



Sponda Q1 2017 results

5 May 2017

SPONDA

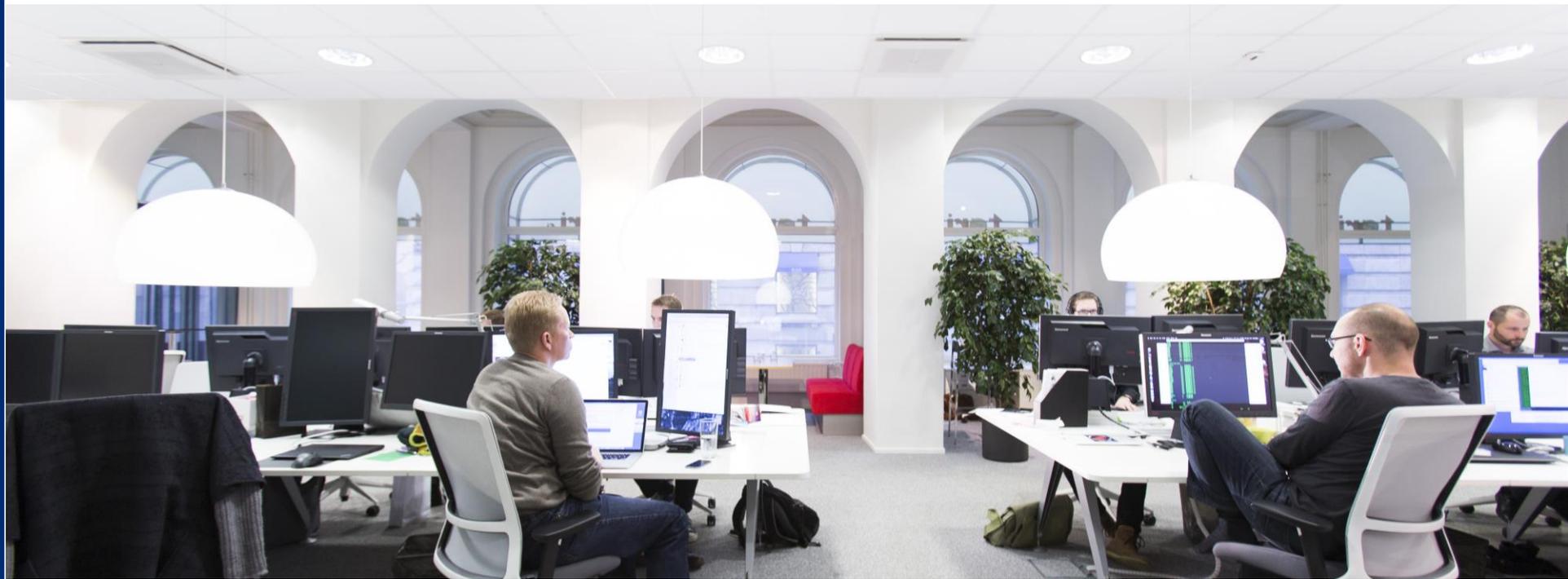
1. Q1 Highlights – Kari Inkinen

2. Portfolio Development – Pia Arrhenius

3. Financials – Niklas Nylander

4. Business Environment and Business Update – Kari Inkinen

5. Q & A



1. Q1 Highlights

Kari Inkinen

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A steady start to year 2017

Total revenue, M€



Net operating income, M€



Group occupancy rate, %

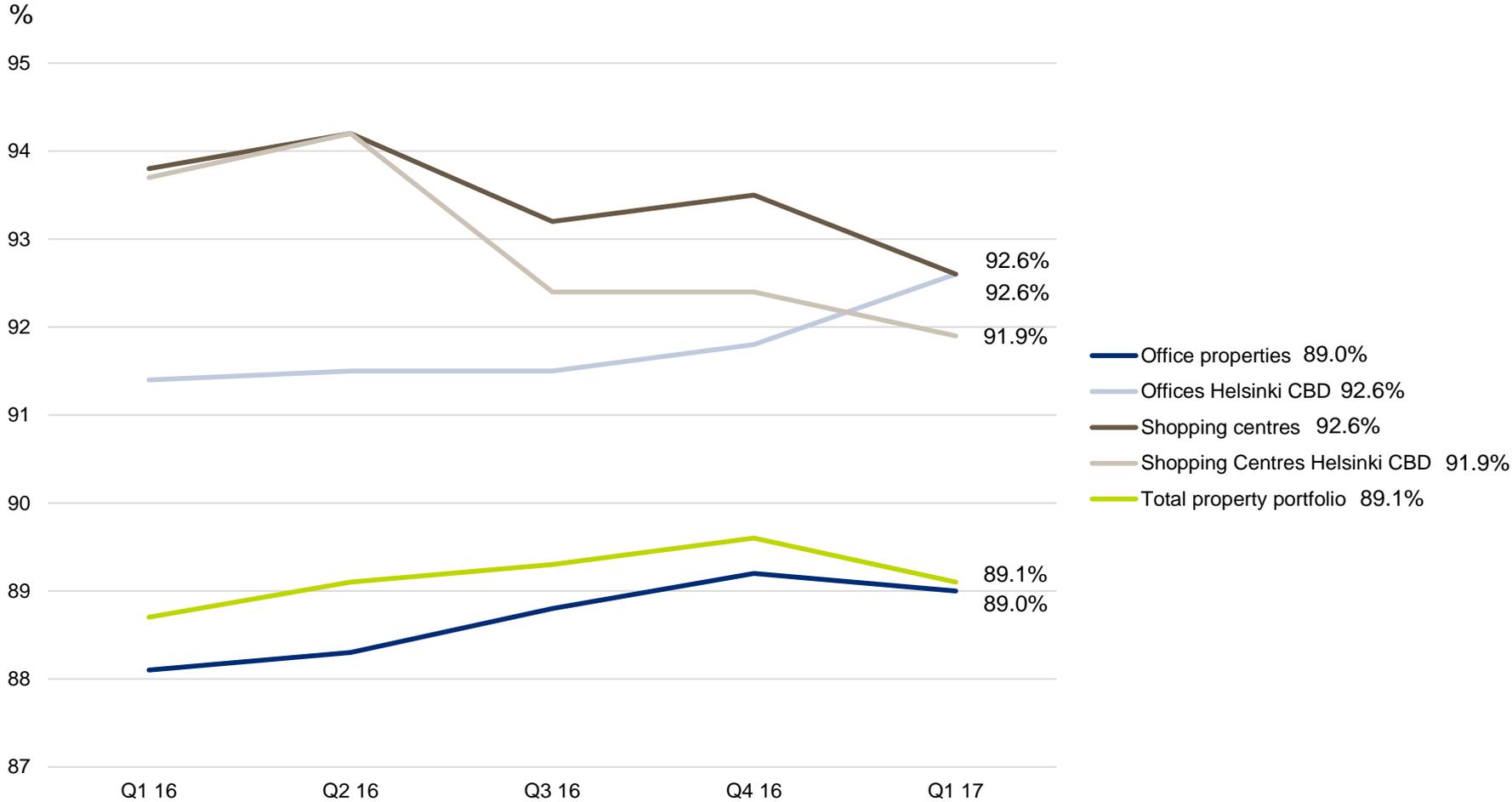


Cash earnings per share was at EUR 0.08

EPRA Earnings increased to EUR 26.9 million

Divestments of logistics assets in Q1 of EUR 4.1 million and additionally EUR 7.9 million since the end of period

Economic occupancy rates



Sponda's priorities in 2017



Ratina shopping centre



ratina

Opening spring 2018
in Tampere city centre

Leasable area
53,000 m²

Total investment EUR
240.0 million, of which
invested EUR 124.0
million

Pre-let of the new
shopping centre is at
58% and of the whole
complex at 47%



KappAhl



JUNGLE JUICE BAR



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KESKO

Finlayson

EST. 1820



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Tikkurila office and retail property



To be completed in
spring 2018 in Tikkurila,
Vantaa

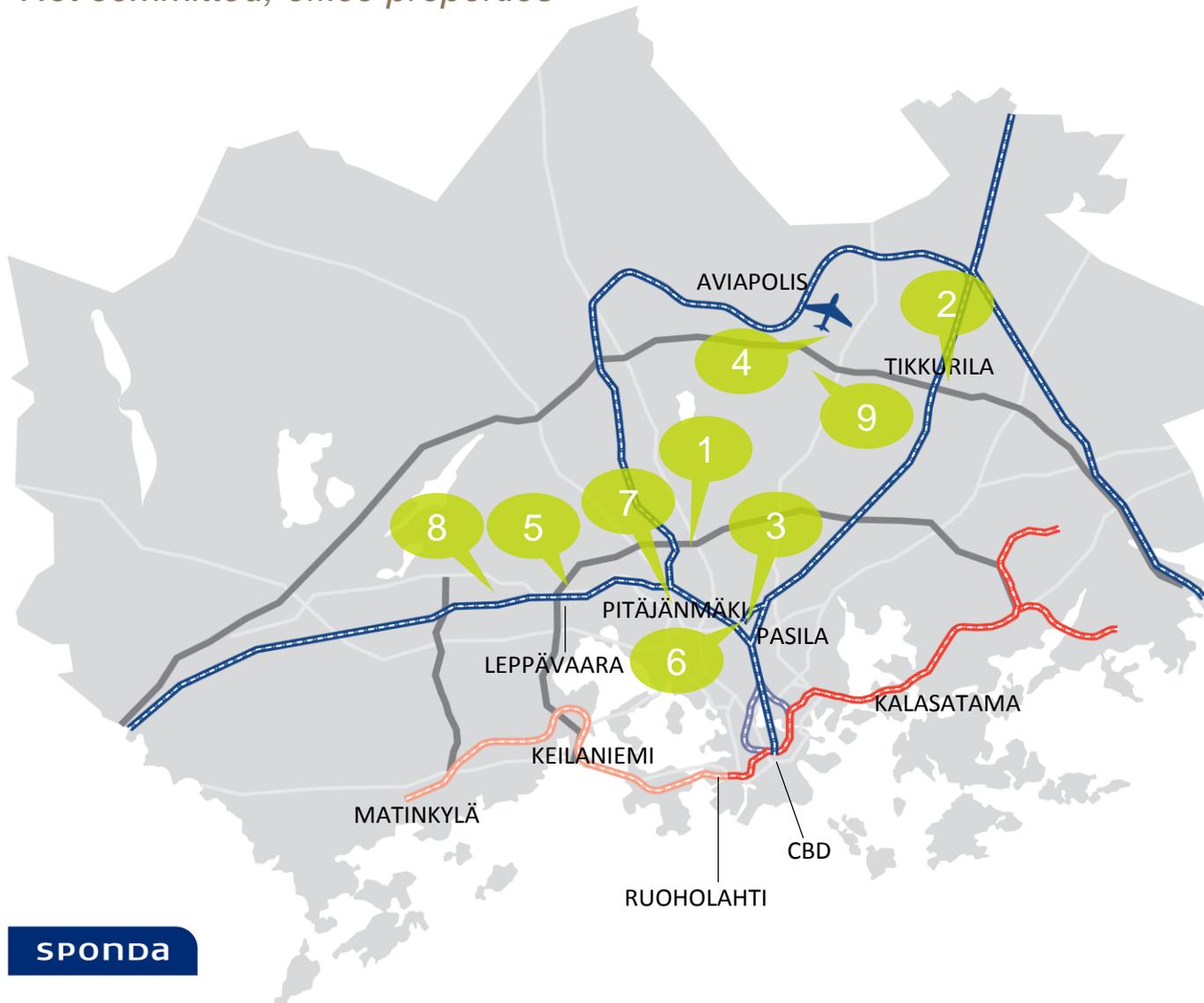
Leasable area 9,500 m²

Total investment EUR
31.0 million, of which
invested EUR 8.3 million

Pre-let 65%

Development pipeline HMA

Not committed, office properties



Permitted building volume, m²

- 1 Lassila, Helsinki
- 2 Tikkurila, Vantaa
- 3 Pasila, Helsinki
- 4 Aviapolis, Vantaa
- 5 Leppävaara, Espoo
- 6 Pasila, Helsinki
- 7 Pitäjänmäki, Helsinki
- 8 Kilo, Espoo
- 9 Tammisto, Vantaa

Total approx. 180,000 m²



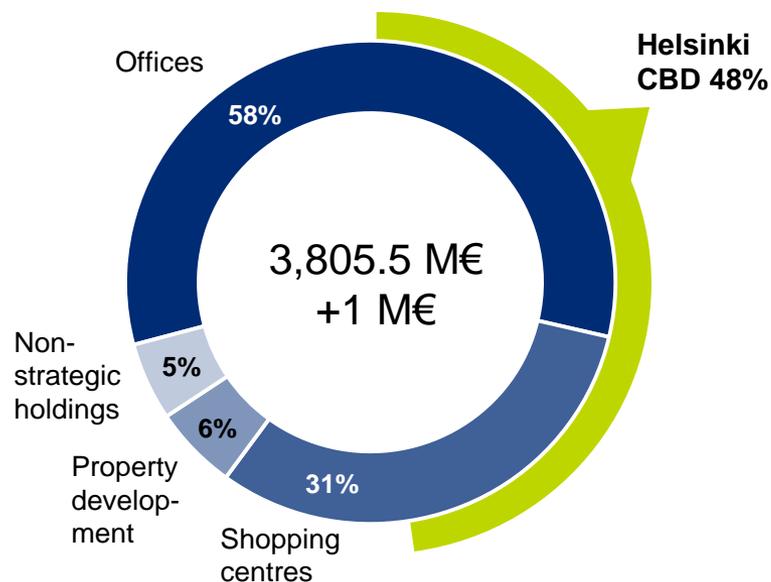
2. Portfolio Development

Pia Arrhenius

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Good development of I-f-I net income in Helsinki CBD

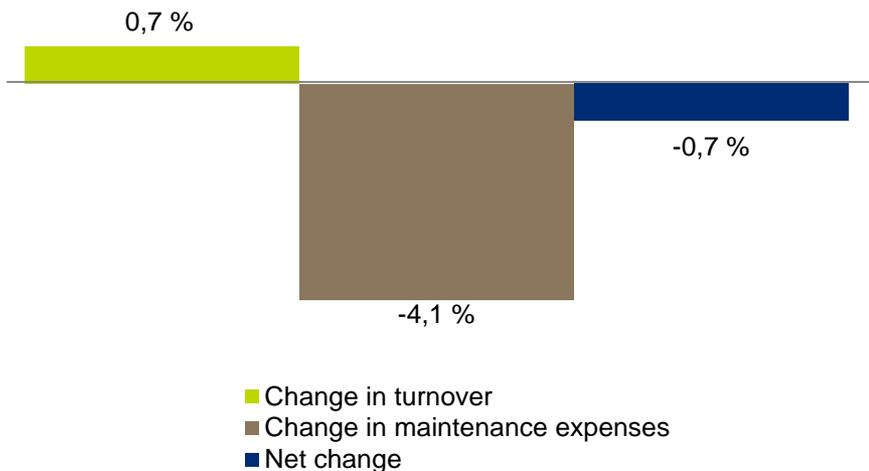
Investment property portfolio



Like-for-like net income, M€	Q1 17	Change	Q1 16
Offices	9.9	+2.5%	9.7
Shopping Centres	3.4	+4.9%	3.2
Economic occupancy rate, %			
Offices	92.6		91.4
Shopping Centres	91.9		93.7

Office properties

Like-for-like net rental income



- The economic occupancy rate was 89.0% (Q1/16: 88.1)
- Net operating income was EUR 29.8 million (Q1/16: 28.4)
- L-f-I NOI negatively impacted by increased maintenance costs due to higher property tax
- Demand for CBD offices remains strong
 - Q4 CBD office occupancy rate was 92.6% (Q1/16: 91.4)
- Rental levels in CBD offices have remained strong
 - High demand for activity-based and smaller offices

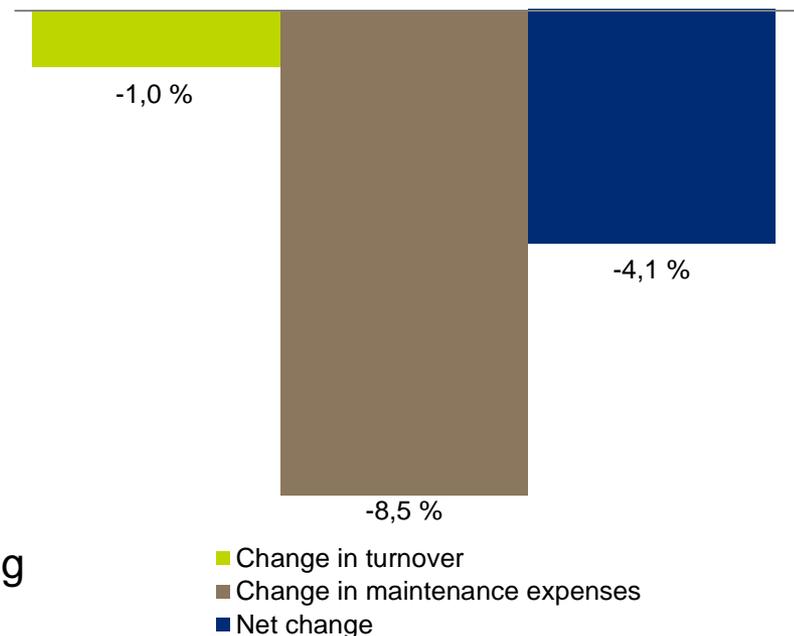
Opening of new MOW Stargate

- MOW Stargate in Ruoholahti opens in August 2017
- Good location with excellent public transportation
- Offers seats to 300 persons
- The core concept and idea remains the same as in the first MOW, but the interior design will be different
- First tenants have already signed up
- New MOW locations in the pipeline

Shopping centres

- The economic occupancy rate was 92.6% (Q1/16: 93.8)
- Net operating income was EUR 14.4 million (Q1/16: EUR 11.1 million)
- L-f-I NOI negatively impacted by increased maintenance costs due to higher property tax
- Sponda's combined footfall of all shopping centres increased by 2.4% compared to Q1/16
 - Finnish Council of Shopping Centers: footfall increased by 4.1% compared to Q1/16
- Combined OCR of all shopping centres including Forum for the last 12 months was 15.5% (Q1/16: 14.7%)
- Combined sales of all shopping centres including Forum increased by 1.6% compared to Q1/16
 - Finnish Council of Shopping Centers: sales increased by 1.7% compared to Q1/16

Like-for-like net rental income





3. Financials

Niklas Nylander

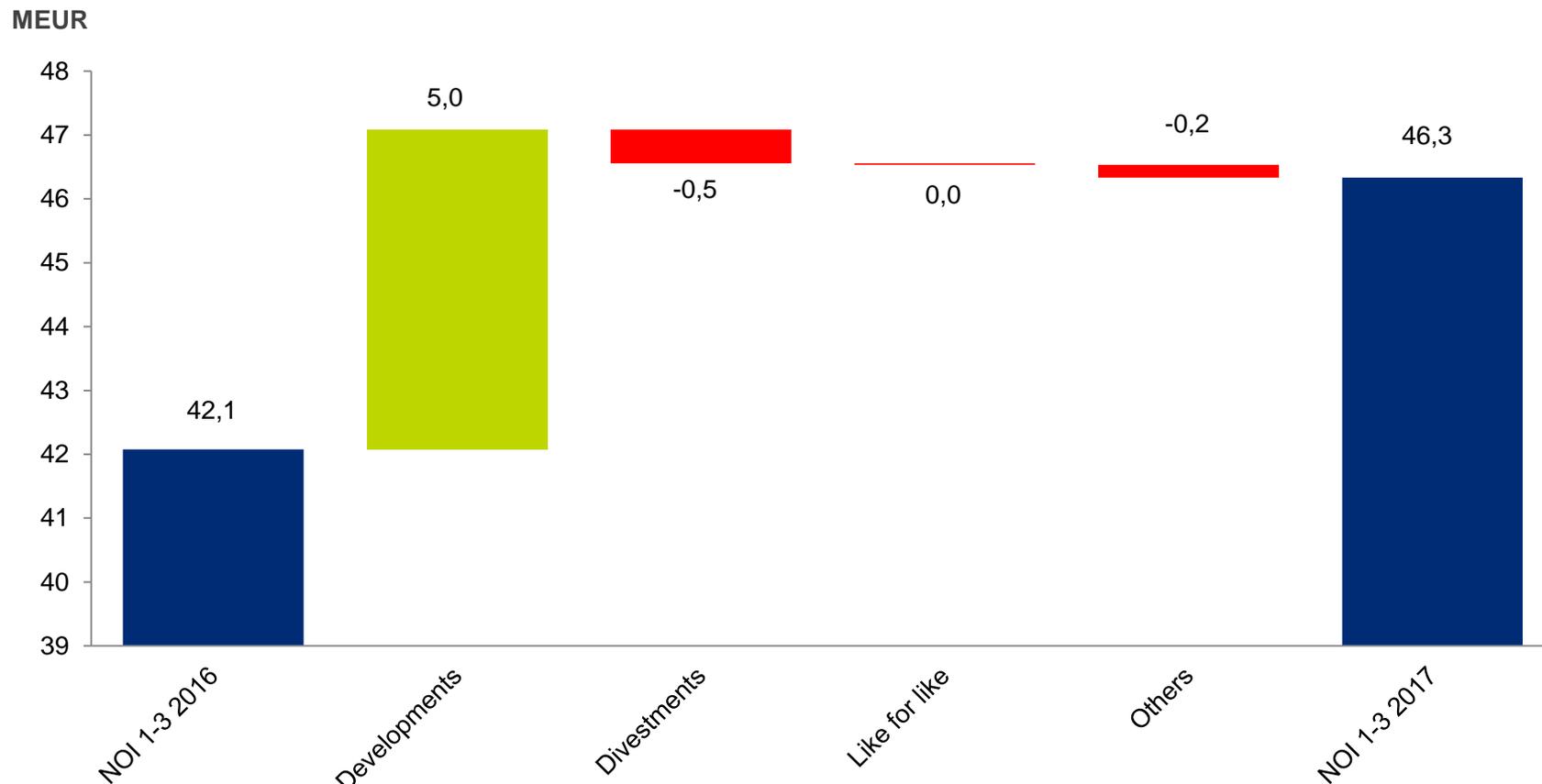
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Financial highlights

	1-3/2017	1-3/2016	1-12/2016
Total revenue, M€	66.1	59.3	259.0
Net operating income, M€	46.3	42.1	190.9
EBITDA*, M€	40.6	36.3	168.1
EPRA Earnings, M€	26.9	23.3	113.1
NAV/share, €	5.19	5.16	5.16
EPRA NAV/share, €	5.50	5.49	5.49
CEPS, €	0.08	0.12	0.40

- NOI developing positively following the Forum acquisition impacting figures as of 03/16
 - Q1 NOI impacted negatively by property taxes, -1.2m€ vs. LY
 - Property tax impact especially significant in Q1 from consolidating Forum the full quarter (>400k€) and development projects (~350k€) where the assumed tax base has been wrong and correction request has been put forward
 - In Y-o-Y comparison the negative impact from property taxes will be smaller in later quarters for the year
- EBITDA and EPRA Earnings Y-o-Y follows the development of NOI
- NAV-figures impacted by Q1 profits off-setting dividend distribution
- CEPS development impacted mostly by lower capital gains in Q1/17 compared to last year when the Verno deal was closed

Net operating income development



Valuation gains/losses

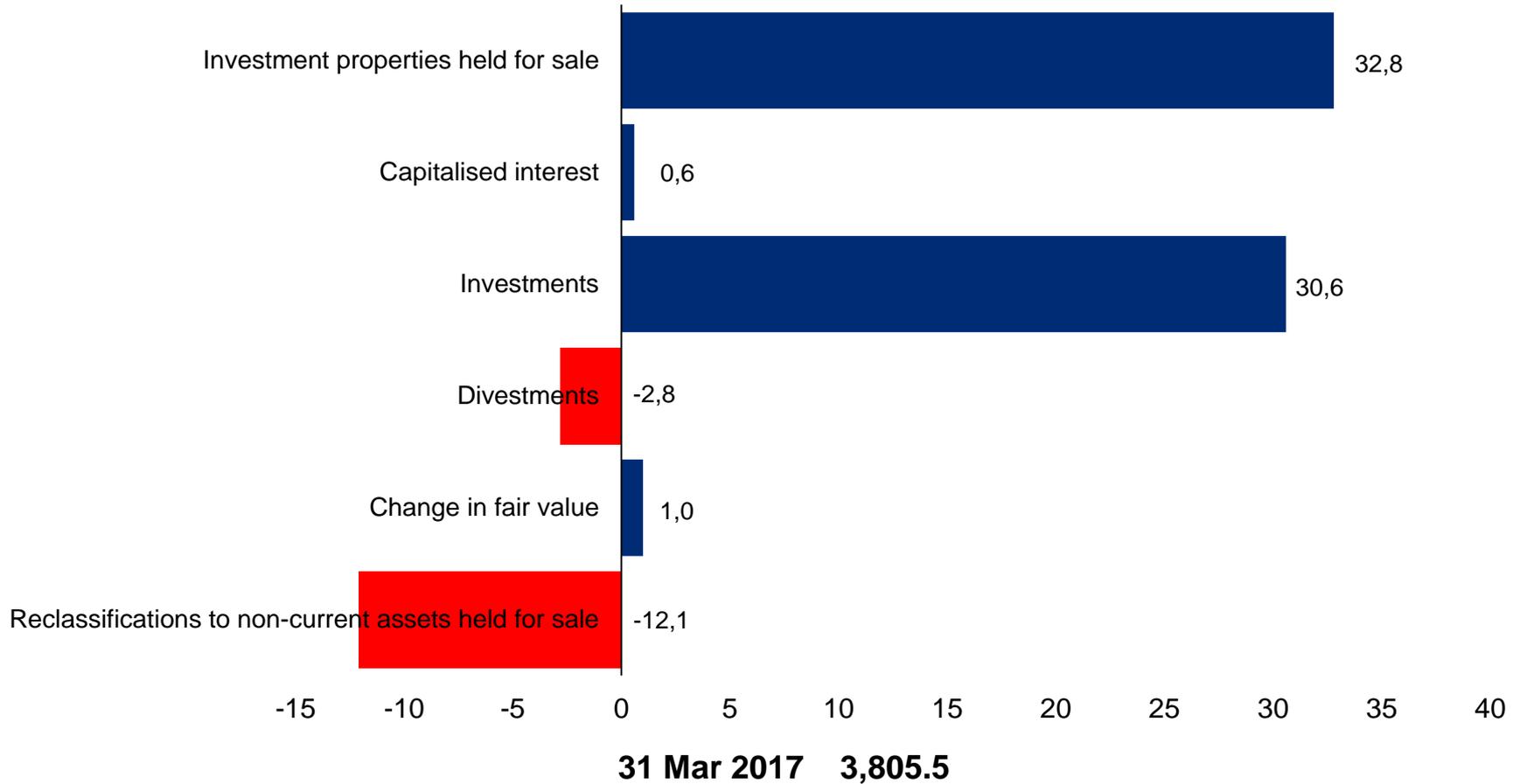
Positive impact from higher market rents especially in Helsinki CBD (internal valuation)

M€	1-3/2017	1-3/2016	1-12/2016
Changes in yield requirements (Finland)	0.0	0.0	60.1
Changes in yield requirements (Russia)	0.0	-1.8	-4.1
Profit/loss from property development projects	3.0	1.7	7.4
Modernization investments	-9.0	-6.9	-31.0
Change in market rents and maintenance costs (Finland)	8.8	8.3	12.6
Change in market rents and maintenance costs (Russia)	-3.3	-1.1	-14.1
Change in exchange rates	1.4	-2.3	-2.1
Investment properties, total	1.0	-2.0	28.7
Real estate funds	0.0	0.0	-2.0
Realised share of profit from real estate funds	0.0	0.0	0.0
Group, total	1.0	-2.0	26.7

Investment property valuation

Investment properties, M€

1 Jan 2017 3,755.5



Key balance sheet figures

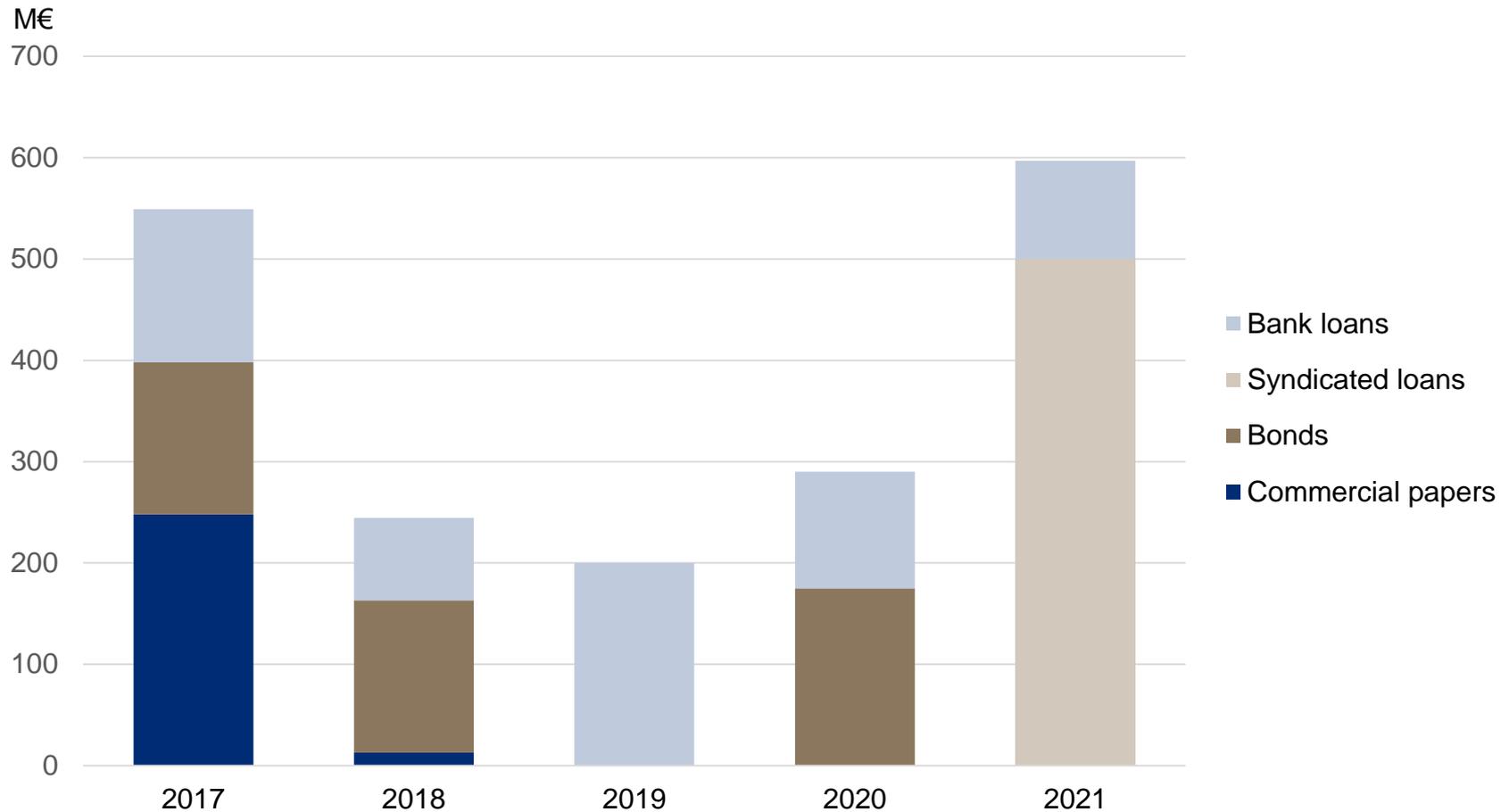
	31.3.2017	31.12.2016	30.9.2016	30.6.2016	31.3.2016
Equity ratio, %	47.4	47.4	47.2	46.3	45.7
Gearing ratio, %	100.1	100.0	100,8	101.3	102.6
Average interest rate, %	2.7	2.7	2.8	2.7	2.7
Hedging, %	72	67	67	70	78
Average loan maturity, yrs	2.4	2.6	2.8	2.8	1.8
Average fixed interest rate period, yrs	1.4	1.4	1.5	1.6	1.8
Interest cover ratio	3.9x	3.8x	3.7x	3.6x	3.5x
Loan to Value (LTV)*, %	48.2	48.3	48.3	48.5	48.5
Interest-bearing debt, M€	1,875	1,863	1,840	1,913	1,902
Unused credit limits, M€	438	438	440	440	440

Covenants at:

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

ICR 1.75x

Loan maturities 31 March 2017

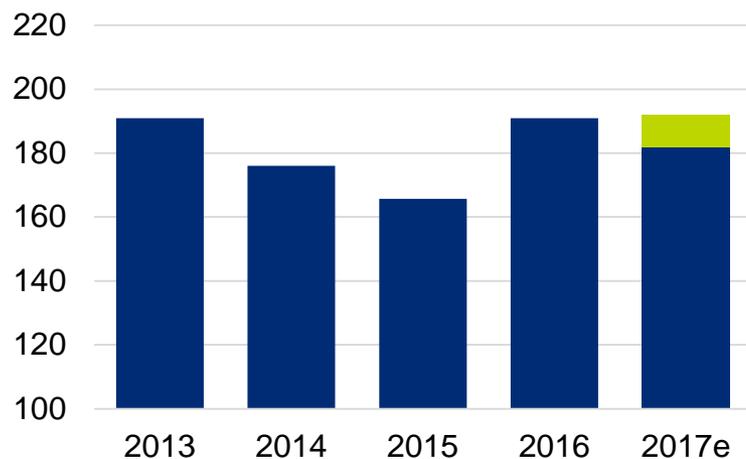


Prospects and financial targets

Sponda provides prospects for 2017 with regard to the development of the company's net operating income and adjusted EPRA Earnings.

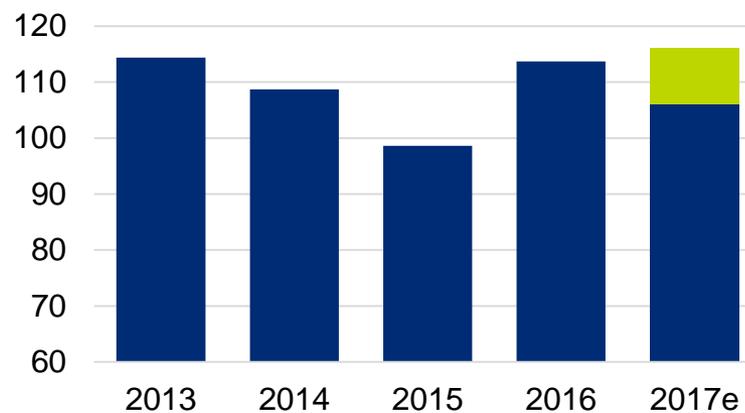
Net operating income

EUR 182–192 million



Adjusted 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.



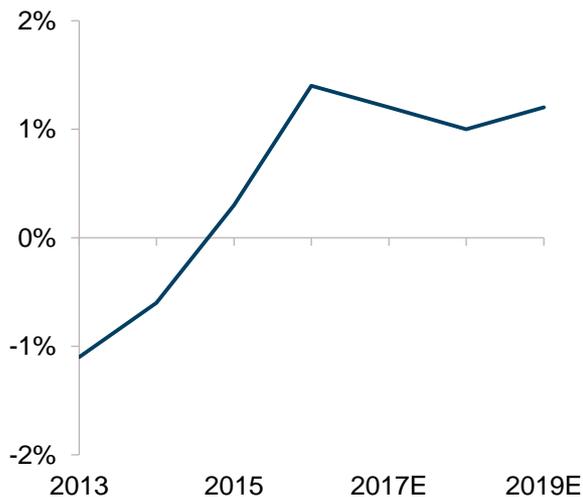
4. Business Environment and Business Update

Kari Inkinen

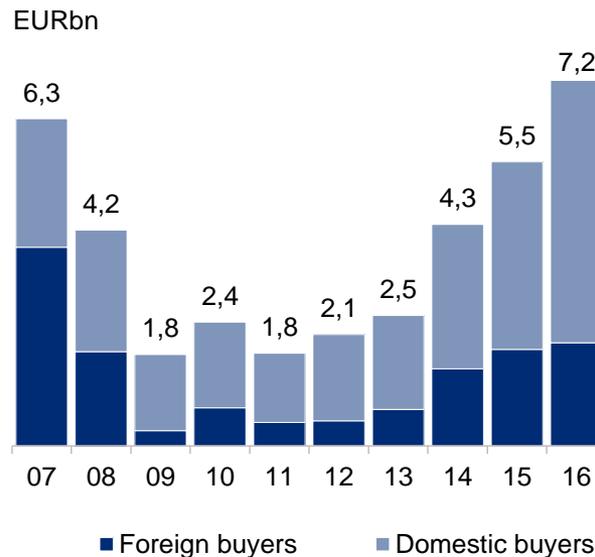
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Activity in the Finnish property market continues

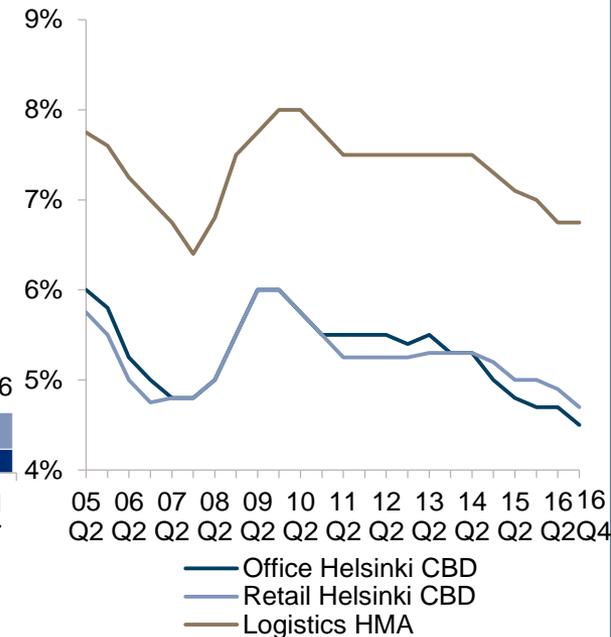
GDP growth in Finland



Real estate transaction volume in Finland



Prime yields



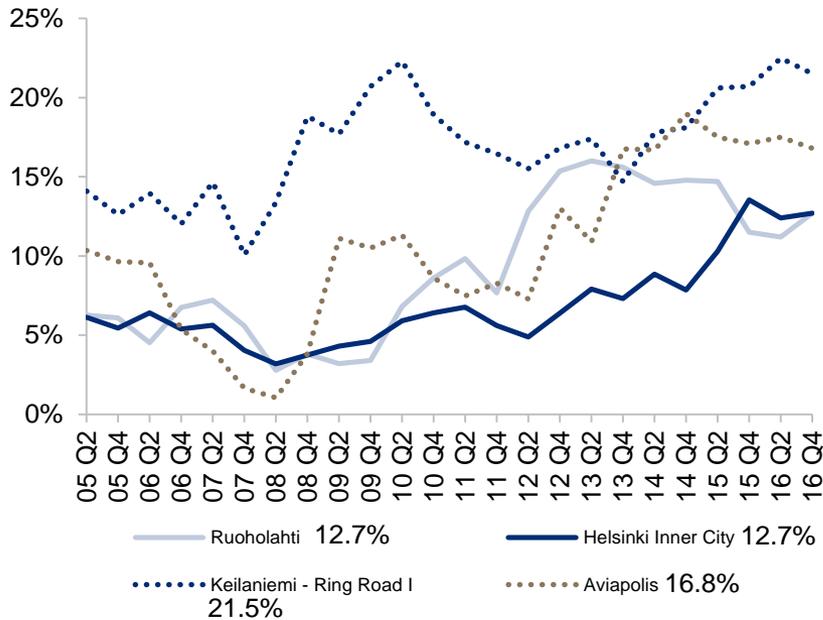
Positive macro-economic indicators

Continued high activity in the transaction market

Prime property yield requirements decreasing

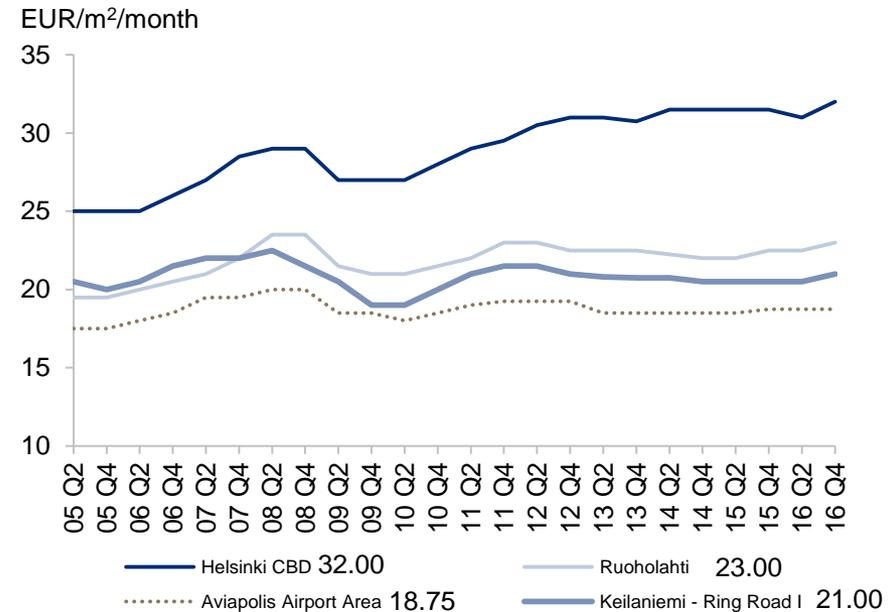
Prime properties performing well

Vacancy rates, office properties



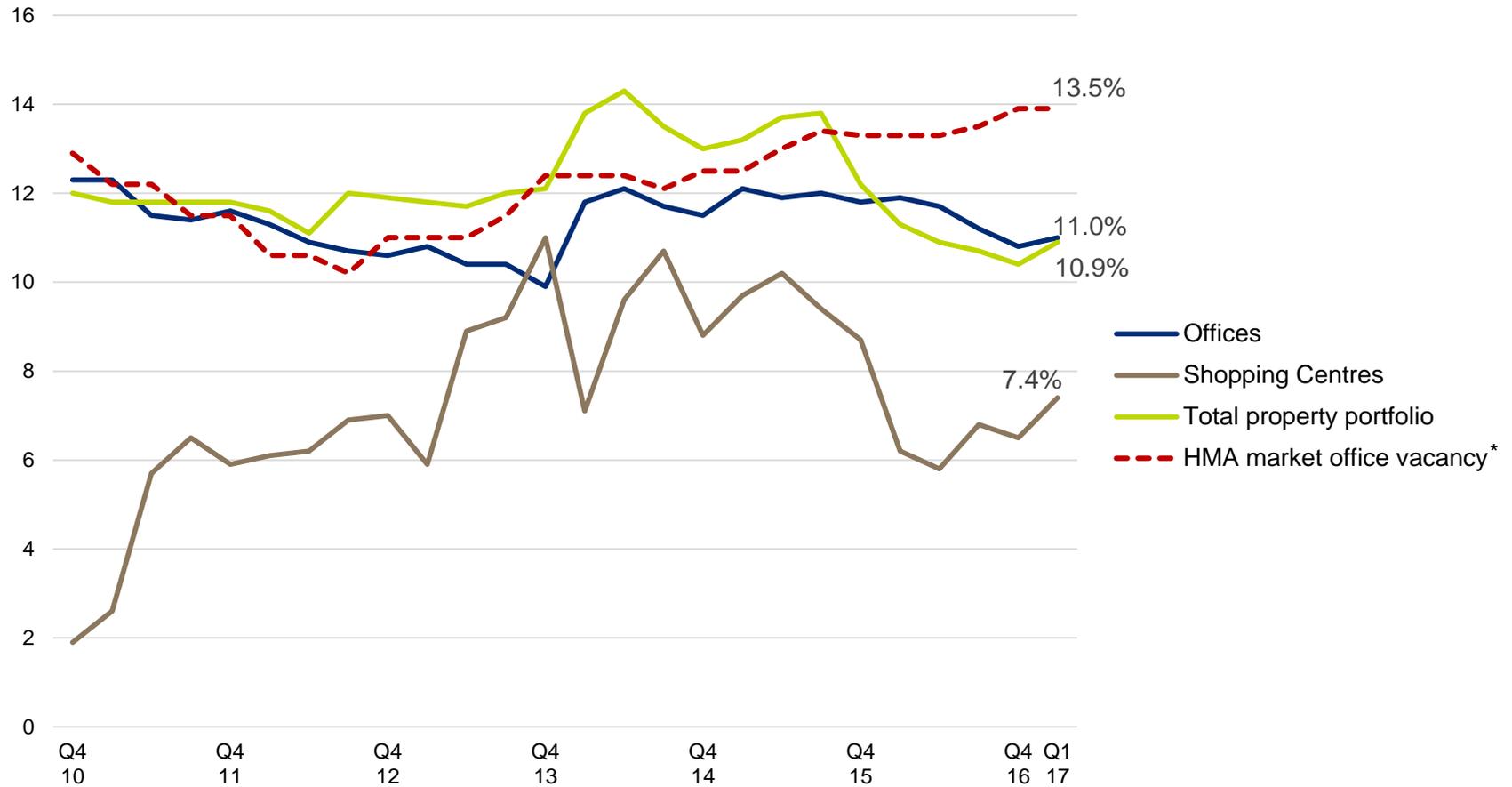
Turning point in vacancy rate development

Rental levels, office properties



Office rental levels remain high in Helsinki CBD

Economic vacancy rate 2010–Q1 17



ESG frameworks at Sponda

Environment



Leadership level for 2nd year, the best company in the Nordic countries in the Financials category.



G R E S B

Awarded Green Star for measuring, implementing, managing and developing responsibility successfully as an integral part of business operations. In 2016, Sponda took a giant leap in environmental efficiency in comparison with its peer group.

BREEAM[®]

Social



United Nations Global Compact

Sponda is committed to comply with the ten principles of the UN's Global Compact initiative since 2014. The principles apply to human rights, labour, anti-corruption and the environment.

Governance



Code of Conduct

Launched in 2014. Lays a foundation for Sponda's responsibility efforts and management, as well as for our stakeholder cooperation.



Securities Market Association

Fully compliant with the Finnish Corporate Governance Code 2015.

Sponda's environmental targets

25%

LEED or BREEAM
certified leasable
area

Sponda's annual environmental targets: focus on improving energy efficiency and achieving at least 2 new certificates.

2017

Sponda has joined the energy efficiency agreement for 2017–2025 between the property sector and the Finnish Ministry of Economic Affairs and Employment, the Finnish Ministry of the Environment and the Finnish Energy Authority. Sponda is thereby committed to reducing energy consumption by 7.5 per cent by 2025, when compared to the energy consumption level of 2015.

2025

Key takeaways from Q1

1 A steady start to year 2017

2 Divestments of logistics and non-strategic assets continued

3 Like-for-like net income increased for both offices and shopping centres in Helsinki CBD



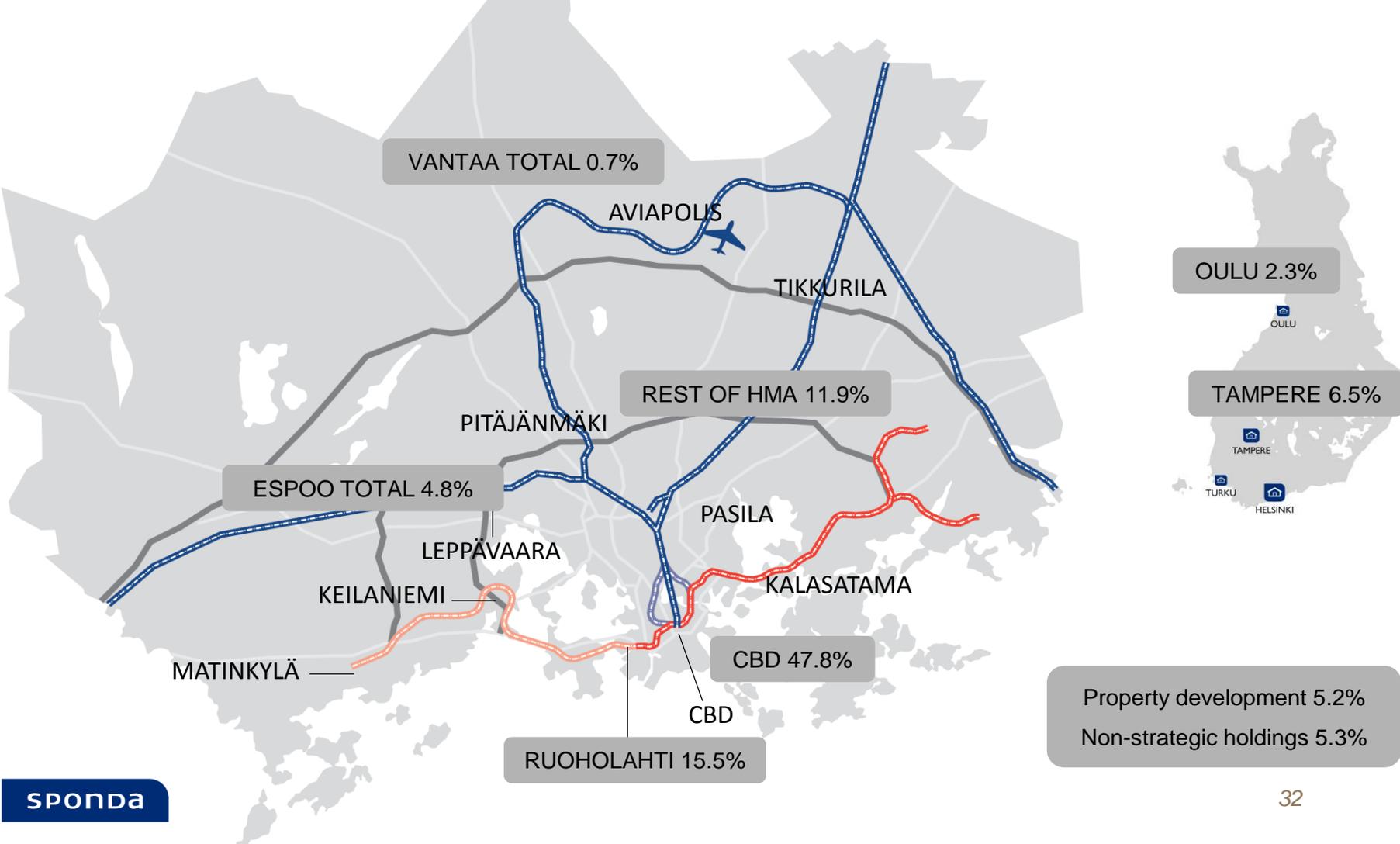
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Appendix

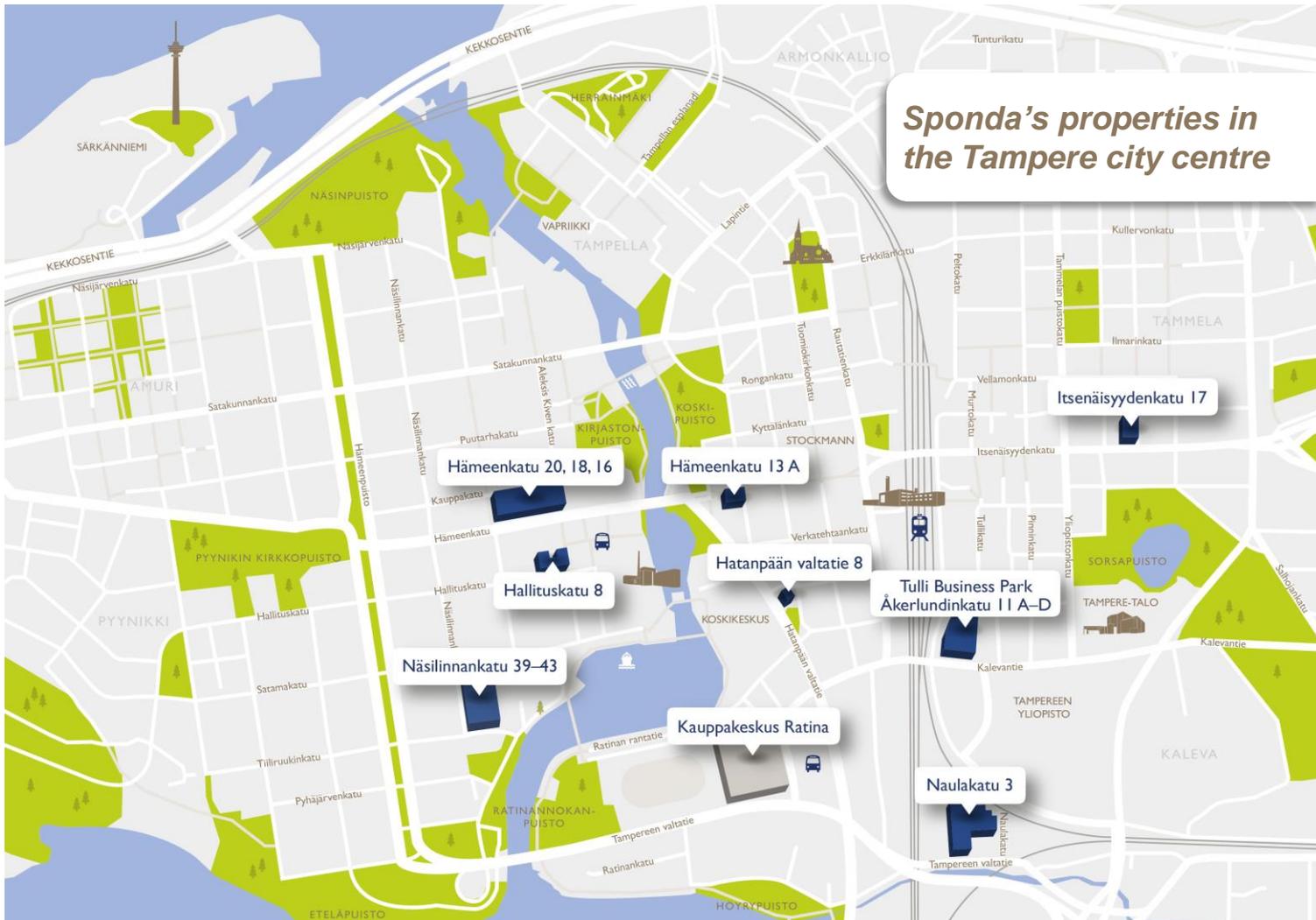


Property allocation

Total property portfolio value at 31 Mar 2017: EUR 3.8 billion







Sponda's properties in the Tampere city centre

Largest shareholders 31 March 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	2,403,952	0.71
8.	OP-Finland Small Firms Fund	2,313,556	0.68
9.	Odin Eiendom	1,640,890	0.48
10.	Danske Invest Finnish Institutional Equity Fund	1,092,000	0.32
	Nominee-registered shareholders 33.99% of the total		

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€	2013	2014	2015	2016	31.3.2017
Property development investments	14.0	22.0	65.2	60.9	21.6
Maintenance investments/ Tenant improvements	22.6	42.0	37.8	31.0	9.0
Acquisitions	3.1	65.0	4.7	590.5	-
Divestments	33.1	237.2	157.6	64.7	6.7

Segment performance

	Office		Shopping Centres	
	1-3/17	1-3/16	1-3/17	1-3/16
Net Operating Income, M€	29.8	28.4	14.4	11.1
Fair Value of Properties, M€	2,200.1	2,162.2	1,195.8	1,161.7
Change in Fair Value of Properties, M€	1.1	1.1	-1.1	0.2
Economic Occupancy Rate, %	89.0	88.1	92.6	93.8
Divestments, M€	0.8	5.0	-	-
Acquisitions, M€	-	160.7	-	426.8

Segment overview

	Fair value, M€ ¹	Valuation yield ²	EPRA Net initial yield ³	% of portfolio ⁴
Office	2 200.1	6.0%	5.6%	58%
Shopping Centres	1 195.8	5.2%	5.0%	31%
Property Development	212.7	N/A	N/A	6%
Non-strategic Holdings	Logistics: 82.5 Russia: 114.4 Property Investment Company: 22.4	N/A	N/A	5%

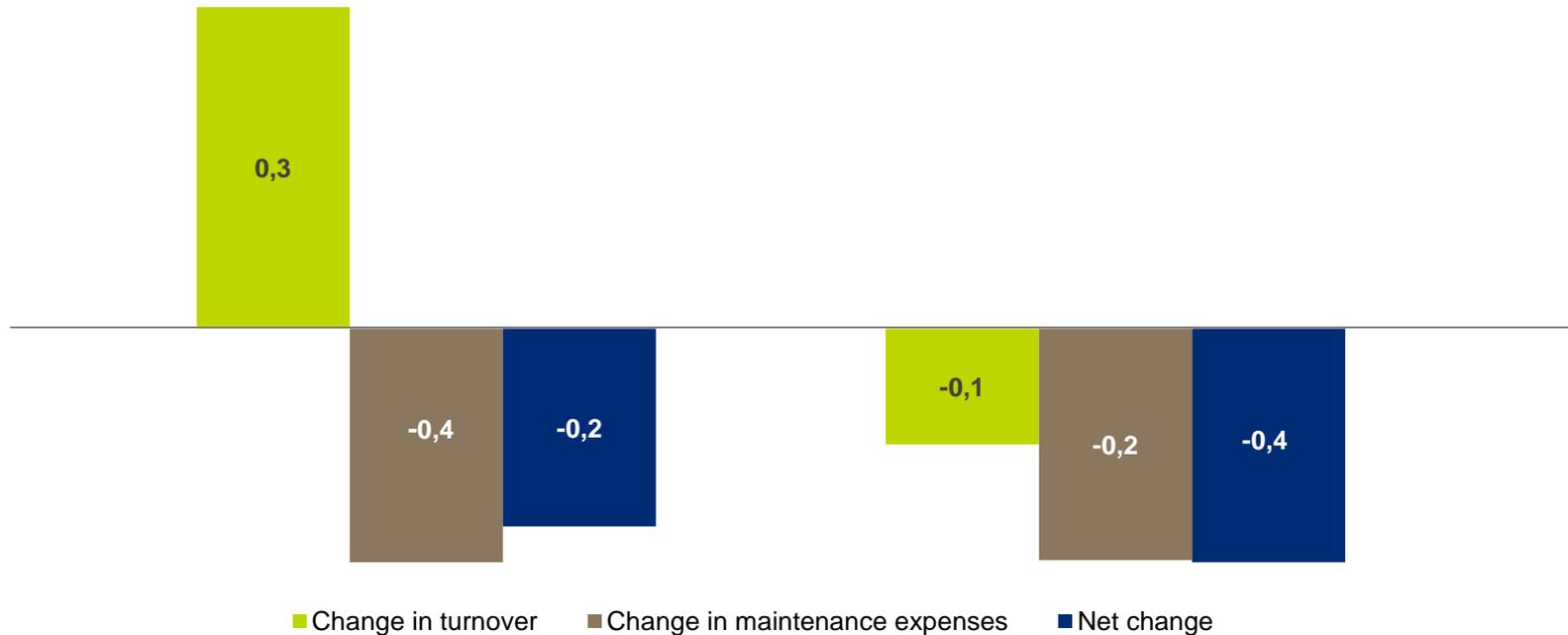
Like-for-like development in Q1 17

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.

M€

Offices Properties

Shopping Centres



Lease activity in Q1 17

	Pcs	M ²	€/m ² /month (avg)*
New agreements that came into force during the period	97	18,850	13.70
Agreements that ended during the period	109	20,532	27.90
Agreements that were extended during the period	108	45,984	24.90

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

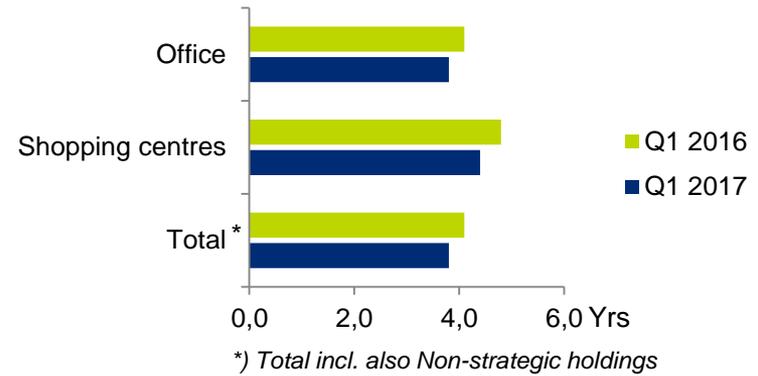
- All lease agreements in Finland are linked to CPI (upwards only)
- Ten largest tenants account for 29% of rental income
- Average lease maturity in Office Properties is 3.8 years and in Shopping Centres 4.4 year

Lease agreement composition Q1 17

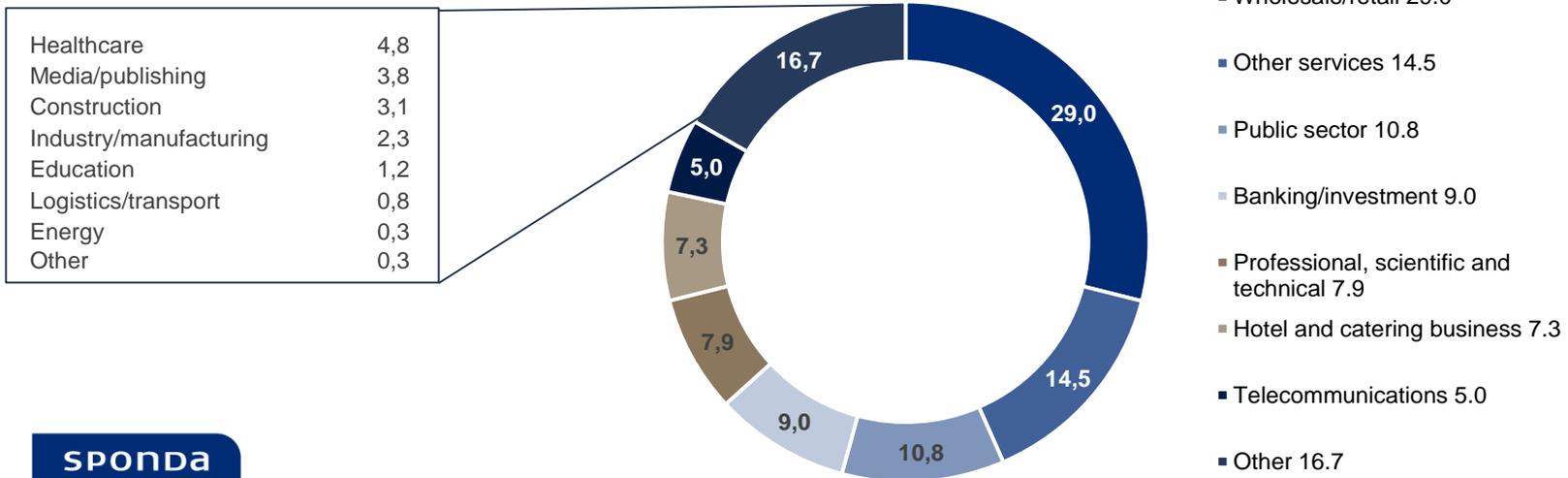
Lease maturity profile, % of rental income



Average lease maturity



Tenant breakdown by sector, based on rental income



Profit & loss statement

M€	1-3/2017	1-3/2016	1-12/2016
Total revenue	66.1	59.3	258.6
Expenses	-19.8	-17.2	-68.0
Net operating income	46.3	42.1	190.9
Profit on sale of inv. properties	2.1	0.2	0.8
Valuation gain / loss on fair value assessment	1.0	-2.0	26.7
Amortisation of goodwill	-1.2	-0.6	-3.1
Profit / loss on sales of associated companies	-	-	-0.1
Profit / loss on sale of trading properties	1.8	12.5	14.6
Sales and marketing expenses	-0.6	-0.6	-2.1
Administrative expenses	-5.1	-5.2	-20.6
Other operating income	0.0	0.4	0.5
Other operating expenses	0.0	-0.2	-0.8
Operating profit	44.3	46.7	206.7
Financial income and expenses	-12.2	-13.0	-51.2
Profit before taxes	32.2	33.7	155.5
Taxes from previous and current fin. years	-0.4	-2.3	-2.4
Deferred taxes	0.5	-4.6	-15.6
Income taxes, total	0.1	-7.0	-17.9
Profit for the period	32.3	26.7	137.5

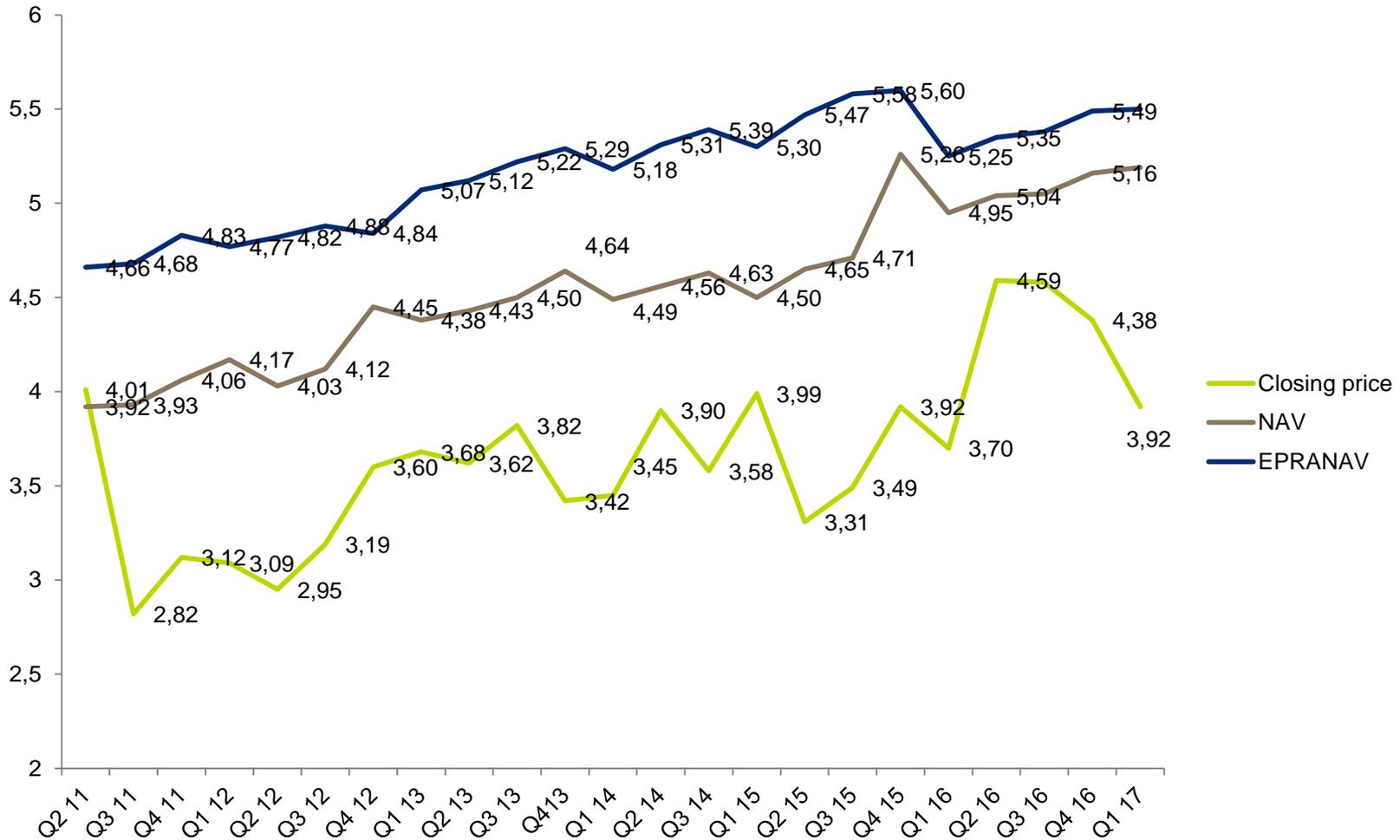
Balance sheet

M€	31.3.2017	31.3.2016	30.12.2016
ASSETS			
Investment properties	3,805.5	3,702.5	3,755.5
Other non-current assets	63.3	60.5	63.9
<i>Total non-current assets</i>	<i>3,868.8</i>	<i>3,763.0</i>	<i>3,819.4</i>
Total current assets	48.3	126.4	64.2
Non-current assets classified as held for sale	12.2	9.3	32.8
Total assets	3,929.3	3,898.6	3,916.5
SHAREHOLDERS' EQUITY AND LIABILITIES			
Total shareholders' equity	1,857.7	1,776.1	1,849.9
Total non-current liabilities	1,430.9	1,197.3	1,437.7
Total current liabilities	640.6	925.2	628.6
Liabilities directly associated with the assets classified as held for sale	0.1	0.0	0.3
Total equity and liabilities	3,929.3	3,898.6	3,916.5

EPRA key figures

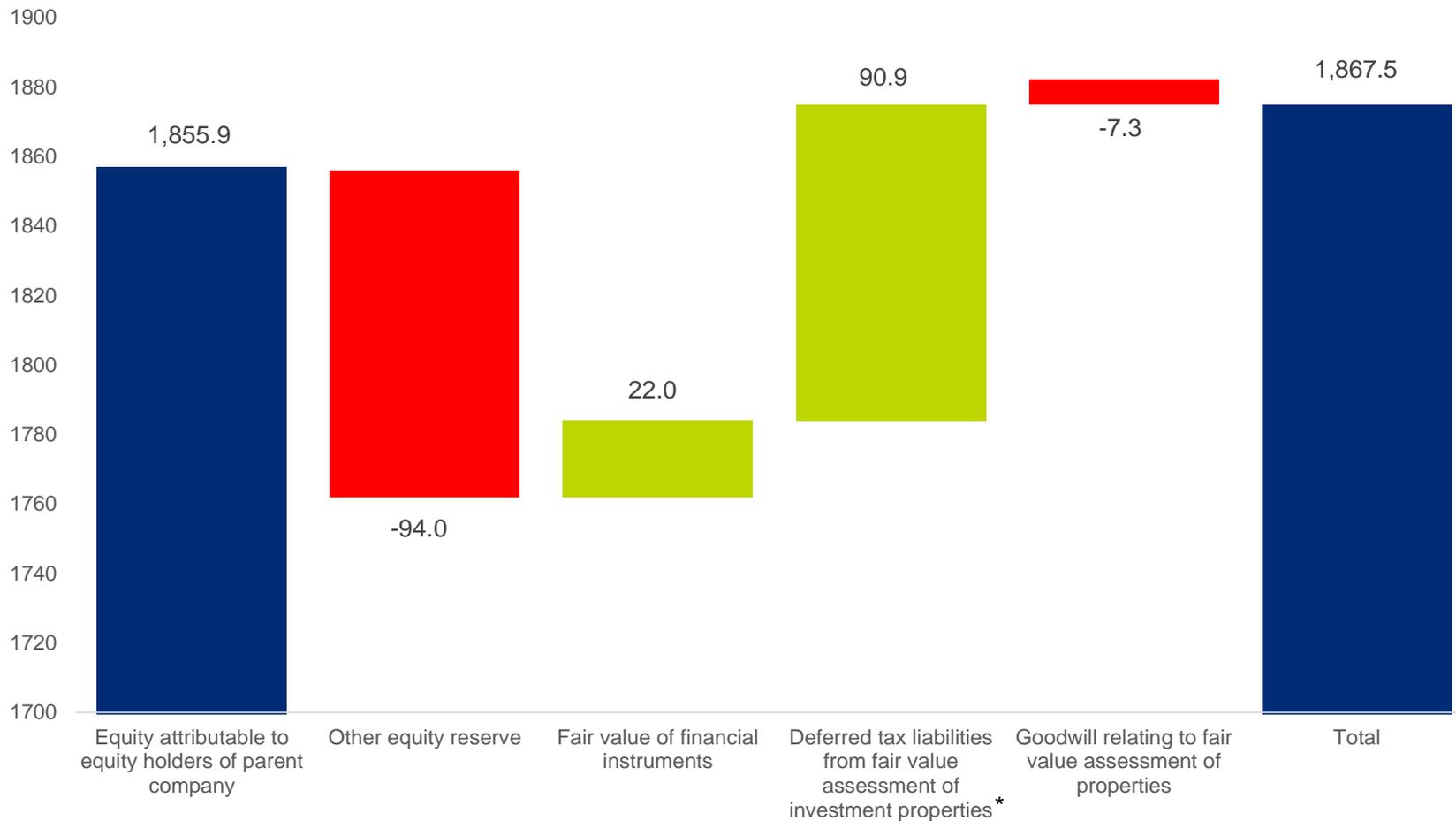
M€	1-3/2017	1-3/2016	1-12/2016
EPRA Earnings, M€	26.9	23.3	113.1
EPRA Earnings per share, €	0.08	0.08	0.35
Company adjusted EPRA Earnings, M€	28.3	21.7	113.7
Company adjusted EPRA Earnings per share, €	0.08	0.08	0.35
EPRA NAV/share, €	5.50	5.25	5.49
EPRA NNNAV/share, €	5.10	4.85	5.07
EPRA Net Initial Yield (NIY), %	5.38	5.52	5.29
EPRA “topped-up” NIY, %	5.39	5.55	5.31
EPRA Vacancy rate, %	10.89	11.35	10.38
EPRA Cost Ratio (including direct vacancy costs), %			16.36
EPRA Cost Ratio (excluding direct vacancy costs), %			12.40

NAV/share and EPRA NAV/share



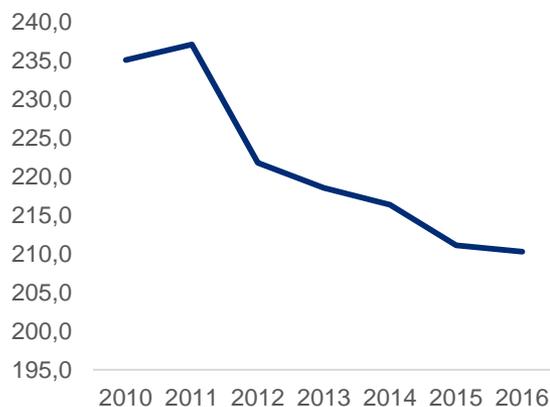
EPRA NAV calculation

5.50€/share

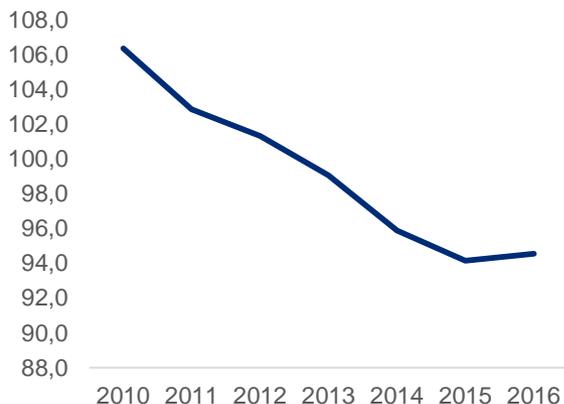


Long-term development of key environmental indicators*

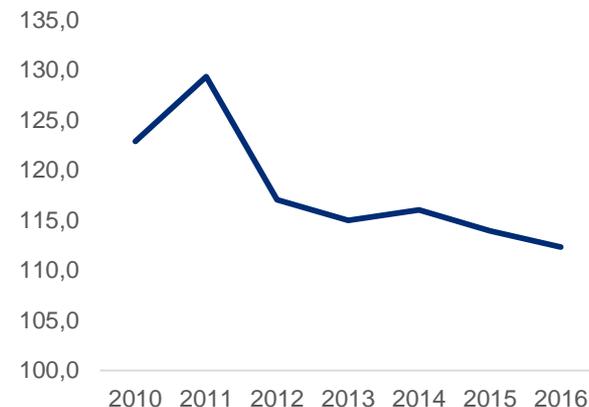
Energy consumption in total, MWh



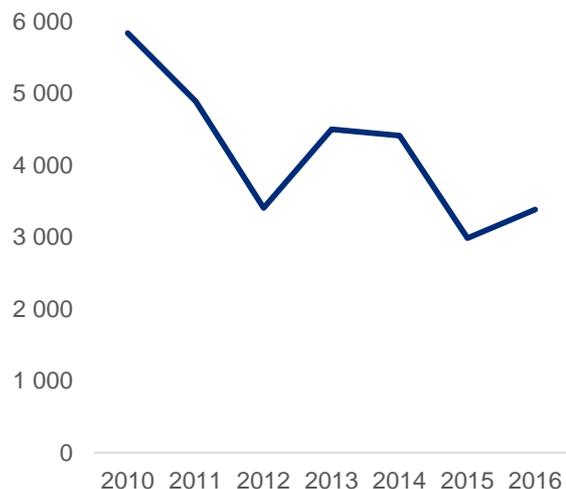
Electricity consumption, MWh



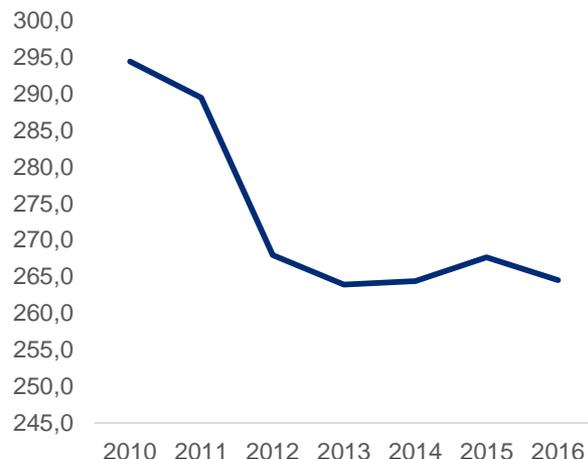
Heating consumption, normalised, MWh



District cooling consumption, MWh



Water consumption, m3



Waste recovery rate, %

