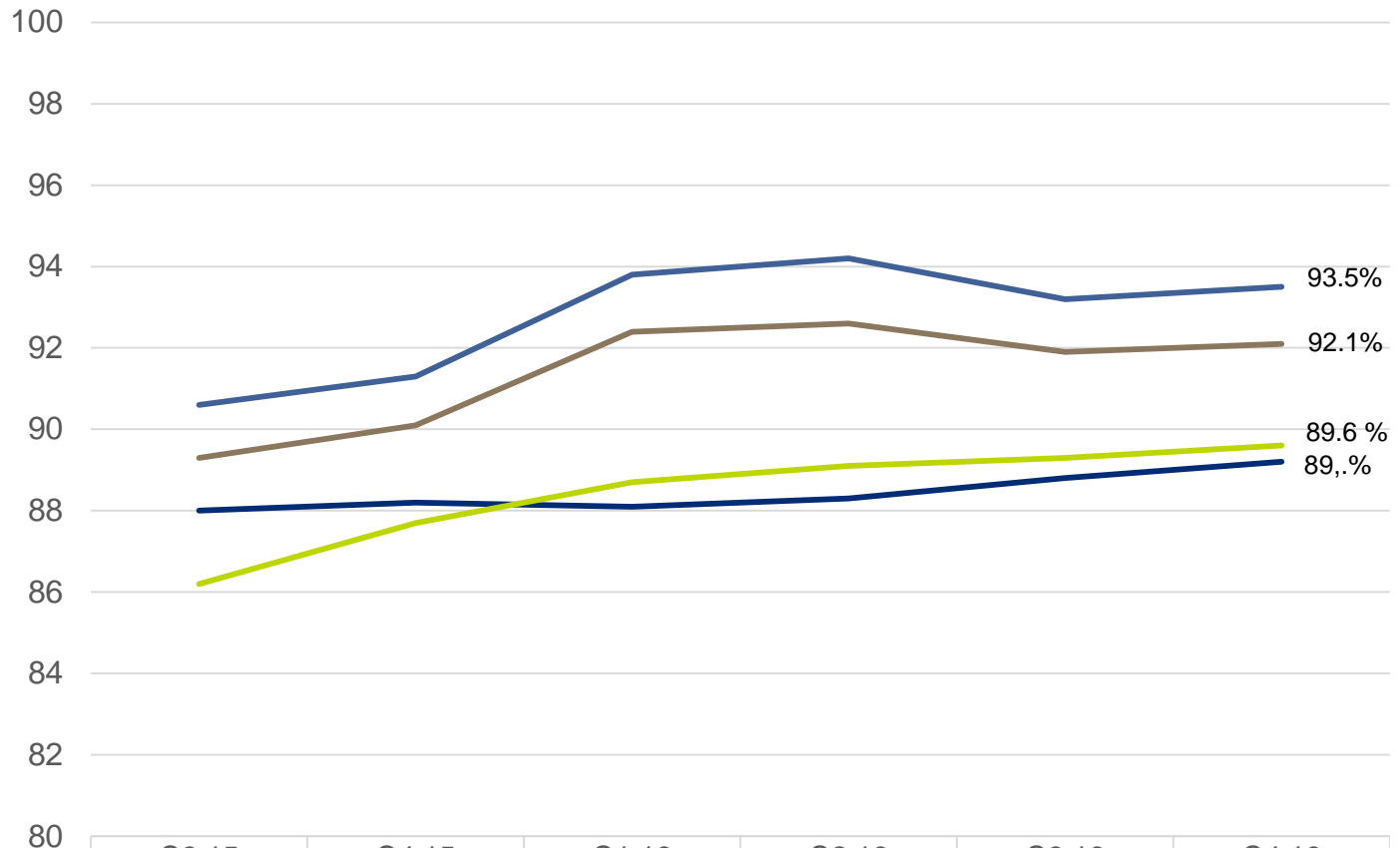
Sponda's portfolio today



EUR 3,755.5 million

- Total portfolio -

Economic occupancy rates



Office properties	88	88,2	88,1	88,3	88,8	89,2
Shopping centres	90,6	91,3	93,8	94,2	93,2 *)	93,5
Helsinki CBD	89,3	90,1	92,4	92,6	91,9	92,1
Total portfolio	86,2	87,7	88,7	89,1	89,3	89,6

Property development investments

For greenfield projects Sponda expects 15% development gain

Ratina shopping centre , Tampere

- To be completed in spring 2018
- 53,000 m²
- Total investment EUR 240.0 million, of which invested EUR 104.0 million
- Pre-let 55/45 %

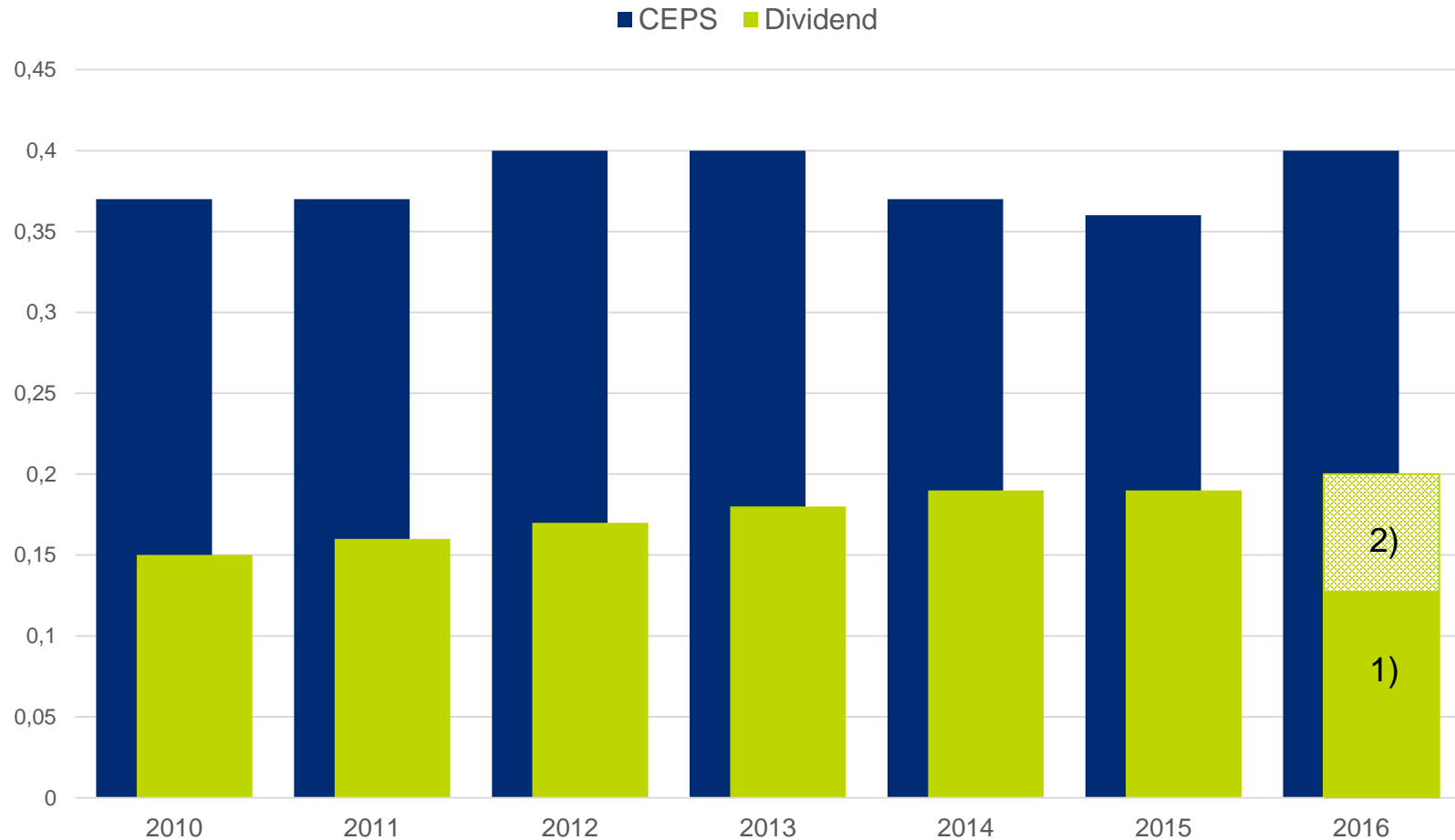


Tikkurila office and retail property

- To be completed in spring 2018
- 9,500 m²
- Total investment EUR 31.0 million, of which invested EUR 6.5 million
- Pre-let 65 %



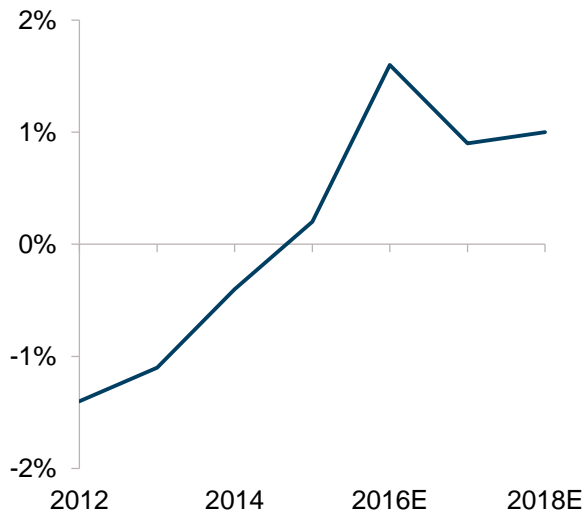
Cash earnings and dividend per share



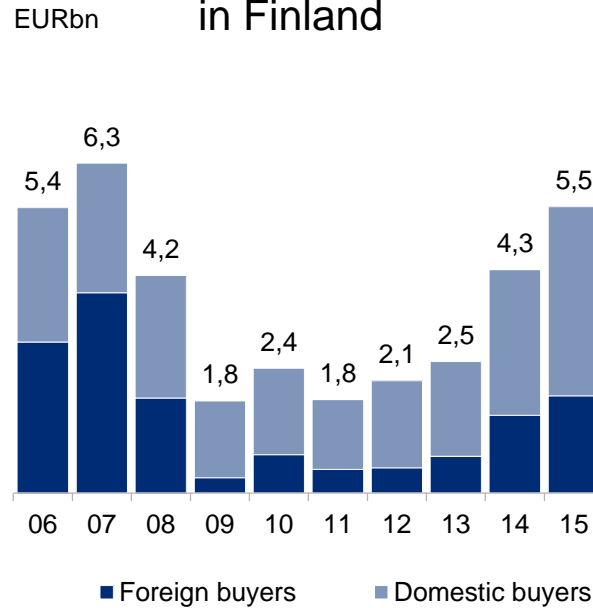
- 1) Dividend paid during 2016 based on AGM 2016 authorisation, in total 0,12 €/share
2) Board's proposal to the AGM 2017, 0,08 €/share

Activity in the Finnish property market continues

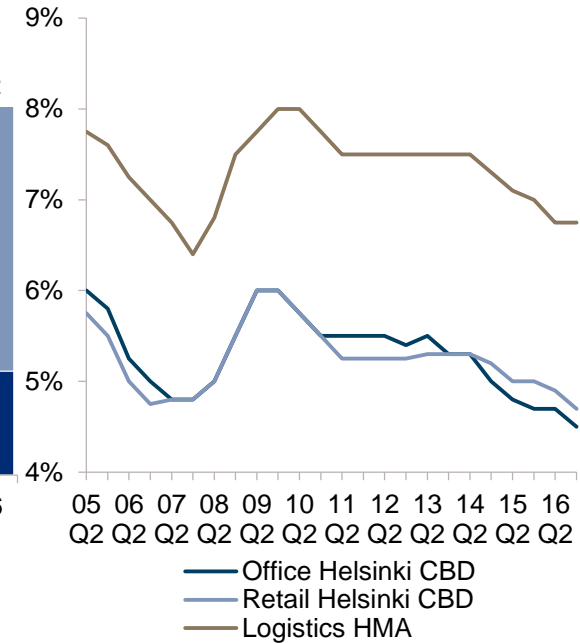
GDP growth in Finland



Real estate transaction volume in Finland



Prime yields



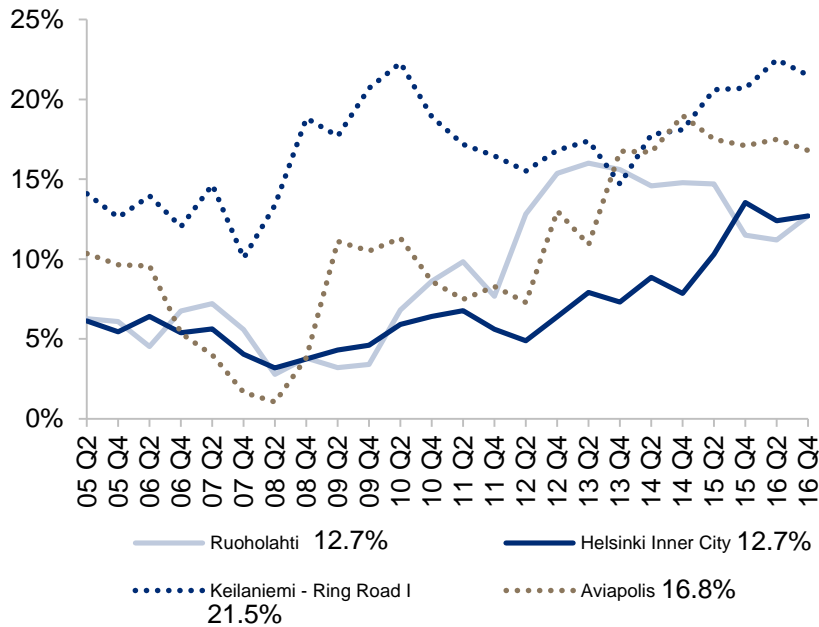
Economic growth slowly turning positive

Record-high transaction volumes

Prime property yield requirements decreasing

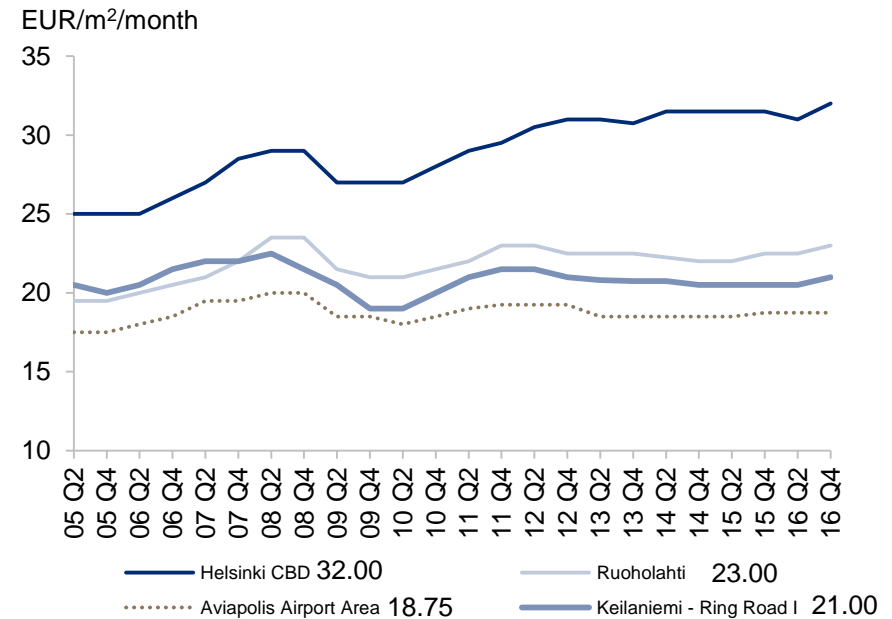
Prime properties performing well

Vacancy rates, office properties



Turning point in vacancy rate development

Rental levels, office properties



Office rental levels remain high in Helsinki CBD

Financial key figures

	2016	2015
Total revenue, M€	259.0	230.5
Net operating income, M€	190.9	165.7
Operating profit, M€	206.7	178.1
EPRA Earnings, M€	113.1	232.0
Earnings per share, €	0.41	0.78
NAV/share, €	5.16	5.26
EPRA NAV/share, €	5.49	5.60
Cash flow from operations per share, €	0.40	0.36
Economic occupancy rate, %	89.6	87.7
Equity ratio, %	47.4	46.2
Interest cover ratio	3.8x	3.5x

Profit & loss statement

M€	2016	2015
Total revenue	259.0	230.5
Expenses	-68.0	-64.8
Net operating income	190.9	165.7
Profit/loss on sales of investment properties	0.8	-4.5
Valuation gains/losses on fair value assessment	26.7	23.2
Amortisation of goodwill	-3.1	-3.0
Profit/loss on sales of associated companies	-0.1	5.2
Profit/loss on sales of trading properties	14.6	2.8
Sales and marketing expenses	-2.1	-2.3
Administrative expenses	-20.6	-19.4
Share of result of associated companies	-	10.2
Other operating income	0.5	0.9
Other operating expenses	-0.8	-0.7
Operating profit	206.7	178.1
Financial income	3.2	6.8
Financial expenses	-54.4	-55.7
Total amount of financial income and expenses	-51.2	-48.9
Profit before taxes	155.5	129.2
Income taxes for current and previous fiscal years	-2.4	-9.3
Deferred taxes	-15.6	107.3
Income taxes, total	-17.9	98.1
Profit/loss for the period	137.5	227.2

Valuation gains/losses on fair value assessment

M€	2016	2015
Changes in yield requirements (Finland)	60.1	39.2
Changes in yield requirements (Russia)	-4.1	-7.4
Development gains on property development projects	7.4	25.4
Modernisation investments	-31.0	-37.8
Change in market rents and maintenance costs (Finland)	12.6	30.2
Change in market rents and maintenance costs (Russia)	-14.1	-26.8
Change in currency exchange rates	-2.1	0.3
Investment properties, total	28.7	23.2
Real estate funds	-2.0	0.0
Realised share of fund profits	0.0	0.0
Group, total	26.7	23.2

Balance sheet

M€	31.12.2016	31.12.2015
ASSETS		
Investment properties	3,755.5	3,101.7
Other non-current assets	63.9	61.4
Fixed assets & other non-current assets, total	3,819.4	3,163.1
Current assets, total	64.2	267.7
Non-current assets held for sale	32.9	10.2
Assets, total	3,916.5	3,441.0
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity, total	1,849.9	1,585.0
Non-current liabilities, total	1,437.7	1,192.0
Current liabilities, total	628.6	664.0
Liabilities associated with non-current assets held for sale	0.3	0.0
Shareholders' equity and liabilities, total	3,916.5	3,441.0

Segment performance

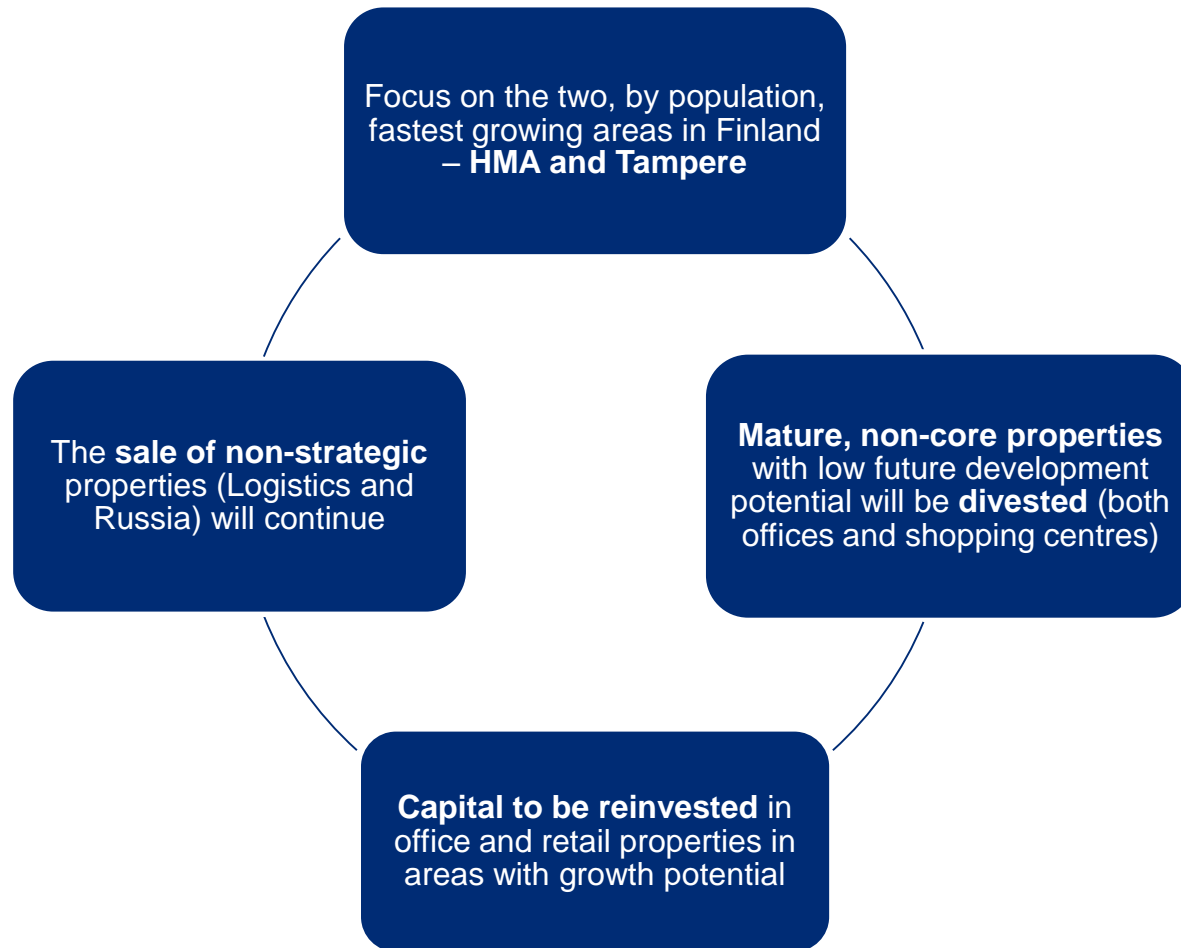
	Office		Shopping Centres		Logistics		Russia	
	2016	2015	2016	2015	2016	2015	2016	2015
Net Operating Income, M€	124.1	109.7	54.8	35.7	4.4	9.1	8.3	12.8
Fair Value of Properties, M€	2 190.4	1 994.8	1 195.4	733.6	69.0	92.9	116.3	150.7
Change in Fair Value of Properties, m€	25.2	35.5	21.3	3.2	-2.3	-7.4	-20.5	-33.9
Economic Occupancy Rate, %	89.2	88.2	93.5	91.3	74.0	68.3	84.8	84.6
Divestments, M€	15.1	17.9	-	-	6.7	100.8	13.6	38.7
Acquisitions, M€	162.2	4.7	428.2	-	-	-	-	-

Largest shareholders 28 February 2017

	Major shareholders	No. of shares	Holding %
1.	Mercator Invest Ab	95 344 608	28.07
2.	HC Fastigheter Holding Oy Ab	34 181 172	10.06
3.	Varma Mutual Pension Insurance Company	29 083 070	8.56
4.	Åbo Akademi University Foundation	4 957 430	1.46
5.	Elo Pension Company	4 893 083	1.44
6.	The State Pension Fund	3 950 000	1.16
7.	OP-Finland Value Fund	2 378 952	0.70
8.	OP-Finland Small Firms Fund	2 313 556	0.68
9.	Odin Eiendom	1 665 092	0.49
10.	Danske Invest Finnish Institutional Equity Fund	1 092 000	0.32
	Nominee-registered shareholders 34.78% of the total		

**) Change compared to previous month-end*

We continue to further improve the quality of our portfolio



Sponda's priorities in 2017

Occupancy rate
development

Our target is to increase the occupancy rate from 89.6% (31.12.2016) level.

Implementing
our strategy

Our target is to sell all properties in Russia and the logistics properties by the end of 2017.

Stable cash flow
from operations
per share

We aim to maintain stable dividend.

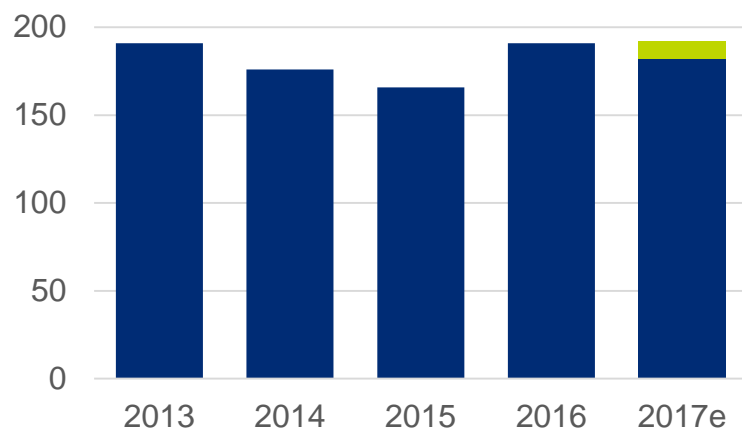
Growth from
property
development

Our target is to start at least one development project in 2017 and to keep our property development gain of 15% on each project.

Prospects for 2017 and financial targets

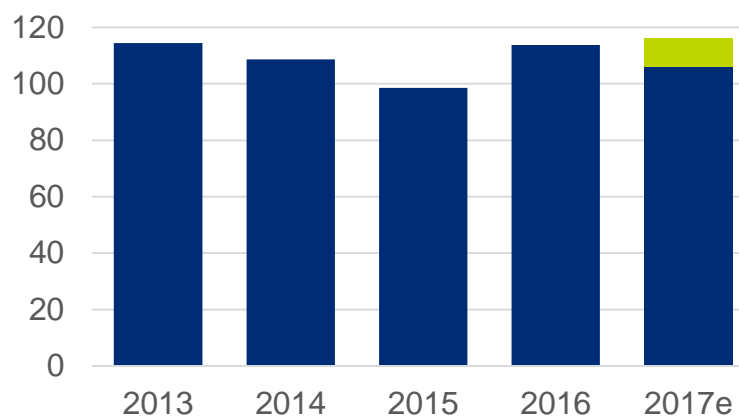
Net operating income

EUR 182–192 million



EPRA Earnings

EUR 106-116 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.



Offices



Retail



Logistics

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